

Delmon Poultry Company B.S.C.

**Financial statements for the
year ended 31 December 2013**

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Financial statements for the year ended 31 December 2013

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Commercial registration	10700 obtained on 21 July 1980
Board of directors	Yousuf Saleh Al Saleh (<i>Chairman</i>) Abdul Nabi Nasser Salman (<i>Vice chairman</i>) Jaffar Habib Ahmed Abdul Rahman Mohamed Jamsheer Abdulredha Mohamed Al Daylami Abdulahussain Khalil Dewani Ebrahim Abdali Al Daaysi Jaffar Mohamed Ali Al Dhaif Talal Mohamed Abdulla Al Mannai
Executive Committee	Yousuf Saleh Al Saleh (<i>Chairman</i>) Abdul Nabi Nasser Salman (<i>Vice chairman</i>) Jaffar Habib Ahmed Abdul Rahman Mohamed Jamsheer
Audit Committee	Abdulredha Mohamed Al Daylami (<i>Chairman</i>) Ebrahim Abdali Al Daaysi Jaffar Mohamed Ali Al Dhaif Talal Mohamed Abdulla Al Mannai
Governance Committee	Talal Mohamed Abdulla Al Mannai (<i>Chairman</i>) Abdulredha Mohamed Al Daylami Abdulahussain Khalil Dewani Ebrahim Abdali Al Daaysi
Nomination and Remuneration Committee	Abdul Rahman Mohamed Jamsheer (<i>Chairman</i>) Abdul Nabi Nasser Salman Jaffar Habib Ahmed Abdulahussain Khalil Dewani
General Manager	Abdul Karim Ismaeel Al Alawi
Offices and plants	Administration and chicken processing plant Hamala, PO Box 20535 Telephone 17608282 Fax 17601930 Email: kalalawi@dawajen.bh Website: www.dawajen.bh Feedmill - Mina Salman Telephone 17727705 Chick hatchery - Al-Buhair Telephone 17624832

Delmon Poultry Company B.S.C.
Administration and contact details as at 31 December 2013 (continued)

Principal bankers	Ahli United Bank Bahrain Islamic Bank Bank of Bahrain and Kuwait National Bank of Bahrain
External auditors	BDO 17 Floor Diplomatic Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain
Internal auditor	Grant Thornton - Abdulaal 12 Floor, Al Nakeel Tower Seef District PO Box 11175 Kingdom Of Bahrain
Share registrar	Fakhro Karvy Computer Share W.L.L. PO Box 514 Manama Kingdom of Bahrain

Delmon Poultry Company B.S.C.
Directors' report for the year ended 31 December 2013

Dear Shareholders,

On behalf of myself and members of the Board of Directors, it is my pleasure to present to you the annual report of Delmon Poultry Company B.S.C for the year ended 31 December 2013.

World prices of raw material for poultry sector continued to increase constantly in 2013, and it has reflected heavily on the Company's performance. This is a result of fixed selling prices determined by the government and the difference between the production cost and the fixed selling prices is not fully covered by the government subsidy. The government is currently studying to find a format for subsidy provided to the company.

Despite the challenges faced by the Company, the Company achieved a net profit from operations after the government subsidy and the return on investment for the year ended 31 December 2013 of BD800,399 compared to net profit of BD 1,170,013 in 2012. This represents a decrease of BD 369,614, a drop of 32% compared to 2012, recording earning per share in 2013 of 26 fils against 38 fils in 2012, while total shareholder's equity increased in 2013 by 2.4% compared to 2012.

The decline in net profit is mainly due to a drop in profit from operations (Feedmill, Chicken and Chicks) after the government subsidy and other income for the year ended 31 December 2013 by 60% compared to 2012, for BD 414,924.

The returns achieved by the various sectors of the Company for the year ended 31 December 2013 are follows:

- 1) **Chicken:** The net profit for the Chicken processing plant after the government subsidy and other income for the year 2013 amounted to BD 1,492,534 against BD 1,575,701 for 2012, a drop of 5.3%, due to increase in the production costs for the processed chicken per KG by 0.8%.
- 2) **Feed:** The net loss of Feedmill Plant after the government subsidy and other income for 2013 increased by 58% compared to last year, where the results showed net loss in 2013 for Feedmill Plant, after the government subsidy and other income, of BD 890,235 compared to net loss for 2012 of BD 562,441. This is mainly due to the increase in the production cost as a result of world raw material prices increase with fixed prices of feed sold to chicken farmers and fixed government subsidy.
- 3) **Hatchery:** the Hatchery net loss for 2013 after other income was BD 319,925, compared to a net loss of BD 315,962 in 2012, with an increase in losses by BD 3,963.
- 4) **Investments and other Income:** In 2013 the Company achieved net profit from investments and other income amounted to BD 518,025 (represented 65% of the net profit for 2013), against net profit from investments and other income of BD 472,715 for 2012 (represented 40% of net profit for 2012), with an increase in total net profit of investments and other income in the year 2013 by 10% amounting to BD 45,310 and this was due to:
 - the increase in revenue from available for sale investments, listed and non listed companies shares, held-to-maturity investments and interest on fixed deposits amounted to BD 6,614.
 - decrease in the impairment loss on available-for-sale investments amounted to BD54,705.

- decrease in the Company's share of the profits from the associate "Bahrain Livestock Company" amounted to BD 15,313. It is worth mentioning that a provision of BD 900,000 had been made in the financial statements of the associates books to amortize the losses they incurred on a shipment of sheep which was not allowed to be unloaded by the veterinary authorities in the Kingdom of Bahrain (disclosed in the report of the Board of Directors of Delmon Poultry Company in 2012) of a cost of 4 million US Dollars. The provision will be increased in the year 2014, if needed, to cover the total losses of the rejected shipment. Bahrain Livestock Company still continues to provide subsidised chilled meat and livestock in local markets.
- decrease in other income amounting to BD 696.

Based on the results achieved, the Board of Directors has recommended for the approval of the shareholders the following appropriations:

- a) Distribution of cash dividends to shareholders representing 15% of the nominal value of the shares which is equivalent to BD 462,170.
- b) Retain of BD 2,929,067 as retained earnings carried forward for next year.

The Board of Directors of the Company also recommend approving the payment of director's remuneration of BD 71,594 for the year ended 31 December 2013 which was accounted for in the statement of profit or loss for the year ended 31 December 2013 (2012: BD 90,000).

An amount of BD 50,550 paid during the year 2013 to members of the Board of Directors for attending meetings and other allowances accounted for in the financial statements for the for the year ended 31 December 2013 (BD 46,500 in 2012).

The Company is continuing implementation of its strategic plan, in particular sharing in establishment of parent stock project "Osool Poultry Company" to produce the hatching eggs, which is intended to be constructed in the Sultanate of Oman with the participation of strategic partners from the GCC. The company's establishment is expected to be announced in 2014. The Company is also planning to implement the first phase of rehabilitation of Feedmill Plant, Chicken Processing Plant and increasing the production capacity for the Hatchery to produce one day old chicks if a plot of land is allocated by the government.

The Company's Board of Directors is seeking to apply the highest standards and best practices for corporate governance issued by the Ministry of Industry and Commerce and the Central Bank of Bahrain and continuing to seek to enhance the optimal application of all the requirements of the Corporate Governance Charter. The Corporate Governance report for 2013 includes full details on the disclosures related to corporate governance and the Company's compliance towards it.

I am pleased to extend on behalf of myself, the Board of Directors and shareholders, great appreciation and gratitude to His Majesty King Hamad bin Isa Al Khalifa the beloved King of the Kingdom of Bahrain and to His Royal Highness Prince Khalifa bin Salman Al Khalifa, Prime Minister and to His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Deputy Supreme Commander and first Deputy Prime Ministers may Allah bless them all for their wise leadership and guidance and continued support for economic development in the Kingdom of Bahrain, and to His Excellency Sheikh Khalid bin Abdullah Al Khalifa, Deputy Prime Minister and Chairman of the Ministerial Committee for Services and infrastructure for his distinguished wise directions to achieve food security in the Kingdom of Bahrain, and to all ministries, governmental agencies and institutions for their continued support of the Company, and in particular, His Excellency Minister of Industry and Commerce, His Excellency Minister of Finance, His Excellency Minister of Municipalities Affairs and Urban Planning.

Delmon Poultry Company B.S.C.
Directors' report for the year ended 31 December 2013

In conclusion, we would like to express our appreciation and deep thanks to the valued shareholders and all the clients of the Company for their valued confidence and support, as well as to the executive management and all employees of the Company for their commitment, dedication and efforts during the year, wishing to continue exerting more efforts for the prosperity and development of the company.

We ask God for success for the good of everyone.

Peace be upon you and God's mercy and blessings.



Yousuf Saleh Al-Saleh
Chairman of the Board
23 February 2014

- * Although the proposed dividend by directors was 15% a resolution was passed at the Annual General Meeting held on 23 March 2014, whereby the cash dividends was increased to 20% of the nominal value of the shares which is equivalent to BD616,226 for the year 2013.

Independent auditor's report to the shareholders of Delmon Poultry Company B.S.C.

Report on the financial statements

We have audited the accompanying financial statements of Delmon Poultry Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2013, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 from 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 auditor's 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 policies 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The financial statements of the Company for the year ended 31 December 2012 were audited by another auditor who expressed an unqualified audit opinion on those statements in their report dated 13 February 2013.

Report on other legal and regulatory requirements

Further, as required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001, we report that:

1. we have obtained all the information we considered necessary for the purpose of our audit;
2. the Company has carried out stocktaking in accordance with recognised procedures, has maintained proper books of account and the financial statements are in agreement therewith; and
3. the financial information included in the Directors' report is consistent with the books of account of the Company.

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001 or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2013.



Manama, Kingdom of Bahrain
23 February 2014



BDO Public Accountants, a Bahraini registered partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.


BDO Public Accountants, CR No. 10201, is a wholly owned subsidiary of Jawad Habib & Co.

Delmon Poultry Company B.S.C.
Statement of financial position as at 31 December 2013
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Non-current assets			
Property, plant and equipment	5	998,756	724,119
Investment in an associate	6	2,347,477	2,244,274
Available-for-sale investments	7	3,532,366	3,742,637
Held-to-maturity investments	8	750,000	500,000
Total non-current assets		7,628,599	7,211,030
Current assets			
Inventories	9	1,444,276	1,375,057
Trade and other receivables	10	1,320,824	2,276,686
Term deposits	11	1,102,820	-
Cash and cash equivalents	12	4,017,584	4,545,980
Total current assets		7,885,504	8,197,723
TOTAL ASSETS		15,514,103	15,408,753
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	3,120,928	3,120,928
Less: Treasury shares	13	(59,857)	(59,857)
		3,061,071	3,061,071
Statutory reserve	14(i)	1,560,464	1,560,464
General reserve	14(ii)	3,993,000	3,993,000
Development and raw material reserve	14(iii)	1,000,000	1,000,000
Investment fair value reserve	14(iv)	1,864,748	1,699,614
Retained earnings		3,391,237	3,207,064
Total shareholders' equity		14,870,520	14,521,213
Non-current liabilities			
Employees' terminal benefits	15	16,938	38,906
Current liabilities			
Trade and other payables	16	626,645	848,634
TOTAL EQUITY AND LIABILITIES		15,514,103	15,408,753

These financial statements, set out on pages 8 to 43, were approved for issue by the Board of Directors on 23 February 2014 and signed on its behalf by:


Yousuf Saleh Al Saleh
Chairman


Abdul Nabi Nasser Salman
Vice chairman

Delmon Poultry Company B.S.C.
Statement of profit or loss for the year ended 31 December 2013
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Sales	17	14,492,684	14,647,408
Cost of sales	18	<u>(15,729,655)</u>	<u>(15,487,685)</u>
Gross loss for the year		(1,236,971)	(840,277)
Other operating expenses	19	<u>(676,822)</u>	<u>(609,565)</u>
Operating loss before government subsidy		(1,913,793)	(1,449,842)
Government Subsidy	20	<u>2,194,661</u>	<u>2,146,992</u>
Profit from operations		280,868	697,150
Investment income	21	310,149	303,535
Share of profit in an associate	6	279,367	294,680
Other income		6,577	5,915
Impairment loss on available for-sale-investments	7	<u>(76,562)</u>	<u>(131,267)</u>
Net profit for the year		<u>800,399</u>	<u>1,170,013</u>
Basic and diluted earnings per share	22	<u>fi1s26</u>	<u>fi1s38</u>

Delmon Poultry Company B.S.C.**Statement of other comprehensive income for the year ended 31 December 2013****(Expressed in Bahraini Dinars)**

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Net profit for the year		800,399	1,170,013
Other comprehensive income:			
<i>Items that may be reclassified into profit or loss:</i>			
Unrealised fair values gains/(losses) on available-for-sale investments	7	226,750	(23,497)
Transferred to statement of profit or loss on impairment of available for-sale-investments	7	-	37,820
Transferred to statement of profit or loss on sale/maturity of available-for-sale-investments		(69,929)	(16,633)
Company's share in associate's net change in investments' fair value	6	<u>8,313</u>	<u>20,492</u>
Other comprehensive income for the year		<u>165,134</u>	<u>18,182</u>
Total comprehensive income for the year		<u>965,533</u>	<u>1,188,195</u>

Delmon Poultry Company B.S.C.
Statement of changes in shareholders' equity for the year ended 31 December 2013
(Expressed in Bahraini Dinars)

	Notes	Share capital	Treasury shares	Statutory reserve	General reserve	Development and raw material reserve	Investment fair value reserve	Retained earnings	Total
As at 31 December 2011		3,120,928	(51,831)	1,560,464	3,993,000	1,000,000	1,681,432	2,653,946	13,957,939
Dividend distributed for 2011	23	-	-	-	-	-	-	(616,895)	(616,895)
Purchase of treasury shares		-	(8,026)	-	-	-	-	-	(8,026)
Total comprehensive income for the year		-	-	-	-	-	18,182	1,170,013	1,188,195
As at 31 December 2012		3,120,928	(59,857)	1,560,464	3,993,000	1,000,000	1,699,614	3,207,064	14,521,213
Dividend distributed for 2012	23	-	-	-	-	-	-	(616,226)	(616,226)
Total comprehensive income for the year		-	-	-	-	-	165,134	800,399	965,533
As at 31 December 2013		3,120,928	(59,857)	1,560,464	3,993,000	1,000,000	1,864,748	3,391,237	14,870,520

Delmon Poultry Company B.S.C.
Statement of cash flows for the year ended 31 December 2013
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Operating activities			
Cash received from customers		12,764,341	11,548,676
Subsidy received from Government of Bahrain		3,703,648	3,665,636
Payments to suppliers		(13,658,367)	(12,149,688)
Payments to employees and others		(1,672,837)	(1,546,223)
Directors' remuneration paid		(90,000)	(90,000)
Net cash provided by operating activities		<u>1,046,785</u>	<u>1,428,401</u>
Investing activities			
Purchase of property, plant and equipment		(358,319)	(431,217)
Purchase of available-for-sale investments	7	(2,000)	-
Purchase of held-to-maturity investments		(250,000)	-
Proceeds from sale of property, plant and equipment		878	-
Proceeds from sales/maturity of available-for-sale investments		292,529	408,535
Net movement in term deposits		(1,102,820)	-
Dividends received from the investment in an associate		184,477	167,707
Interests and dividends received		<u>265,651</u>	<u>289,229</u>
Net cash (used in)/provided by investing activities		<u>(969,604)</u>	<u>434,254</u>
Financing activities			
Dividends paid		<u>(605,577)</u>	<u>(607,151)</u>
Net cash used in financing activities		<u>(605,577)</u>	<u>(607,151)</u>
Net (decrease)/increase in cash and cash equivalents		(528,396)	1,255,504
Cash and cash equivalents, beginning of the year		<u>4,545,980</u>	<u>3,290,476</u>
Cash and cash equivalents, end of the year	12	<u>4,017,584</u>	<u>4,545,980</u>

1 Organisation and activities

Delmon Poultry Company B.S.C. ("the Company") is a public shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 10700 obtained on 21 July 1980.

The principal objectives 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 is also 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

The registered office of the Company is in the Kingdom of Bahrain.

2 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the requirements of the Bahrain Commercial Companies Law, Decree Number 21 of 2001.

Basis of presentation

The financial statements have been prepared using going concern assumption and under the historical cost convention, modified by the remeasurement of available-for-sale investments at the statement of financial position date.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas requiring exercise of judgment in applying Company's accounting policies are disclosed in Note 4 to the financial statements.

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Bahraini Dinars (BD), which is the Company's presentation currency.

2 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2013

The following new standards, amendments to existing standards or interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2013 and have been adopted in the preparation of the financial statements:

a) IAS 1 - "Presentation of Financial Statements"

The main change requires entities to present line items for OCI amounts by nature and to group items presented in OCI into two categories:

- those that could subsequently be reclassified to profit or loss (reclassification adjustments); and
- those that will not be reclassified.

In addition, a change was made to the title of the statement of comprehensive income. This is now referred to as the 'statement of profit or loss and other comprehensive income'. However, the flexibility currently in IAS 1 to use other titles will remain.

b) IFRS 13 - "Fair Value Measurement"

IFRS 13 sets out the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other IFRSs.

As a result, the guidance and requirements relating to fair value measurement that were previously located in other IFRSs have now been relocated to IFRS 13. IFRS 13 intends to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

IFRS 13 does not materially affect any fair value measurements of the Company's assets or liabilities, with changes being limited to presentation and disclosure, and therefore has no effect on the Company's financial position or performance. In addition, IFRS 13 is to be applied prospectively and therefore comparative disclosures have not been presented.

See note 4 and 26 for critical accounting estimates and judgements and further references for more details related to fair value measurement.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2013 but not relevant

The following new standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2013 or subsequent periods, but are not relevant to the Company's operations:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 16	Property, Plant and Equipment	1 January 2013
IAS 19	Employee benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Financial Instruments - Presentation	1 January 2013
IAS 34	Interim Financial Reporting	1 January 2013
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 January 2013
IFRS 7	Financial Instruments - Disclosures	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Agreements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of Surface Mine	1 January 2013

Improvements/amendments to IFRS 2011/2013 cycle

Improvements/amendments to IFRS issued in 2011/2013 cycle 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 are effective for the Company's annual audited financial statements beginning on or after 1 January 2014 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Standards, amendments and interpretations issued but not yet effective in 2013

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2013 or subsequent periods have not been early adopted by the Company's management:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 16	Property, Plant and Equipment	1 July 2014
IAS 24	Related Party Disclosures	1 July 2014
IAS 32	Financial Instruments - Presentation	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 38	Intangible Assets	1 July 2014
IAS 40	Investment Property	1 July 2014
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2014

2 Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective in 2013 (continued)

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 2	Share Based Payment	1 July 2014
IFRS 3	Business Combinations	1 July 2014
IFRS 7	Financial Instruments - Disclosures	1 January 2015
IFRS 8	Operating Segments	1 July 2014
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2015
IFRS 13	Fair Value Measurement	1 July 2014
IFRIC 21	Leases	1 January 2014

There would have been no change in the operational results of the Company for the year ended 31 December 2013 had the Company early adopted any of the above standards applicable to the Company, except for the adoption of IFRS 9 would result impact the classification and measurement of certain financial assets and liabilities.

Early adoption of amendments or standards in 2013

The Company did not early-adopt any new or amended standards in 2013.

3 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements is set out below. These policies have been constantly applied to all the years presented, unless otherwise stated.

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 statement of profit or loss as an expense when incurred.

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, IT and software	2-5 years

All depreciation is charged to the statement of profit or loss. When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed and any resultant gain or loss is taken is recognized in the statement of profit or loss.

Capital work-in-progress will be capitalised and depreciated when they are put to commercial use. Depreciation on capital work-in-progress is not charged until such time as these assets are completed and transferred to the respective category of property, plant and equipment.

3 Significant accounting policies (continued)

Investment in an associate

Associates are those enterprises in which the Company holds, directly or indirectly, more than 20% of the voting power or exercises significant influence, but not control, over the financial and operating policies.

The investments are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity. 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 the associate. Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of profit or loss. The same policy is followed for any incremental stake acquired while maintaining significant influence.

Financial assets

(a) Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the statement of financial position date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Available-for-sale investments are initially recognised at cost but are subsequently carried at fair value. Any unrealised gains and losses arising from changes in the fair value of available-for-sale investments are taken to a fair value reserve in shareholders' equity. When available-for-sale investments are sold or assessed as impaired, the accumulated fair value adjustments are included in the statement of profit or loss as gains or losses from available-for-sale investments.

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. The cost of purchase includes transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has substantially transferred all the risks and rewards of ownership.

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a Company of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, 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 shareholders' equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of other comprehensive income in subsequent periods.

3 Significant accounting policies (continued)

Financial assets (continued)

(b) Held-to-maturity investments

Investments with a fixed maturity date that management has the intention and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the statement of financial position date which are classified as current assets. Such investments are initially recognised at cost and are subsequently carried at amortised cost using the effective yield method. Any realised and unrealised gains or losses arising either from derecognition or impairment are recognised in the statement of profit or loss.

(c) Trade and other receivables

Trade and other receivables are carried at their anticipated realisable values. A provision is made for impaired trade receivables based on a review of all outstanding amounts at the year-end. Impaired trade receivables are written-off during the year in which they are identified.

Financial liabilities

(a) Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

The Company recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash on hand, bank balance and short term deposits maturing within 90 days.

Inventories

Inventories of raw materials and packing materials are stated at the lower of cost and net realisable value. Cost, which is determined on the first-in first-out basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

Finished goods are valued at the lower of cost and net realisable value determined on the weighted average basis. Cost comprises of direct materials, direct labour and an appropriate allocation of direct production overheads.

3 Significant accounting policies (continued)

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.

Employees' benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Company contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Company's contributions are charged to the statement of profit or loss in the year to which they relate. In respect of this plan, the Company has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Company accrues for its liability in this respect on an annual basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received/receivable. Revenue from sale of chickens, feeds and chicks are recognised when goods are delivered to the customers.

Dividend income from investments is recognised when declared. Bank interest is recognised on accrual basis.

Other operating expenses

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

3 Significant accounting policies (continued)

Government subsidy

Government subsidy related to sale of chickens and feeds in Bahrain received as a compensation due to price control policy exercised by the Government are recognised in the statement of profit or loss as other operating revenue when the subsidy becomes receivable. Government subsidies toward farmers' production of chickens are recognised upon receipt of live chickens from farmers and calculated based on process weight of the chickens and are treated as a reduction from cost of sales.

Proposed appropriations

Dividends and other proposed appropriations are recognised as liability in the period in which they are approved by the shareholders.

Board members' remuneration

Board members' remuneration is recognised in the statement of profit or loss on accrual basis.

Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease

4 Critical accounting judgment and key source of estimation uncertainty

Preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

- economic useful lives of property, plant and equipment;
- classification of investments;
- fair valuation of available-for-sale investments;
- impairment of available-for-sale investments;
- fair value measurement;
- provisions; and
- contingencies.

4 Critical accounting judgment and key source of estimation uncertainty (continued)

Economic useful lives of property, plant and equipment

The Company's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. Economic useful lives of property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

Classification of investments

In the process of applying the Company's accounting policies, management decides on acquisition of an investment whether it should be classified as investments designated at fair value through profit or loss, held-to-maturity or available-for-sale investment securities. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Fair valuation of available-for-sale investments

The Company determines fair values of available-for-sale investments that are not quoted in active markets by using valuation techniques such as discounted cash flows and recent transaction prices. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the available-for-sale investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of the management of the investee companies, and based on the latest available audited and un-audited financial statements.

Impairment of available-for-sale investments

The Company determines that available-for-sale investments 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 and is assessed for each investment separately. In case of quoted equity securities, the Company considers a decline of more than 30% in the fair value below cost to be significant and considers a decline below cost which persists for more than 6 months as prolonged.

Where fair values are not readily available and the available-for-sale investments are carried at cost, the recoverable amount of such investment is subject to a test for impairment. A significant portion of the Company's available-for-sale investments comprise of investments in long-term real estate development projects. In making a judgment of impairment, the Company evaluates among other factors, evidence of a deterioration in the financial health of the project, impacts of delays in execution, industry and sector performance, changes in technology, and operational and financing cash flows.

4 Critical accounting judgment and key source of estimation uncertainty (continued)

Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Company that either require fair value measurements or only fair value disclosures as at 31 December 2013 is shown in Note 26.

Provisions

The Company creates provision for impaired trade receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2013, in the opinion of the management a provision of BD4,723 (2012: BD4,723) is required for impaired trade receivables. When evaluating the adequacy of the provision for impaired trade receivables, management bases its estimate on current overall economic conditions, ageing of the trade receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the provision for impaired trade receivables recorded in the financial statements.

The Company also creates provision for obsolete and slow-moving inventories. At 31 December 2013, in the opinion of the Company's management, no provision was required for obsolete and slow-moving inventories (2012: BDNil). When evaluating the adequacy of an allowance for obsolete and slow-moving inventories, management bases its estimate on current overall economic conditions, ageing of the inventories, historical write-off experience, and non movements in inventories. Changes in the economy, industry or specific inventory conditions may require adjustments to the allowance for obsolete and slow moving inventories recorded in the financial statements.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5 Property, plant and equipment

	Buildings	Plant and machinery	Furniture, vehicles tools, IT and software	Work-in-progress	Total
Cost					
At 31 December 2011	3,474,918	4,365,385	1,675,137	20,845	9,536,285
Additions	74,178	20,577	242,925	233,742	571,422
Disposals	-	-	(247,965)	-	(247,965)
At 31 December 2012	3,549,096	4,385,962	1,670,097	254,587	9,859,742
Adjustments	(32,837)	19,262	(50,923)	-	(64,498)
Additions	5,220	22,229	80,326	299,286	407,061
Transfers	28,020	-	192,617	(220,637)	-
Disposals	-	(13,949)	(101,952)	-	(115,901)
At 31 December 2013	<u>3,549,499</u>	<u>4,413,504</u>	<u>1,790,165</u>	<u>333,236</u>	<u>10,086,404</u>
Accumulated depreciation					
At 31 December 2011	3,337,831	4,210,909	1,493,659	-	9,042,399
Charge for the year	34,257	29,060	54,908	-	118,225
Disposals	(159)	-	(24,842)	-	(25,001)
At 31 December 2012	3,371,929	4,239,969	1,523,725	-	9,135,623
Adjustments	-	65,081	(129,762)	-	(64,681)
Charge for the year	15,479	24,971	92,157	-	132,607
Disposals	-	(13,949)	(101,952)	-	(115,901)
At 31 December 2013	<u>3,387,408</u>	<u>4,316,072</u>	<u>1,384,168</u>	<u>-</u>	<u>9,087,648</u>
Net book value					
At 31 December 2013	<u>162,091</u>	<u>97,432</u>	<u>405,997</u>	<u>333,236</u>	<u>998,756</u>
At 31 December 2012	<u>177,167</u>	<u>145,993</u>	<u>146,372</u>	<u>254,587</u>	<u>724,119</u>

The depreciation charge for the year has been allocated as follows:

	31 December 2013	31 December 2012
Cost of sales (Note 18)	96,817	91,256
Other operating expenses (Note 19)	<u>35,790</u>	<u>26,969</u>
	<u>132,607</u>	<u>118,225</u>

The reclaimed land at Mina Salman on which the feedmill was built and the land at Hamala on which the administration and the slaughter house, and the land at Buhair on which chicks hatchery is built are all leased by Company from the Government. The lease amount for 2013 was BD24,274 (2012: BD24,274).

The capital work-in-progress majorly relates to expenditures incurred to building warehouse in the feed mill plant and IT software.

6 Investment in an associate

The following are been included in the financial statements using the equity method:

<u>Name of Associate Company</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest 2013</u>	<u>Effective ownership interest 2012</u>
Bahrain Livestock Company B.S.C. (c)	Kingdom of Bahrain	Import, export and sale of livestock	<u>36.26%</u>	<u>36.26%</u>
		<u>Carrying amount</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
Opening balance		2,183,190	2,244,274	2,096,809
Movement during the year:				
Share of Company in profit for the year		279,367	279,367	294,680
Company's share of the associate's net change in fair value of the investments and other reserves		8,313	8,313	20,492
Dividends received		<u>(184,477)</u>	<u>(184,477)</u>	<u>(167,707)</u>
Closing balance		<u>2,286,393</u>	<u>2,347,477</u>	<u>2,244,274</u>

<u>Summary of financial information of associate</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
Current assets	12,923,538	9,962,020
Non-current assets	<u>1,073,628</u>	<u>1,171,440</u>
Total assets	13,997,166	11,133,460
Current liabilities	7,210,141	4,631,021
Non-current liabilities	<u>482,127</u>	<u>482,127</u>
Total liabilities	7,692,268	5,113,148
Revenues	56,417,000	57,034,133
Expenses	<u>55,646,624</u>	<u>56,221,447</u>
Net profit	<u>770,376</u>	<u>812,686</u>

The Company owns 36.26% share in Bahrain Livestock Company B.S.C. (closed). The results and statement of financial position accounted for in these financial statements are based on unaudited financial statements for the year ended 31 December 2013 (2012: unaudited 31 December 2012), being the latest available information.

7 Available-for-sale investments

	31 December 2013	31 December 2012
Opening balance	3,742,637	4,288,711
Additions	2,000	-
Maturity/sale	(362,459)	(429,130)
Net unrealised fair value gain/(losses) for the year	<u>226,750</u>	<u>(23,497)</u>
	3,608,928	3,836,084
Impairment loss on available-for-sale investments	<u>(76,562)</u>	<u>(93,447)</u>
Closing balance	<u>3,532,366</u>	<u>3,742,637</u>
Analysis of investments	31 December 2013	31 December 2012
Quoted equity securities	2,716,626	2,492,992
Unquoted equity securities	147,061	145,416
Managed funds	<u>668,679</u>	<u>1,104,229</u>
	<u>3,532,366</u>	<u>3,742,637</u>

Impairment loss recognised in statement of profit or loss during the year is as below:

	31 December 2013	31 December 2012
Impairment loss on available-for-sales investments	76,562	93,447
Net movement through investment fair value reserve in statement of other comprehensive income	<u>-</u>	<u>37,820</u>
	<u>76,562</u>	<u>131,267</u>

The Company has performed an impairment assessment over the available-for-sale investments and concluded that certain of those investments are impaired. Accordingly, an impairment loss of BD76,562 (2012: BD131,267) has been charged to the statement of profit or loss.

Available-for-sale investments are denominated in the following currencies:

Currency	31 December 2013	31 December 2012
Bahrain Dinar	2,082,450	2,014,379
United States Dollar	1,295,811	1,574,398
EURO	55,800	55,800
Kuwait Dinar	77,061	77,416
Qatari Riyal	20,834	20,441
UAE Dirham	<u>410</u>	<u>203</u>
	<u>3,532,366</u>	<u>3,742,637</u>

8 Held-to-maturity investments

	31 December 2013	31 December 2012
Islamic leasing sukuk Kingdom of Bahrain	500,000	500,000
Bahrain government development bond	<u>250,000</u>	<u>500,000</u>
	<u>750,000</u>	<u>500,000</u>

Held-to-maturity investments represent Government of Kingdom of Bahrain bonds carrying coupon interest of 5.5% (2012: coupon interest 5.5%) and having maturity period ranging between 5 years to 7.5 years (2012: 7.5 Years)

9 Inventories

	31 December 2013	31 December 2012
Finished goods		
- Feed	59,256	64,656
- Frozen/chilled chicken	79,603	4,572
Hatching eggs - hatchery	121,956	79,055
Raw material and packing materials	684,016	703,176
Spare parts for plant and machinery	<u>499,445</u>	<u>523,598</u>
	<u>1,444,276</u>	<u>1,375,057</u>

10 Trade and other receivables

	31 December 2013	31 December 2012
Gross receivables	655,778	859,625
Less: Provision for impairment	<u>(4,723)</u>	<u>(4,723)</u>
	651,055	854,902
Government subsidy receivable	292,157	877,942
Advances to suppliers	334,628	441,303
Others	63,543	123,098
Less: impairment provision on other receivables	<u>(20,559)</u>	<u>(20,559)</u>
	<u>1,320,824</u>	<u>2,276,686</u>

Trade receivables are generally on 30 to 60 days credit terms.

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total	Less than 60 days	More than 60 days
At 31 December 2013	<u>651,055</u>	<u>612,955</u>	<u>38,100</u>
At 31 December 2012	<u>854,902</u>	<u>819,402</u>	<u>35,500</u>

10 Trade and other receivables (continued)

Unimpaired trade receivables are expected to be fully recoverable and unsecured. It is not the policy of the Company to obtain collateral against the trade receivables. In the opinion of the Company's management, the fair values of the trade and other receivables are not expected to be significantly different from their carrying values.

The Company's trade receivables are primarily denominated in Bahrain Dinars.

11 Term deposits

Term deposits held with the Company's bankers earn average rate of return of 1.83% (2012: Nil), are denominated in Bahrain Dinars and have maturities of more than three months but less than six months.

12 Cash and cash equivalents

	31 December 2013	31 December 2012
Short-term deposits	3,554,512	4,060,728
Current account balances with banks	419,359	425,342
Cash on hand	43,713	59,910
	<u>4,017,584</u>	<u>4,545,980</u>

The current account balances with banks are non-interest bearing.

Short-term deposits held with the Company's bankers earn average rate of return of 1.51% (2012: average rate of return was 1.59%), are denominated in Bahrain Dinars and have original maturities of three months or less.

13 Share capital

	31 December 2013	31 December 2012
Authorised		
100,000,000 ordinary shares of 100 fils each (2012: 100,000,000 ordinary shares of 100 fils each)	<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and fully paid-up:		
31,209,277 ordinary shares of 100 fils each (2012: 31,209,277 ordinary shares of 100 fils each)	3,120,928	3,120,928
Less: 397,982 treasury shares (2012: 397,982 shares)	<u>(59,857)</u>	<u>(59,857)</u>
	<u>3,061,071</u>	<u>3,061,071</u>

13 Share capital (continued)

Additional information on shareholding pattern

- i) The names and nationalities of the major shareholders holding 5% or more of the issued shares as at 31 December 2013 and 31 December 2012 are as follows:

<u>2013</u>	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of share-holding interest</u>
Social Insurance Organization	Bahraini	6,002,032	19.23%
General Poultry Company B.S.C. (c)	Bahraini	4,576,383	14.66%
Trafco Group B.S.C.	Bahraini	3,054,366	9.79%
Abdulhameed Zainal Mohammed	Bahraini	2,015,231	6.46%
Fuad Ebrahim Yusuf Al Mutawa	Bahraini	1,969,076	6.31%

- ii) The Company has only one class of equity shares and the holders of the shares have equal voting rights.
- iii) The distribution of the Company's equity shares analysed by the number of shareholders and their percentage of shareholding as at 31 December is set out below:

<u>2013</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares *</u>
Less than 1%	1,527	9,614,417	30.80%
Between 1% and 5%	8	3,977,772	12.75%
Between 5% and 10%	3	7,038,673	22.55%
Between 10% and 20%	2	10,578,415	33.90%
	<u>1,540</u>	<u>31,209,277</u>	<u>100.00%</u>

<u>2012</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares *</u>
Less than 1%	1,531	9,614,417	30.80%
Between 1% and 5%	7	3,977,772	12.75%
Between 5% and 10%	3	7,038,673	22.55%
Between 10% and 20%	2	10,578,415	33.90%
	<u>1,543</u>	<u>31,209,277</u>	<u>100.00%</u>

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

13 Share capital (continued)

- iv) Details of the Directors' interests in the Company's shares as at 31 December 2013 and 31 December 2012 are as follows:

	2013	2012
	Number	Number
	of shares	of shares
Yousuf Saleh Al Saleh (<i>Chairman</i>)	319,200	319,200
Jaffar Habib Ahmed	630	630
Abdul Rahman Mohamed Jamsheer	157,878	157,878
Abdulredha Mohamed Al Daylami	21,000	21,000
Abdulhussain Khalil Dewani	420,420	420,420
Ebrahim Abdali Al Daaysi	105,000	105,000
Talal Mohamed Abdulla Al Mannai	262,500	262,500
Jaffar Mohamed Ali Al Dhaif	111,300	111,300
	<u>1,397,928</u>	<u>1,397,928</u>

14 Reserves

Reserves

(i) Statutory reserve

In accordance with the provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. As this requirement has been met, no amount has been transferred to the statutory reserve for the year ended 31 December 2013 (2012: BDNIL).

(ii) General Reserve

This is a distributable general reserve intended to fund future capital expenditure.

(iii) Development and raw material reserve

This reserve has been recommended to confront the sudden world-wide increase in raw material prices and for future expansion and development. There are no restrictions on the distributions of this reserve.

(iv) Investment fair value reserve

The fair value reserve includes the gains and losses arising from changes in fair value of available-for-sale investments and is recognised in the statement of other comprehensive income. During the year, the unrealised fair value gains amounting to BD226,750 (2012: fair value loss of BD23,497) has been transferred to the investment fair value reserve.

15 Employees' terminal benefits

Local employees

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2013 amounted to BD143,279 (2012: BD137,595).

Expatriate employees

The movement in leaving indemnity liability applicable to expatriate employees is as follows:

	31 December 2013	31 December 2012
Opening balance	38,906	33,005
Provision for the year	7,158	5,901
Payments during the year	<u>(29,126)</u>	<u>-</u>
Closing balance	<u>16,938</u>	<u>38,906</u>
The number of staff employed by the Company	<u>189</u>	<u>185</u>

16 Trade and other payables

	31 December 2013	31 December 2012
Trade payables	97,583	272,763
Unclaimed dividends	200,229	189,821
Provision for board remuneration	71,594	90,000
Provision for staff related cost	193,947	233,608
Miscellaneous payables	<u>63,292</u>	<u>62,442</u>
	<u>626,645</u>	<u>848,634</u>

Trade payables are generally settled within 30 to 90 days of the suppliers' invoice date.

The amounts stated above equal their fair value as the impact of discounting is not considered significant by management.

The table below analyses the Company's trade payables into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Less than Six months	More than Six months
At 31 December 2013	<u>97,583</u>	<u>-</u>
At 31 December 2012	<u>272,763</u>	<u>-</u>

17 Segmental information

The Company is organised into four main business segments: Chicken, Feed, Chicks and investments and operates in Bahrain only.

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 and the Board of Directors. 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 trade and other receivable, net of impairment provision, inventories and property, plant and equipment. The majority of assets can be directly attributed to individual segments, and any common assets between the segments have been disclosed as unallocated.

Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses. All common liabilities between the segments have been disclosed as unallocated.

2013	Chicken	Feeds	Chicks	Investments	Unallocated	Total
Sales	8,642,940	4,044,196	1,805,548	-	-	14,492,684
Cost of sales	(7,896,274)	(5,796,058)	(2,037,323)	-	-	(15,729,655)
Gross profit/(loss)	746,666	(1,751,862)	(231,775)	-	-	(1,236,971)
Other operating expenses	(339,685)	(249,454)	(87,683)	-	-	(676,822)
Profit/ (loss) from operations before government subsidy	406,981	(2,001,316)	(319,458)	-	-	(1,913,793)
Government subsidy	1,083,987	1,110,674	-	-	-	2,194,661
Profit/(loss) from operations	1,490,968	(890,642)	(319,458)	-	-	280,868
Investments income	-	-	-	589,516	-	589,516
Other income/(loss)	1,566	407	(467)	-	5,071	6,577
Impairment of available-for-sale investments	-	-	-	(76,562)	-	(76,562)
Segment profit/ (loss) for the year	1,492,534	(890,235)	(319,925)	512,954	5,071	800,399
Total segment assets	1,456,134	1,494,109	468,301	7,732,664	4,362,895	15,514,103
Total segment liabilities	169,677	63,635	15,283	-	394,988	643,583

Delmon Poultry Company B.S.C.
Notes to the financial statements for the year ended 31 December 2013
(Expressed in Bahraini Dinars)

17 Segmental information (continued)

2012	<u>Chicken</u>	<u>Feeds</u>	<u>Chicks</u>	<u>Investments</u>	<u>Unallocated</u>	<u>Total</u>
Sales	8,597,270	4,239,596	1,810,542	-	-	14,647,408
Cost of sales	<u>(7,789,147)</u>	<u>(5,652,560)</u>	<u>(2,045,978)</u>	-	-	<u>(15,487,685)</u>
Gross profit/(loss)	808,123	(1,412,964)	(235,436)	-	-	(840,277)
Other operating expenses	<u>(306,565)</u>	<u>(222,474)</u>	<u>(80,526)</u>	-	-	<u>(609,565)</u>
Profit/(loss) from operations before government subsidy	501,558	(1,635,438)	(315,962)	-	-	(1,449,842)
Government subsidy	<u>1,074,060</u>	<u>1,072,932</u>	-	-	-	<u>2,146,992</u>
Profit/ (loss) from operations	1,575,618	(562,506)	(315,962)	-	-	697,150
Investments income	-	-	-	598,215	-	598,215
Other income	83	65	-	-	5,767	5,915
Impairment of available-for-sale investments	-	-	-	<u>(131,267)</u>	-	<u>(131,267)</u>
Segment profit/(loss) for the period	<u>1,575,701</u>	<u>(562,441)</u>	<u>(315,962)</u>	<u>466,948</u>	<u>5,767</u>	<u>1,170,013</u>
Total segment assets	<u>1,921,285</u>	<u>1,653,867</u>	<u>296,305</u>	<u>6,486,911</u>	<u>5,050,385</u>	<u>15,408,753</u>
Total segment liabilities	<u>212,507</u>	<u>271,295</u>	<u>126,286</u>	-	<u>277,452</u>	<u>887,540</u>

18 Cost of sales

	<u>Chicken</u>	<u>Feed</u>	<u>Chicks</u>	<u>2013</u>	<u>2012</u>
Raw materials costs	7,466,427	5,432,417	1,799,989	14,698,833	14,379,707
Staff costs	897,737	221,329	172,064	1,291,130	1,353,217
Depreciation (Note 5)	66,093	19,456	11,268	96,817	91,256
Other	389,219	122,856	54,002	566,077	568,812
Less: Farmers' subsidy	<u>(923,202)</u>	-	-	<u>(923,202)</u>	<u>(905,307)</u>
	<u>7,896,274</u>	<u>5,796,058</u>	<u>2,037,323</u>	<u>15,729,655</u>	<u>15,487,685</u>

19 Other operating expenses

	31 December 2013	31 December 2012
Staff costs	362,943	329,335
Depreciation (Note 5)	35,790	26,969
Board of directors and executive committee remuneration	122,144	136,500
Professional fees	14,700	20,630
Others	<u>141,245</u>	<u>96,131</u>
	<u>676,822</u>	<u>609,565</u>

20 Government subsidy

The Government of Bahrain provides subsidy to the Company of 120 fils (2012: 120 fils) for every KG of chicken sold locally in order to stabilise the sale price. Further, Government subsidy on local sales of feeds to farmers of broiler chickens is BD42 per ton (2012: BD42) in order to stabilise the selling prices of feeds to the farmers of broiler chickens in the Bahrain market.

The following table shows the details of Government subsidy:

	31 December 2013	31 December 2012
Subsidy on chickens sold	1,083,987	1,074,060
Subsidy on feeds sold	<u>1,110,674</u>	<u>1,072,932</u>
	<u>2,194,661</u>	<u>2,146,992</u>

Quantities of chickens sold during the period were 9,033,221KG (2012: 8,950,500 KG) and quantities of subsidised feeds sold to the farmers were 26,445 tons (2012: 25,546 tons).

21 Investment income

	31 December 2013	31 December 2012
Profit on sale of available-for-sale investments	70,520	30,272
Interest income	102,065	123,257
Dividend income	<u>137,564</u>	<u>150,006</u>
	<u>310,149</u>	<u>303,535</u>

22 Earnings per share

	31 December <u>2013</u>	31 December <u>2012</u>
Net profit for the year	<u>800,399</u>	<u>1,170,013</u>
Weighted average number of shares outstanding	<u>30,811,295</u>	<u>30,811,295</u>
Earnings per share (fils)	<u>fils26</u>	<u>fils38</u>

The earnings per share has been computed on the basis of net profit for the year ended 31 December 2013 divided by the weighted average number of shares outstanding for the period total of 31,209,277, net of 397,982 treasury shares. The Company does not have any potentially dilutive ordinary shares; hence the diluted earnings per share and basic earnings per share are identical.

23 Directors' remuneration and Dividends

Directors' remuneration

Accrued and expensed

An amount of BD71,594 has been accrued and expensed as directors' remuneration in 2013, relating to the year ended 31 December 2013 (2012: BD90,000). Directors' remuneration is expensed in the statement of profit or loss to which it pertains.

Proposed by the Board of Directors

The Board of Directors of the Company have proposed to pay directors' remuneration of BD71,594 for the year ended 31 December 2013 (2012: BD90,000). This is subject to the approval of Shareholders in the Annual General Meeting.

Dividends

Declared and paid

A dividend of BD616,226 representing 20% of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2012 (at 20 fils per share) (2012: BD616,895 for the year ended 31 December 2011 at 20 fils per share) was approved by the shareholders in the Annual General Meeting of the shareholders held on 24 March 2013, declared and subsequently paid.

Proposed by the Board of Directors

The Board of Directors of the Company have proposed to pay a cash dividend of BD616,226 at 20 fils per share (2012: BD616,226 at 20 fils per share) representing 20% (2012: 20%) of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2013. The proposed dividend only becomes payable once it has been approved by the shareholders' in the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these financial statements. Refer note 28 subsequent events notes for approval at Annual General Meeting.

24 Transactions and balances with 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 as per the fixed contract price agreed by the Company, government and those entities. Other related party transactions are conducted on a normal commercial basis.

The related party transactions and balances included in these financial statements are as follows:

	31 December 2013			31 December 2012		
	Receivables	Sales	Purchases	Receivables	Sales	Purchases
Major shareholders	44,300	564,014	-	56,475	988,619	-
Entities controlled by directors	8,668	446,116	687,391	5,015	409,785	692,904
Associate Company	<u>98</u>	<u>9,154</u>	<u>-</u>	<u>4,888</u>	<u>16,646</u>	<u>-</u>
Total	<u>53,066</u>	<u>1,019,284</u>	<u>687,391</u>	<u>66,378</u>	<u>1,415,050</u>	<u>692,904</u>

Key management personnel of the Company comprise 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:

	31 December 2013	31 December 2012
Board of directors remuneration	71,594	90,000
Board of directors attendance fees	24,550	20,500
Salaries and other benefits	75,686	73,866

25 Contingent liabilities

	31 December 2013	31 December 2012
Bank guarantees	<u>32,231</u>	<u>60,981</u>

26 Financial assets and liabilities and risk management

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

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Available for sale investments
- Held-to-maturity investments
- Cash and cash equivalents
- Term deposits
- Trade and other receivables
- Trade and other payables

A summary of the financial instruments held by category is provided below as at 31 December 2013 and 31 December 2012:

<u>2013</u>	<u>Loans and receivables</u>	<u>Available- for-sale</u>	<u>Held-to- maturity</u>	<u>Other amortised cost</u>	<u>Total Carrying amount</u>	<u>Fair value</u>
Financial assets:						
Cash and cash equivalents	4,017,584	-	-	-	4,017,584	4,017,584
Term deposits	1,102,820	-	-	-	1,102,820	1,102,820
Trade and other receivables	1,320,824	-	-	-	1,320,824	1,320,824
Available-for-sale investments	-	3,532,366	-	-	3,532,366	3,532,366
Held-to-maturity investments	-	-	750,000	-	750,000	750,000
	<u>6,441,228</u>	<u>3,532,366</u>	<u>750,000</u>	<u>-</u>	<u>10,723,594</u>	<u>10,723,594</u>
Financial liabilities:						
Trade and other payables	-	-	-	626,645	626,645	626,645
	<u>-</u>	<u>-</u>	<u>-</u>	<u>626,645</u>	<u>626,645</u>	<u>626,645</u>

26 Financial assets and liabilities and risk management (continued)

2012	Loans and receivables	Available- for-sale	Held-to- maturity	Other amortised cost	Total Carrying amount	Fair value
Financial assets:						
Cash and cash equivalents	4,545,980	-	-	-	4,545,980	4,545,980
Trade and other receivables	2,276,686	-	-	-	2,276,686	2,276,686
Available for sale investments	-	3,742,637	-	-	3,742,637	3,742,637
Held-to-maturity investments	-	-	500,000	-	500,000	500,000
	<u>6,822,666</u>	<u>3,742,637</u>	<u>500,000</u>	<u>-</u>	<u>11,065,303</u>	<u>11,065,303</u>
Financial liabilities:						
Trade and other payables	-	-	-	848,634	848,634	848,634
	<u>-</u>	<u>-</u>	<u>-</u>	<u>848,634</u>	<u>848,634</u>	<u>848,634</u>

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.

26 Financial assets and liabilities and risk management (continued)

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 debt instruments.

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

About 59.95% of the sales are received in cash and the balance being made through credit. The Company manages its credit risk on accounts receivables by restricting its credit sales only to approved list endorsed by the General Manager and ensuring that the sales to related parties are as per the internal policies established for transactions with the related parties. Since all of sales of the Company are 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 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:

	31 December 2013	31 December 2012
Cash and Cash equivalents	4,017,584	4,545,980
Term deposits	1,102,820	-
Trades receivables	651,055	854,902
Held-to-maturity investments	750,000	500,000
	<u>6,521,459</u>	<u>5,900,882</u>

26 Financial assets and liabilities and risk management (continued)

Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. 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 2013 and 2012, all financial liabilities (trade payables) 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. All such transactions are carried out within the guidelines set by the Board of Directors.

Geographical concentration of investments

	31 December 2013	31 December 2012
Kingdom of Bahrain	<u>3,532,366</u>	<u>3,742,637</u>

Investment fair value sensitivity analysis is as follows:

Description	<u>Change</u>	<u>Impact on equity</u>
Available for-sale-investment	+/-5%	176,618
Available for-sale-investment	+/-10%	353,237

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.

26 Financial assets and liabilities and risk management (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 term deposits and investment in debt instruments. The Company's term deposits are at fixed interest rates and mature within 180 days. The Company's investment in debt instruments is at variable interest rates.

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

	31 December 2013	31 December 2012
Short term deposits	3,554,512	4,060,728
Term deposits	1,102,820	-
Investment in held-to-maturity debt instrument	<u>750,000</u>	<u>500,000</u>
	<u>5,407,332</u>	<u>4,560,728</u>

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 and investments.

Foreign exchange risk

Foreign exchange risk is the risk that the Company's earnings 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 foreign currency. 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 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.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder's value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2013 and 2012.

26 Financial assets and liabilities and risk management (continued)

Capital management (continued)

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within trade and other payables less cash and equivalents. Capital includes share capital and reserves attributable to the shareholder of the Company.

	31 December <u>2013</u>	31 December <u>2012</u>
Trade and other payables	626,645	848,634
Less: cash and cash equivalents	<u>(4,017,584)</u>	<u>(4,545,980)</u>
Net surplus	<u>(3,390,939)</u>	<u>(3,697,346)</u>
Total capital	<u>14,870,520</u>	<u>14,521,213</u>
Total capital and net surplus	<u>11,479,581</u>	<u>10,823,867</u>

As the Company's cash equivalents exceed the net debt, no gearing ratio has been calculated.

Fair value measurement

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments not measured at fair value on recurring basis include trade and other receivables excluding prepayments, cash and bank balances, term deposits and trade and other payables. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2013 and 2012.

26 Financial assets and liabilities and risk management (continued)

Fair value measurement (continued)

The following table sets out the fair value hierarchy of financial instruments measured at fair value on recurring basis along with valuation techniques and significant unobservable inputs used in determining the fair value measurement of financial instruments as well as the inter-relationship between observable inputs and fair value:

	Fair value at 31 December 2013	Level of hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
Quoted investments	2,716,626	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted investments and managed funds	815,740	L3	Net assets valuation and financial updates received from the fund managers	Expected exit rates, expected future cash flows, net assets and expected profits based taking into account management knowledge and experience of market conditions similar to industry trends.	The higher the future cash flows or profits the higher the fair value of net assets and eventually higher exit rates.

There are no transfers between levels during the period.

In the opinion of Company's management, a reasonable possible change in one significant observable input, holding other input constant of level 3 financial instruments is not expected to have a significant impact on the profit or loss and other comprehensive income as well as fair values of level 3 financial instruments as at 31 December 2013.

27 Comparative figures

Certain prior year amounts have been regrouped to conform to the presentation in the current year. Such regrouping do not affect previously reported net profit, comprehensive income or total equity.

28 Subsequent events

There were no events subsequent to 31 December 2013 and occurring before the date of the approval of the financial statements report that are expected to have a significant impact on these financial statements.

In the Annual General Meeting held on 23 March 2014, at the shareholders' motion, the cash dividends for the year 2013 was increased from 15% to 20% of the share capital which is equivalent to BD616,226.