

Delmon Poultry Company B.S.C.

Financial statements for the
year ended 31 December 2016

Delmon Poultry Company B.S.C.
Financial statements for the year ended 31 December 2016

Index	Page
1. Administration and contact details	2-3
2. Board of directors' report	4
3. Independent auditor's report	5-8
4. Statement of financial position	9
5. Statement of profit or loss	10
6. Statement of other comprehensive income	11
7. Statement of changes in shareholders' equity	12
8. Statement of cash flows	13
9. Notes to the financial statements	14-44

Commercial registration	10700 obtained on 21 July 1980
Board of directors	Abdul Rahman Mohamed Jamsheer (Chairman) Abdulhussain Khalil Dewani (Vice Chairman) Yousuf Saleh Al Saleh Abdulredha Mohamed Al Daylami Talal Mohamed Abdulla Al Mannai Ebrahim Abdali Al Daaysi Jaffar Mohamed Ali Al Dhaif Mohamed Jehad Bukamal Isa Mohamed Abdulrahim Alrafaei Fouad Ebrahim Yousif Almutawa (Appointed from 23 March 2016)
Executive Committee	Yousuf Saleh Al Saleh (Chairman) Abdul Rahman Mohamed Jamsheer (Vice Chairman) Mohamed Jehad Bukamal Isa Mohamed Abdulrahim Alrafaei
Audit Committee	Talal Mohamed Abdulla Al Mannai (Chairman) Abdulhussain Khalil Dewani Jaffar Mohamed Ali Al Dhaif Fouad Ebrahim Yousif Almutawa
Governance Committee	Fouad Ebrahim Yousif Almutawa (Chairman) Abdulredha Mohamed Al Daylami Jaffar Mohamed Ali Al Dhaif
Nomination and Remuneration Committee	Abdulredha Mohamed Al Daylami (Chairman) Abdulhussain Khalil Dewani Ebrahim Abdali Al Daaysi
Strategic planning and development Committee	Isa Mohamed Abdulrahim Alrafaei (Chairman) Mohamed Jehad Bukamal Ebrahim Abdali Al Daaysi Talal Mohamed Abdulla Al Mannai
General Manager	Abdulhadi Mirza Jaffar

Offices and plants

Administration and chicken processing plant
Hamala, PO Box 20535
Telephone 17608282
Fax 17601930
Email: depco@batelco.com.bh
Website: www.dawajen.bh

Feedmill - Mina Salman
Telephone 17727705

Chicks Hatchery - Al-Buhair
Telephone 17624832

Principal bankers

Ahli United Bank
National Bank of Bahrain
National Bank of Kuwait
Bahrain Islamic Bank
Bank of Bahrain and Kuwait
Kuwait Finance House
National Bank of Kuwait

Auditors

BDO
17th Floor
Diplomatic Commercial Office Tower
PO Box 787
Manama
Kingdom of Bahrain

Internal Auditor

Grant Thornton - Abdulaal
12th Floor, Al Nakeel Tower
Seef District
PO Box 11175
Kingdom Of Bahrain

Share registrar

Bahrain Bourse
PO Box 3203
Manama
Kingdom of Bahrain

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

Opinion

We have audited the financial statements of Delmon Poultry Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss, the statement other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") issued by International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Revenue recognition

Revenue as reported in Note 17 represents sale of chickens, feeds and chicks and other miscellaneous income. The Company focuses on revenue as a key performance measure and by default, this area has a fraud risk element and is therefore always considered as a significant risk.

Our procedures included, considering appropriateness of revenue recognition as per the Company policy including those relating to discounts and assessing compliance with applicable accounting standards. We tested the design and effectiveness of internal controls implemented by the Company through the revenue cycle. We tested sales transactions taking place at either side of the statement of financial position date to assess whether the revenue was recognised in the correct period. We also performed analytical procedures over the revenue streams based on trends of monthly sales and profit margins.

Valuation of Available-for-sale investments

The Company owns quoted and unquoted investments as disclosed in Note 7 which form a material balance in the financial statements of the Company and are subject to change in the fair value. This could have a significant impact on the Company's results if assets are misstated.

Our audit procedures included the testing of investments acquired and sold during the year on a sample basis, testing of ownership and classification, testing of fair value of the quoted investments, evaluating other valuation techniques used by the management for the determination of fair values of investments that are not quoted in active markets and assessing the appropriateness of impairment testing performed by the Company's management.

Independent auditors' report to the shareholders of Delmon Poultry Company B.S.C. (continued)

Other information

Management is responsible for the other information. The other information in the annual report comprise of Directors' report and Corporate governance report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged With Governance ("TCWG") for the financial statements

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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those Charged With Governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

Independent auditors' report to the shareholders of Delmon Poultry Company B.S.C. (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the management and TCWG regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide TCWG with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with TCWG, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Independent auditors' report to the shareholders of
Delmon Poultry Company B.S.C. (continued)**

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 stock-taking 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, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2016.



Manama, Kingdom of Bahrain
15 February 2016

Delmon Poultry Company B.S.C.
Statement of financial position as at 31 December 2016
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,197,882	1,533,016
Investment in an associate	6	1,980,863	2,361,457
Available-for-sale investments	7	3,526,276	3,719,907
Held-to-maturity investments	8	<u>1,250,000</u>	<u>1,500,000</u>
Total non-current assets		<u>8,955,021</u>	<u>9,114,380</u>
Current assets			
Held-to-maturity investments	8	-	746,663
Inventories	9	2,634,118	2,250,725
Trade and other receivables	10	1,483,517	1,514,080
Term deposits	11	351,673	1,624,142
Cash and cash equivalents	12	<u>1,030,548</u>	<u>615,379</u>
Total current assets		<u>5,499,856</u>	<u>6,750,989</u>
TOTAL ASSETS		<u>14,454,877</u>	<u>15,865,369</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	3,120,928	3,120,928
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)	1,809,252	1,977,200
Retained earnings		1,939,554	3,489,130
Treasury shares	13	<u>(116,266)</u>	<u>(116,266)</u>
Total shareholders' equity		<u>13,306,932</u>	<u>15,024,456</u>
Non-current liabilities			
Employees' terminal benefits	15	<u>16,311</u>	<u>29,149</u>
Current liabilities			
Trade and other payables	16	<u>1,131,634</u>	<u>811,764</u>
Total liabilities		<u>1,147,945</u>	<u>840,913</u>
TOTAL EQUITY AND LIABILITIES		<u>14,454,877</u>	<u>15,865,369</u>

These financial statements, set out on pages 9 to 44, were approved and authorized for issue by the Board of Directors on 15 February 2017 and signed on their behalf by:



Abdul Rahman Mohamed Jamsheer
Chairman



Abdulhussain Khalil Dewani
Vice chairman

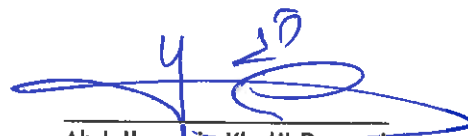
Delmon Poultry Company B.S.C.
Statement of profit or loss for the year ended 31 December 2016
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Sales	17	8,269,496	13,481,218
Cost of sales	18	<u>(8,880,345)</u>	<u>(14,070,402)</u>
Gross loss for the year		(610,849)	(589,184)
Other operating expenses	19	<u>(560,617)</u>	<u>(722,017)</u>
Operating loss before government subsidy		(1,171,466)	(1,311,201)
Government subsidy	20	<u>-</u>	<u>1,546,286</u>
(Loss)/profit from operations		(1,171,466)	235,085
Investment income	21	269,143	379,126
Share of loss in an associate	6	(131,737)	(24,820)
Other income		9,339	13,206
Impairment loss on available for-sale-investments	7	<u>(65,566)</u>	<u>(81,048)</u>
Net (loss)/profit for the year		<u>(1,090,287)</u>	<u>521,549</u>
Basic and diluted earnings per share	22	<u>Fils (36)</u>	<u>Fils 17</u>

These financial statements, set out on pages 9 to 44, were approved and authorised for issue by the Board of Directors on 15 February 2017 and signed on their behalf by:



Abdul Rahman Mohamed Jamsheer
Chairman





Abdhussain Khatit Dewani
Vice chairman

Delmon Poultry Company B.S.C.
Statement of other comprehensive income for the year ended 31 December 2016
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Net (loss)/profit for the year		(1,090,287)	521,549
Other comprehensive loss			
<i>Items that may be reclassified into profit or loss:</i>			
Unrealised fair value losses on available-for-sale investments	7	(142,062)	(112,606)
Transferred to statement of profit or loss on sale/ maturity of available-for-sale-investments		-	(63,035)
Transferred to statement of profit or loss on impairment of available for-sale-investments	7	-	(1,200)
Company's share in associate's net change in investments' fair value		<u>(25,886)</u>	<u>(10,458)</u>
Other comprehensive loss for the year		<u>(167,948)</u>	<u>(187,299)</u>
Total comprehensive (loss)/income for the year		<u>(1,258,235)</u>	<u>334,250</u>

These financial statements, set out on pages 9 to 44, were approved and authorised for issue by the Board of Directors on 15 February 2017 and signed on their behalf by:


 Abdul Rahman Mohamed Jamsheer
 Chairman


 Abdulhussain Khalil Dewani
 Vice chairman

Delmon Poultry Company B.S.C.
Statement of changes in shareholders' equity for the year ended 31 December 2016
(Expressed in Bahraini Dinars)

	Notes	Share capital	Statutory reserve	General reserve	Development and raw material reserve	Investment fair value reserve	Retained earnings	Treasury shares	Total
As at 31 December 2014		3,120,928	1,560,464	3,993,000	1,000,000	2,164,499	3,582,607	(74,017)	15,347,481
Dividend distributed for 2014	23	-	-	-	-	-	(615,026)	-	(615,026)
Purchase of treasury shares		-	-	-	-	-	-	(42,249)	(42,249)
Total comprehensive income for the year		-	-	-	-	(187,299)	521,549	-	334,250
As at 31 December 2015		3,120,928	1,560,464	3,993,000	1,000,000	1,977,200	3,489,130	(116,266)	15,024,456
Dividend distributed for 2015	23	-	-	-	-	-	(459,289)	-	(459,289)
Total comprehensive loss for the year		-	-	-	-	(167,948)	(1,090,287)	-	(1,258,235)
As at 31 December 2016		3,120,928	1,560,464	3,993,000	1,000,000	1,809,252	1,939,554	(116,266)	13,306,932

Delmon Poultry Company B.S.C.
Statement of cash flows for the year ended 31 December 2016
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Operating activities			
Net (loss)/profit for the year		(1,090,287)	521,549
Adjustments for:			
Depreciation	5	270,817	188,887
Profit on sale of property, plant and equipment		(6,581)	(2,652)
Loss/(profit) on sale of available-for-sale investments		13	(59,965)
Impairment loss on available-for-sale investments	7	65,566	81,048
Share of loss from an associate	6	131,737	24,820
Interest income	21	(110,836)	(151,311)
Dividends income	21	(158,320)	(167,850)
Changes in operating assets and liabilities:			
Inventories		(383,393)	(499,488)
Trade and other receivables		30,563	703,761
Trade and other payables		314,075	(452,488)
Employees' terminal benefits, net		(12,838)	6,566
Net cash (used in)/provided by operating activities		<u>(949,484)</u>	<u>192,877</u>
Investing activities			
Purchase of property, plant and equipment	5	(935,683)	(715,956)
Purchase of available for-sale-investments	7	(17,187)	(188,550)
Purchase of treasury shares	13	-	(42,249)
Purchase of held-to-maturity investments	8	(1,399,220)	(1,496,663)
Proceeds from sale of available for-sale-investments		3,177	84,166
Proceeds from disposal of held- to-maturity investments		2,395,883	-
Net movement in term deposits		1,272,469	848,355
Dividends received from the investment in an associate company	6	222,971	184,477
Proceeds from sale of property, plant and equipment		6,581	4,978
Interest income received	21	110,836	151,311
Dividends income received	21	<u>158,320</u>	<u>167,850</u>
Net cash provided by/(used in) investing activities		<u>1,818,147</u>	<u>(1,002,281)</u>
Financing activities			
Dividends paid		<u>(453,494)</u>	<u>(598,746)</u>
Net cash used in financing activities		<u>(453,494)</u>	<u>(598,746)</u>
Net increased/(decrease) in cash and cash equivalents		415,169	(1,408,150)
Cash and cash equivalents, beginning of the year		<u>615,379</u>	<u>2,023,529</u>
Cash and cash equivalents, end of the year	12	<u>1,030,548</u>	<u>615,379</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 in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse.

Basis of presentation

The financial statements have been prepared using going concern assumption under the historical cost convention, except for available-for-sale investments which are carried at their fair values and investment in associates which are equity accounted.

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)

Improvements/amendments to IFRS/IAS 2012/2014 and 2014/2016 cycle

Improvements/amendments to IFRS/IAS issued in 2012/2014 and 2014/2016 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 2016 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Standards, amendments and interpretations issued and effective in 2016 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 2016 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 1	Presentation of financial statements	1 January 2016
IAS 16	Property, plant and equipment	1 January 2016
IAS 19	Employee benefits	1 January 2016
IAS 27	Separate financial statements	1 January 2016
IAS 28	Investments in associates and Joint Ventures	1 January 2016
IAS 34	Interim financial reporting	1 January 2016
IAS 38	Intangible assets	1 January 2016
IAS 41	Agriculture	1 January 2016
IFRS 5	Non-current assets held for sale and discontinued Operations	1 January 2016
IFRS 7	Financial instruments - disclosures	1 January 2016
IFRS 10	Consolidated financial statements	1 January 2016
IFRS 11	Joint arrangements	1 January 2016
IFRS 12	Disclosure of interests in other entities	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016

Standards, amendments and interpretations issued but not yet effective in 2016

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2016. They have not been adopted in preparing the financial statements for the year ended 31 December 2016 and are expected to affect the entity in the period of initial application. In all cases, the entity intends to apply these standards from application date as indicated in the table below.

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 40	Investment properties	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16	Leases	1 January 2019

2 Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective in 2016 (continued)

There would have been no change in the operational results of the Company for the year ended 31 December 2016 had the Company early adopted any of the above standards applicable to the Company, except for the adoption of IFRS 9, IFRS 15 and IFRS 16 which would impact the classification and measurement of certain financial assets.

Early adoption of amendments or standards in 2016

The Company did not early-adopt any new or amended standards in 2016.

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

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 recognised in the statement of profit or loss.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property and equipment are written-down to their recoverable amounts.

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

The Company classifies its financial assets into one of the following categories: available-for-sale investments, held-to-maturity and loans and receivables. This classification depends on the purpose for which the asset is acquired.

(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.

3 Significant accounting policies (continued)

Financial assets (continued)

(a) Available-for-sale investments

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.

(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) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

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.

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 that mature within three months from purchase date.

3 Significant accounting policies (continued)

Financial liabilities

Financial liabilities which includes trade and other payable are carried at amortised cost.

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.

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.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Treasury shares

Where the Company purchases its own equity shares 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.

3 Significant accounting policies (continued)

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 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 chickens, feeds and chicks cost center in the ratio of cost of sales.

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 processed weight of the chickens and are treated as a reduction from cost of sales. The Government stopped the subsidy provided over meat with effect from 1 October 2015.

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.

3 Significant accounting policies (continued)

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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

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.

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.

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

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.

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 2016 is shown in Note 26.

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

Provisions

The Company creates provision for impaired trade and other receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2016, in the opinion of the management, a provision of BD19,897 (2015: BD19,897) is required for impaired trade and other 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 2016, in the opinion of the Company's management, no provision was required for obsolete and slow-moving inventories (2015: 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.

Delmon Poultry Company B.S.C.
Notes to the financial statements for the year ended 31 December 2016
(Expressed in Bahraini Dinars)

5 Property, plant and equipment

	Buildings	Plant and machinery	Furniture, vehicles, tools, IT and software	Capital work-in-progress	Total
Cost					
At 31 December 2014	3,816,275	4,586,625	1,817,933	-	10,220,833
Additions	34,610	51,551	169,068	460,727	715,956
Disposals	-	(181,335)	(21,260)	-	(202,595)
At 31 December 2015	3,850,885	4,456,841	1,965,741	460,727	10,734,194
Additions	24,787	572,093	338,803	-	935,683
Transfer	-	460,727	-	(460,727)	-
Disposals	-	(62,938)	(57,660)	-	(120,598)
At 31 December 2016	<u>3,875,672</u>	<u>5,426,723</u>	<u>2,246,884</u>	<u>-</u>	<u>11,549,279</u>
Accumulated depreciation					
At 31 December 2014	3,411,741	4,336,032	1,464,787	-	9,212,560
Charge for the year	31,153	40,633	117,101	-	188,887
On disposals	-	(179,009)	(21,260)	-	(200,269)
At 31 December 2015	3,442,894	4,197,656	1,560,628	-	9,201,178
Charge for the year	33,310	92,391	145,116	-	270,817
On disposals	-	(62,938)	(57,660)	-	(120,598)
At 31 December 2016	<u>3,476,204</u>	<u>4,227,109</u>	<u>1,648,084</u>	<u>-</u>	<u>9,351,397</u>
Net book value					
At 31 December 2016	<u>399,468</u>	<u>1,199,613</u>	<u>598,801</u>	<u>-</u>	<u>2,197,882</u>
At 31 December 2015	<u>407,991</u>	<u>259,185</u>	<u>405,113</u>	<u>460,727</u>	<u>1,533,016</u>

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

	31 December 2016	31 December 2015
Cost of sales (Note 18)	222,426	141,840
Other operating expenses (Note 19)	<u>48,391</u>	<u>47,047</u>
	<u>270,817</u>	<u>188,887</u>

The reclaimed land at Mina Salman on which the feedmill was built, 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 rent amount for 2016 was BD26,494 (2015: BD26,353).

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 2016</u>	<u>Effective ownership interest 2015</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>Goodwill</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Opening balance		2,300,373 61,084	2,361,457	2,581,212
Movement during the year:				
Company's share in loss for the year		(131,737) -	(131,737)	(24,820)
Company's share of the associate's net change in fair value of the investments and other reserves		(25,886) -	(25,886)	(10,458)
Dividends received		<u>(222,971)</u> -	<u>(222,971)</u>	<u>(184,477)</u>
Closing balance		<u>1,919,779</u> <u>61,084</u>	<u>1,980,863</u>	<u>2,361,457</u>
Summary of financial information of associate			<u>31 December 2016</u>	<u>31 December 2015</u>
Current assets			6,079,763	9,207,417
Non-current assets			<u>293,668</u>	<u>1,000,396</u>
Total assets			<u>6,373,431</u>	<u>10,207,813</u>
Current liabilities			<u>1,079,496</u>	<u>3,864,363</u>
Total liabilities			<u>1,079,496</u>	<u>3,864,363</u>
Revenues			11,322,697	47,202,286
Expenses			<u>(11,686,647)</u>	<u>(47,133,843)</u>
Net loss			<u>(363,950)</u>	<u>(68,443)</u>
Company's share of loss			<u>(131,737)</u>	<u>(24,820)</u>

The Company owns 36.26% share in Bahrain Livestock Company B.S.C. (c). 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 2016 (2015: unaudited 31 December 2015), being the latest available information.

7 Available-for-sale investments

	31 December 2016	31 December 2015
Opening balance	3,719,907	3,813,447
Additions	17,187	188,550
Disposals	(3,190)	(87,236)
Net unrealised fair value loss for the year	<u>(142,062)</u>	<u>(112,606)</u>
	3,591,842	3,802,155
Impairment loss on available-for-sale investments	<u>(65,566)</u>	<u>(82,248)</u>
Closing balance	<u>3,526,276</u>	<u>3,719,907</u>
<i>Analysis of investments</i>	31 December 2016	31 December 2015
Quoted equity securities	2,597,060	2,744,005
Unquoted equity securities	152,176	135,282
Managed funds	<u>777,040</u>	<u>840,620</u>
	<u>3,526,276</u>	<u>3,719,907</u>

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

	31 December 2016	31 December 2015
Impairment loss on available-for-sales investments	65,566	82,248
Net movement through investment fair value reserve in statement of other comprehensive income	<u>-</u>	<u>(1,200)</u>
	<u>65,566</u>	<u>81,048</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 BD65,566 (2015: BD81,048) has been charged to the statement of profit or loss.

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

Currency (Equivalent in Bahraini Dinars)	31 December 2016	31 December 2015
Bahraini Dinars	2,108,764	2,219,058
United States Dollars	1,032,663	1,109,677
Great British Pounds	310,334	310,518
Euros	3,069	8,929
Kuwait Dinars	71,203	71,495
UAE Dirhams	<u>243</u>	<u>230</u>
	<u>3,526,276</u>	<u>3,719,907</u>

8 Held-to-maturity investments

	31 December 2016	31 December 2015
Opening balance	2,246,663	750,000
Additions during the year	1,399,220	1,496,663
Disposals during the year	(2,395,883)	-
	1,250,000	2,246,663
Less: current portion of held-to-maturity investments	-	(746,663)
Non- current held-to-maturity investments	<u>1,250,000</u>	<u>1,500,000</u>

Analysis of investments

	31 December 2016	31 December 2015
Islamic leasing sukuk Kingdom of Bahrain	1,250,000	1,250,000
Bahrain Government development bond	-	250,000
Bahrain Government treasury bill *	-	746,663
	<u>1,250,000</u>	<u>2,246,663</u>

Held-to-maturity investments represent Government of Kingdom of Bahrain bonds carrying coupon interest ranging between 3.00% to 5.50% (2015: coupon interest between 1.33% to 5.5%) and having maturity period ranging between 3 years to 8 years (2015: 10 Years)

* Bahrain Government treasury bills having original maturity period of 3 months and are classified as current portion of held-to-maturity investment.

Held-to-maturity investments are denominated in Bahraini Dinars.

9 Inventories

	31 December 2016	31 December 2015
Finished goods		
- Feed	26,679	43,074
- Frozen/chilled chicken	394,507	1,267,226
Hatching eggs - hatchery	109,728	-
Raw material and packing materials	1,394,937	401,585
Spare parts for plant and machinery	708,267	538,840
	<u>2,634,118</u>	<u>2,250,725</u>

10 Trade and other receivables

	31 December 2016	31 December 2015
Gross receivables	888,973	603,537
Less: provision for impairment	(4,369)	(4,369)
	884,604	599,168
Advances to suppliers	515,651	790,217
Other receivables	98,790	140,223
Less: impairment provision on other receivables	(15,528)	(15,528)
	<u>1,483,517</u>	<u>1,514,080</u>

10 Trade and other receivables (continued)

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

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

	<u>Total</u>	<u>Less than 60 days</u>	<u>More than 60 days *</u>
At 31 December 2016	<u>884,604</u>	<u>831,211</u>	<u>53,393</u>
At 31 December 2015	<u>599,168</u>	<u>568,035</u>	<u>31,133</u>

* Past due but not impaired

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 1.33% (2015: 1.3%), are denominated in Bahraini Dinars and have maturities of more than three months but less than six months.

12 Cash and cash equivalents

	<u>31 December 2016</u>	<u>31 December 2015</u>
Current account balances with banks	1,003,608	548,690
Cash on hand	<u>26,940</u>	<u>66,689</u>
	<u>1,030,548</u>	<u>615,379</u>

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

13 Share capital

	<u>31 December 2016</u>	<u>31 December 2015</u>
Authorised		
100,000,000 ordinary shares of 100 fils each (2015: 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 (2015: 31,209,277 ordinary shares of 100 fils each)	<u>3,120,928</u>	<u>3,120,928</u>
Treasury shares:		
590,008 treasury shares (2015: 590,008 shares)	<u>116,266</u>	<u>116,266</u>

During 2015, 132,026 ordinary shares were acquired by the Company at an average rate 320fils. The consideration paid was BD42,249 on these shares has been recorded under treasury shares.

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 2016 and 31 December 2015 are as follows:

<u>2016</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%
Bahrain Mumtalakat Holding Co B.S.C. (c)	Bahraini	4,681,383	15.00%
Trafco Group B.S.C.	Bahraini	3,159,366	10.12%
Abdulhameed Zainal Mohammed	Bahraini	2,319,630	7.43%
Fouad Ebrahim Yusuf Al Mutawa	Bahraini	1,990,076	6.38%

<u>2015</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	4,681,383	15.00%
Trafco Group B.S.C.	Bahraini	3,054,366	9.79%
Abdulhameed Zainal Mohammed	Bahraini	2,319,630	7.43%
Fouad Ebrahim Yusuf Al Mutawa	Bahraini	1,990,076	6.38%

- 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>2016</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares *</u>
Less than 1%	1,495	8,509,486	27.27%
Between 1% and 5%	9	4,547,304	14.57%
Between 5% and 10%	2	4,309,706	13.81%
Between 10% and 20%	3	13,842,781	44.35%
	<u>1,509</u>	<u>31,209,277</u>	<u>100.00%</u>

<u>2015</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares *</u>
Less than 1%	1,507	8,832,340	28.30%
Between 1% and 5%	8	4,224,450	13.54%
Between 5% and 10%	2	4,309,706	13.81%
Between 10% and 20%	3	13,842,781	44.35%
	<u>1,520</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 2016 and 31 December 2015 are as follows:

	2016 Number of shares	2015 Number of shares
Abdul Rahman Mohamed Jamsheer (<i>Chairman</i>)	157,878	157,878
Abdulhussain Khalil Dewani (<i>Vice Chairman</i>)	420,420	420,420
Yousuf Saleh Al Saleh	319,200	319,200
Abdulredha Mohamed Al Daylami	21,000	21,000
Talal Mohamed Abdulla Al Mannai	262,500	262,500
Ebrahim Abdali Al Daaysi	105,000	105,000
Jaffar Mohamed Ali Al Dhaif	111,300	111,300
Fouad Ebrahim Yousif Almutawa	1,990,076	-
	<u>3,387,374</u>	<u>1,397,298</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 2016 (2015: 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 losses amounting to BD142,062 (2015: fair value losses of BD112,606) 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 2016 amounted to BD138,304 (2015: BD151,891).

Expatriate employees

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

	31 December <u>2016</u>	31 December <u>2015</u>
Opening balance	29,149	22,583
Provision for the year	5,836	6,566
Payment during the year	<u>(18,674)</u>	<u>-</u>
Closing balance	<u>16,311</u>	<u>29,149</u>
The number of staff employed by the Company	<u>173</u>	<u>184</u>

16 Trade and other payables

	31 December <u>2016</u>	31 December <u>2015</u>
Trade payables	684,526	285,386
Unclaimed dividends	239,399	233,604
Provision for board remuneration	-	40,610
Provision for staff related cost	75,430	153,142
Miscellaneous payables	<u>132,279</u>	<u>99,022</u>
	<u>1,131,634</u>	<u>811,764</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 <u>Six months</u>	More than <u>Six months</u>
At 31 December 2016	<u>684,526</u>	<u>-</u>
At 31 December 2015	<u>285,386</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.

2016	Chicken	Feeds	Chicks	Investments	Unallocated	Total
Sales	5,044,771	2,212,080	1,012,645	-	-	8,269,496
Cost of sales	(5,482,568)	(2,370,895)	(1,026,882)	-	-	(8,880,345)
Gross loss	(437,797)	(158,815)	(14,237)	-	-	(610,849)
Other operating expenses	(345,786)	(149,531)	(65,300)	-	-	(560,617)
Loss from operation	(783,583)	(308,346)	(79,537)	-	-	(1,171,466)
Investments income	-	-	-	269,143	-	269,143
Share of loss in an associate	-	-	-	(131,737)	-	(131,737)
Other income	-	-	-	-	9,339	9,339
Impairment of available-for-sale investments	-	-	-	(65,566)	-	(65,566)
Segment (loss)/profit for the year	(783,583)	(308,346)	(79,537)	71,840	9,339	(1,090,287)
Total segment assets	3,679,247	1,408,805	703,374	8,139,357	524,094	14,454,877
Total segment liabilities	302,811	441,139	11,644	-	392,351	1,147,945

Delmon Poultry Company B.S.C.
Notes to the financial statements for the year ended 31 December 2016
(Expressed in Bahraini Dinars)

17 Segmental information (continued)

2015	Chicken	Feeds	Chicks	Investments	Unallocated	Total
Sales	7,854,121	3,971,290	1,655,807	-	-	13,481,218
Cost of sales	(7,339,070)	(4,735,862)	(1,995,470)	-	-	(14,070,402)
Gross profit/(loss)	515,051	(764,572)	(339,663)	-	-	(589,184)
Other operating expenses	(376,602)	(243,020)	(102,395)	-	-	(722,017)
Profit/(loss) from operations before government subsidy	138,449	(1,007,592)	(442,058)	-	-	(1,311,201)
Government subsidy	766,135	780,151	-	-	-	1,546,286
Profit/(loss) from operations	904,584	(227,441)	(442,058)	-	-	235,085
Investments income	-	-	-	379,126	-	379,126
Share of loss in an associate	-	-	-	(24,820)	-	(24,820)
Other income	-	-	-	-	13,206	13,206
Impairment of available-for-sale investments	-	-	-	(81,048)	-	(81,048)
Segment profit/(loss) for the year	904,584	(227,441)	(442,058)	273,258	13,206	521,549
Total segment assets	1,942,445	834,823	264,500	10,567,547	2,256,054	15,865,369
Total segment liabilities	307,351	57,314	25,957	-	450,294	840,913

18 Cost of sales

	Chicken	Feed	Chicks	2016	2015
Raw materials costs	4,125,723	2,049,797	817,876	6,993,396	12,825,222
Staff costs	817,580	161,074	152,187	1,130,841	1,292,753
Depreciation (Note 5)	161,734	47,219	13,473	222,426	141,840
Other costs	377,531	112,805	43,346	533,682	445,354
Less: Farmers' subsidy	-	-	-	-	(634,767)
	5,482,568	2,370,895	1,026,882	8,880,345	14,070,402

19 Other operating expenses

	31 December <u>2016</u>	31 December <u>2015</u>
Staff costs	325,429	440,937
Depreciation (Note 5)	48,391	47,047
Board of directors and executive committee remuneration and fees	67,757	101,810
Professional fees	14,697	14,697
Others expenses	<u>104,343</u>	<u>117,526</u>
	<u>560,617</u>	<u>722,017</u>

20 Government subsidy

The Government of Bahrain provides subsidy to the Company of Nil fils (2015: 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 BDNil per ton (2015: BD42) in order to stabilise the selling prices of feeds to the farmers of broiler chickens in the Bahrain market. However, the government has recently withdrawn the subsidy provided over meat with effect from 1 October 2015.

The following table shows the details of Government subsidy:

	31 December <u>2016</u>	31 December <u>2015</u>
Subsidy on chickens sold	-	766,135
Subsidy on feeds sold	<u>-</u>	<u>780,151</u>
	<u>-</u>	<u>1,546,286</u>

Quantities of subsidized chickens sold during the period were Nil (2015: 7,829,586 KG) and quantities of subsidised feeds sold to the farmers were Nil (2015: 18,575 tons).

21 Investment income

	31 December <u>2016</u>	31 December <u>2015</u>
(Loss)/profit on sale of available-for-sale investments	(13)	59,965
Interest income	110,836	151,311
Dividend income	<u>158,320</u>	<u>167,850</u>
	<u>269,143</u>	<u>379,126</u>

22 Earnings per share

	31 December <u>2016</u>	31 December <u>2015</u>
Net (loss)/profit for the year	<u>(1,090,287)</u>	<u>521,549</u>
Weighted average number of shares outstanding	<u>30,619,269</u>	<u>30,747,615</u>
(Loss)/earnings per share (fils)	<u>Fils (36)</u>	<u>Fils 17</u>

The earnings per share has been computed on the basis of net loss for the year ended 31 December 2016 divided by the weighted average number of shares outstanding for the period total of 31,209,277, net of 590,008 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 BDNil has been accrued and expensed as directors' remuneration in 2016, relating to the year ended 31 December 2016 (2015: BD40,610). Directors' remuneration is expensed in the statement of profit or loss to the year which it pertains.

Proposed by the Board of Directors

The Board of Directors of the Company do not propose to pay any directors' remuneration for the year ended 31 December 2016 (2015: BD40,610). This is subject to the approval of shareholders in the Annual General Meeting.

Dividends

Declared and paid

A dividend of BD459,289 representing 15% of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2015 at 15 fils per share (2015: BD615,026 for the year ended 31 December 2014 at 20 fils per share) was approved by the shareholders in the Annual General Meeting of the shareholders held on 23 March 2016, 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 BD306,193 at 10 fils per share (2015: BD459,289 at 15 fils per share) representing 10% (2015: 15%) of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2016. 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.

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 and arm's length basis.

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

	31 December 2016				31 Decemb 2015		
	Receivables	Payables	Sales	Purchases	Receivables	Sales	Purchases
Major shareholders	40,607	-	274,201	-	162,101	680,229	-
Entities controlled by directors	25,382	3,143	269,541	318,365	2,296	381,723	676,829
Associate Company	-	-	111	-	-	-	-
	<u>65,989</u>	<u>3,143</u>	<u>543,853</u>	<u>318,365</u>	<u>164,397</u>	<u>1,061,952</u>	<u>676,829</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 2016	31 December 2015
Board of directors' remuneration	-	40,610
Board of directors' attendance fees	46,400	31,200
Salaries and other benefits	32,249	67,760

25 Contingent liabilities

	31 December 2016	31 December 2015
Outstanding letters of credit and guarantees in the ordinary course of business	<u>120,141</u>	<u>290,025</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 2016 and 31 December 2015:

<u>2016</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	1,030,548	-	-	-	1,030,548	1,030,548
Term deposit	351,673	-	-	-	351,673	351,673
Trade and other receivables	1,483,517	-	-	-	1,483,517	1,483,517
Available-for-sale investments	-	3,526,276	-	-	3,526,276	3,526,276
Held-to-maturity investments	-	-	1,250,000	-	1,250,000	1,250,000
	<u>2,865,738</u>	<u>3,526,276</u>	<u>1,250,000</u>	<u>-</u>	<u>7,642,014</u>	<u>7,642,014</u>
Financial liabilities:						
Trade and other payables	-	-	-	1,131,634	1,131,634	1,131,634

26 Financial assets and liabilities and risk management (continued)

2015	Loans and receivables	Available- for-sale	Held-to- maturity	Other amortised cost	Total Carrying amount	Fair value
Financial assets:						
Cash and cash equivalents	615,379	-	-	-	615,379	615,379
Term deposit	1,624,142	-	-	-	1,624,142	1,624,142
Trade and other receivables	1,514,080	-	-	-	1,514,080	1,514,080
Available-for-sale investments	-	3,719,907	-	-	3,719,907	3,719,907
Held-to-maturity investments	-	-	2,246,663	-	2,246,663	2,246,663
	<u>3,753,601</u>	<u>3,719,907</u>	<u>2,246,663</u>	<u>-</u>	<u>9,720,171</u>	<u>9,720,171</u>
Financial liabilities:						
Trade and other payables	-	-	-	811,764	811,764	811,764
	<u>-</u>	<u>-</u>	<u>-</u>	<u>811,764</u>	<u>811,764</u>	<u>811,764</u>

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- interest rate risk
- foreign exchange 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's 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 49% 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 2016	31 December 2015
Cash and cash equivalents	1,030,548	615,379
Term deposits	351,673	1,624,142
Trades receivables	1,483,517	1,514,080
Held-to-maturity investments	<u>1,250,000</u>	<u>2,246,663</u>
	<u>4,115,738</u>	<u>6,000,264</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.

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 2016	31 December 2015
Kingdom of Bahrain	<u>3,526,276</u>	<u>3,719,907</u>

Investment fair value sensitivity analysis is as follows:

<u>Description</u>	<u>Change</u>	<u>Impact on equity</u>
Available for-sale-investments	+/-5%	176,314
Available for-sale-investments	+/-10%	352,628

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 short term deposits and 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 <u>2016</u>	31 December <u>2015</u>
Term deposits	351,673	1,624,142
Investment in held-to-maturity debt instrument	<u>1,250,000</u>	<u>2,246,663</u>
	<u>1,601,673</u>	<u>3,870,805</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 2016 and 2015.

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 2016	31 December 2015
Trade and other payables	1,131,634	811,764
Less: cash and cash equivalents	(1,030,548)	(1,362,042)
Net debt/ (surplus)	101,086	(550,278)
Total capital	13,306,932	15,024,456
Total capital and net debt/ (surplus)	13,408,018	14,474,178
Gearing ratio	0.75%	-

During 2015, the Company's cash equivalents exceed the net debt, hence 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 2016 and 2015.

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:

	<u>Fair Value</u>	<u>Level of hierarchy</u>	<u>Valuation technique used and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between unobservable inputs and fair value</u>
<u>As at 31 December 2016</u>					
<u>Financial assets</u>					
Quoted investments	2,597,060	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted investments and managed funds	929,216	L3	Net assets valuation and financial updates received from the respective companies and 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.
<u>As at 31 December 2015</u>					
<u>Financial assets</u>					
Quoted investments	2,744,005	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted investments and managed funds	975,902	L3	Net assets valuation and financial updates received from the respective companies and 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 year (2015: None).

26 Financial assets and liabilities and risk management (continued)

Fair value (continued)

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 2016.

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

	Unquoted investments and managed funds
At 31 December 2014	923,634
Purchases during the year	188,550
Impairment loss during the year	(81,048)
Unrealised fair value loss included in other comprehensive income	(38,645)
Disposals during the year	<u>(16,589)</u>
At 31 December 2015	975,902
Purchases during the year	17,187
Impairment loss during the year	(65,566)
Unrealised fair value gain included in other comprehensive income	4,883
Disposals during the year	<u>(3,190)</u>
At 31 December 2016	<u>929,216</u>

27 Subsequent events

There were no events subsequent to 31 December 2016 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.