Enhancing our business growth Bahrain Maritime and Mercantile International Annual Report 2007

Listed on the Bahrain Stock Exchange, BMMI is one of the fastest growing companies in its sector, with an annual turnover approaching US$200 million. The Group adopts a performance-driven, customer-focused business approach in line with international standards and global best practice.

Head Office
812 Shaikh Jaber Al Ahmed
Al Subah Highway
P.O. Box 828, Sitra
Kingdom of Bahrain
Telephone: +973 17 739 444
Fax: +973 17 731 186

Commercial Registration
10999

Authorised Capital
200,000,000 shares of BD0.100
each: BD20,000,000

Paid Up Capital
100,012,670 shares of BD0.100
each: BD10,001,267

Reviewing Accountants
Ernst & Young

Company Secretary
Mr Ammar Aqeel

Directors
Mr Abdulla Hassan Buhindi - Chairman
Mr Abdulla Mohammed Juma - Vice Chairman
Mr Ebrahim Khalifa Al Dossary
Ms Mona Yousif Almoayyed
Mr Mohammed Farouq Almoayyed
Mr Jehad Yousif Ameen
Mr Redha Al Faraj
Mr Shawki Ali Fakhroo

Bankers
National Bank of Bahrain B.S.C.
Ahli United Bank B.S.C.
Bank of Bahrain & Kuwait B.S.C.
Standard Chartered Bank
HSBC Bank Middle East
BankMuscat International B.S.C.
Wells Fargo Bank, N.A.

H.H. Shaikh Khalifa Bin Salman Al Khalifa

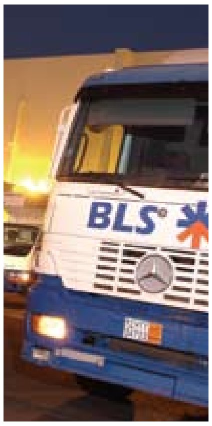
The Prime Minister

H.M. King Hamad Bin Isa Al Khalifa

The King of Bahrain

H.H. Shaikh Salman Bin Hamad Al Khalifa

The Crown Prince and Commander-in-Chief of the Bahrain Defence Force



Bahrain Maritime & Mercantile International BSC
PO Box 828, Manama,
Kingdom of Bahrain
Telephone: +973 17 739444
Fax: +973 17 731186

www.bmmigroup.com

Vision To be recognised as a dynamic regional company that inspires its individual businesses to deliver outstanding results.

Mission Winning the hearts and minds of our customers by delivering exceptional service.

Values Honesty, Excellence, Achievement, Recognition and Team Spirit.

Headquartered in the Kingdom of Bahrain, and with operations spanning three continents, BMMI is a diversified retail and distribution, logistics and supply chain group.

BMMI specialises in the distribution, wholesaling and retailing of food and beverages, and represents a leading portfolio of global household name brands. The Group is also a strong regional player in the provision of contract-based supply services for overseas governments and non-government organisations.

Listed on the Bahrain Stock Exchange, BMMI is one of the fastest growing companies in its sector, with an annual turnover approaching BD 60 million. The Group adopts a performance-driven, customer-focused business approach in line with international standards and global best practice.

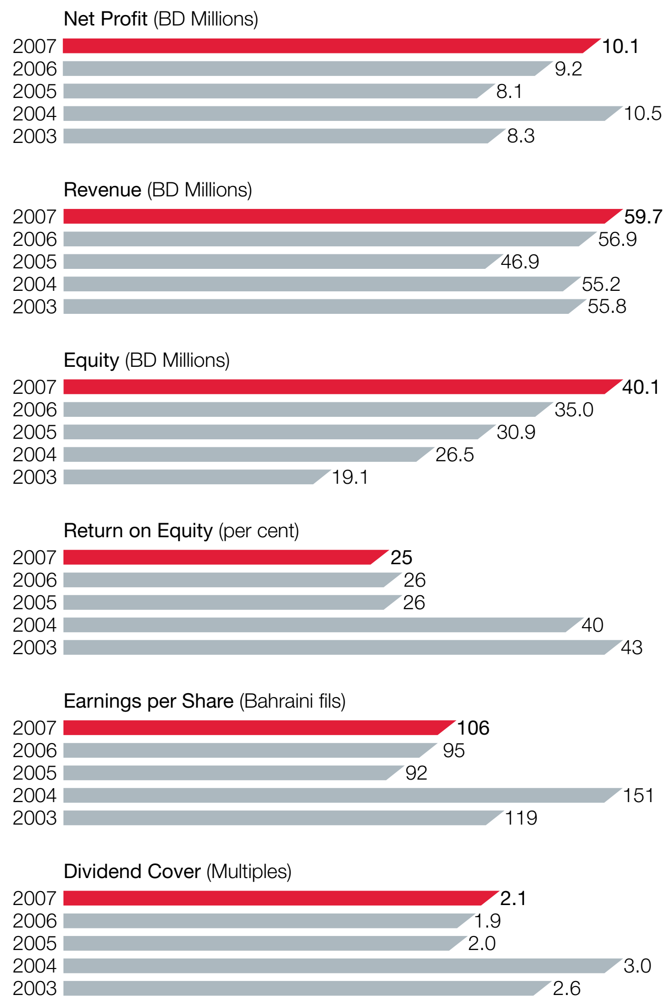
Based on 125 years' uninterrupted operations in the Arabian Gulf, BMMI today enjoys a reputation as one of the leading private sector business enterprises in the GCC region.

ANNUAL HIGHLIGHTS

During 2007, we made excellent progress in implementing the Group's strategic intent to grow the business, both financially and geographically. To support our current and planned business growth, we consolidated the Group's organisational capability with substantial investments in our human and technical resources.

- Record revenues approaching BD 60 million
- Net profit of BD 10.1 million was the second highest ever
- Shareholders' equity rose to BD 40.1 million
- Earnings per share increased to 106 fils
- Sales revenues from outside Bahrain exceeded 30%
- Started new USAID logistics contract in Djibouti
- Renewed major Prime Vendor and Navy Husbandry contracts
- Appointed General Manager for new logistics Joint Venture in Kuwait
- Finalised plans for new logistics and supply chain Joint Venture in Qatar
- Awarded new food agencies in Bahrain and Qatar
- Achieved OHSAS 18001 health and safety accreditation
- Completed implementation of Group-wide ERP system
- Introduced Management Trainee Programme
- Launched new Human Capital Development model
- Continued involvement in community outreach activities

NB. One US dollar is the equivalent of 0.377 dinars (.377 fils)



BOARD OF DIRECTORS

BMMI Board of Directors

1 Mr Abdulla Hassan Buhindi, *Chairman*
2 Mr Abdulla Mohammed Juma, *Vice Chairman*
3 Ms Mona Yousif Almoayyed, *Director*
4 Mr Ebrahim Khalifa Al Dossary, *Director*
5 Mr Jehad Yousif Ameen, *Director*
6 Mr Redha Al Faraj, *Director*
7 Mr Shawki Ali Fakhroo, *Director*
8 Mr Mohammed Farouq Almoayyed, *Director*

Management Representatives

9 Gordon Boyle, *Chief Executive*
10 Jaffar Al Mansoor, *Deputy Chief Executive*
11 Ammar Aqeel, *Company Secretary*

Executive Committee

Mr Shawki Ali Fakhroo, *Chairman*
Mr Ebrahim Khalifa Al Dossary
Ms Mona Yousif Almoayyed
Mr Jehad Yousif Ameen

Audit Committee

Mr, Redha Al Faraj, *Chairman*
Mr Abdulla Mohammed Juma
Mr Mohammed Farouq Almoayyed

Investment Committee

Mr Abdulla Hassan Buhindi, *Chairman*
Ms Mona Yousif Almoayyed
Mr Jehad Yousif Ameen
Mr Shawki Ali Fakhroo





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CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I have the pleasure to present the annual report and consolidated financial statements of BMMI for the year ended 31 December 2007. This proved to be one of the most successful years in the Group's long history, with record financial results and sound strategic progress supported by significant organisational developments.

The financial performance of BMMI in 2007 was one of the best ever recorded. Sales revenues grew by 5 per cent to an all-time high of BD 59.7 million compared with BD 57 million for the previous year. Net profit of BD 10.1 million was the second highest to date, and increased by 10 per cent over 2006. Shareholders' equity stood at BD 40.1 million (2006: BD 35 million) while the basic earnings per share was 106 fils (2006: 95 fils).

Sales revenues for 2007 approached the BD 60 million mark for the first time, while net profit was close to the record BD 10.5 million reported for 2004. It is also worth noting that all revenue generating streams recorded year-on-year growth, and that over 30 per cent of the Group's sales revenues are now generated by business activities outside the Kingdom of Bahrain.

BMMI's investment activities continued to make a significant contribution to the balance sheet during 2007, with total funds under management increasing to BD 13.5 million, compared with BD 10.8 million in 2006, yielding an annualised return of 11 per cent.

I am pleased to report that we continued to make excellent progress in implementing the Group's strategy of geographic expansion and business diversification through a mix of managed and non-managed entities. During 2007, we expanded our core contractual business, sales and marketing, and logistics and supply chain activities across our existing regional footprint that covers Bahrain, Qatar, Kuwait and Djibouti. Looking further afield, we held promising discussions with potential new food and beverages business partners in Jordan and Iran; and also identified new contractual business opportunities in several countries that belong to the Common Market for Eastern and Southern Africa (Comesa).

To support our current and planned business growth, we further enhanced the Group's organisational capability with particular focus on human and technical resources. We also strengthened our corporate governance and risk management framework, and our adoption of international standards and global best practice. In addition, as a concerned corporate citizen, we continued our involvement in community outreach activities designed to support the disadvantaged, with charitable donations, sponsorships, and university scholarships.

Based on the Group's achievements to date, the Board's outlook for the future is very positive. Underlying our optimism is the strong pipeline of exciting new business developments that BMMI has developed, and which we expect to announce during 2008. These new opportunities, together with the success of our recent initiatives and developments, have resulted in the Board of Directors and Senior Management team developing a new long-term strategy to 2015 to guide the Group's future direction. With the continued focus on performance improvements, the Board is confident in Management's ability to move BMMI closer to its goal of becoming a leading, diversified pan-regional enterprise.

DURING 2007, WE EXPANDED OUR CORE CONTRACTUAL BUSINESS, SALES AND MARKETING, AND LOGISTICS AND SUPPLY CHAIN ACTIVITIES

progress

results

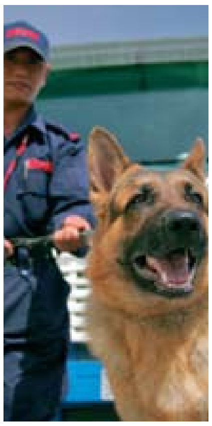
The financial performance of BMMI in 2007 was one of the best ever recorded. Sales revenues grew by 5 per cent to an all-time high of BD 59.7 million compared with BD 57 million for the previous year. Net profit of BD 10.1 million was the second highest to date, and increased by 10 per cent over 2006.

UNDERLYING OUR OPTIMISM IS THE STRONG PIPELINE OF EXCITING NEW BUSINESS DEVELOPMENTS THAT BMMI HAS DEVELOPED, AND WHICH WE EXPECT TO ANNOUNCE DURING 2008

progress

BMMI has clinched a major logistics contract in Djibouti with the United States Agency for International Development (USAID). The contract started on 1 March 2007 for two years, with three one-year options from 2009 to 2012.

This is a significant achievement and a strategic step forward for the Group, both in terms of expanding the client base of BMMI's contract-based consumables supply services, and also for capitalising on BMMI's existing investment in Djibouti to generate new business in neighbouring countries in the Horn of Africa.



The Board proposes the following appropriation of the year's net profit:

- Dividend distribution of BD 4.8 million, equivalent to BD 50 fils per share (2006: BD 50 fils per share) of which BD 20 fils was distributed as an interim dividend during the year.
- Directors' fees of BD 105,900.
- Bonus share issue at the ratio of one for each ten shares of the issued share capital.
- Transfer of BD 500,000 to the General Reserve.
- Transfer of BD 454,602 to the Statutory Reserve.
- Charity donation reserve allocation of BD 202,828.
- In terms of the Directors' remuneration, in 2007 total payments of BD 149,700 were received by the members of the Board. These comprised BD 105,900 as Directors' fees, and BD 43,800 as other Committee fees.

During the year, Dr Yousif Fakhro resigned from the Board, and I would like to take this opportunity to thank him for his diligent efforts and valuable contribution to the Group during his tenure. The Board of Directors appointed Mr Mohammed Farouq Almoayyed to fill the vacant position and they wish Mr Almoayyed every success in this role.

On behalf of the Board of Directors, I would like to express my appreciation to the Leadership of the Kingdom of Bahrain for their enlightened reforms and their encouragement of the private sector. Special thanks are also due to the Central Bank of Bahrain, the Bahrain Stock Exchange, and the Ministry of Industry and Commerce, for their guidance and support.

I would also like to take this opportunity to acknowledge the continued confidence and loyalty of our shareholders, customers and business partners. Finally, my sincere gratitude goes to the management and staff of BMMI, whose hard work and dedication have contributed to yet another successful year.

Abdulla Buhindi
Chairman

Group Commitment

The Board of Directors recognises the critical importance of corporate governance in supporting BMMI's sustained growth and profitability. During 2007, the Board of Directors subjected all corporate governance matters to a thorough review. This entailed modifying certain corporate rules and procedures to accommodate the requirements of the various regulatory bodies in the Kingdom of Bahrain, and to ensuring the incorporation of international standards and global best practice.

The policies adopted by the Board provide guidelines for the Group's corporate governance practices, including corporate governance structure, stakeholders' rights, shareholders' meeting, conflicts of interest, internal controls, disclosure policies, and directors' compensation, nomination and election, in addition to the orientation of directors.

Responsibilities

The Board of Directors is accountable to the shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value. The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Executive Management, and maintaining a dialogue with the Group's shareholders. The Board has appointed three Committees to assist it in carrying out its responsibilities. The Internal Audit function reports directly to the Board through the Audit Committee. (See diagram.) The members of the Board of Directors and Board Committees are listed on page 6, while the members of the Senior Management Group (who constitute the Executive Management) are listed on page 15.

Framework

BMMI's corporate governance framework comprises a code of business conduct; operational policies and procedures; internal controls and risk management systems; internal and external audit and compliance procedures; effective communications and transparent disclosure; and measurement and accountability.

Compliance

As a listed company, BMMI has in place comprehensive policies and procedures to ensure full compliance with the relevant rules and regulations of the Central Bank of Bahrain and the Bahrain Stock Exchange. Compliance with insider trading and other related requirements is handled by the Audit Committee.

Risk Factors and Risk Management

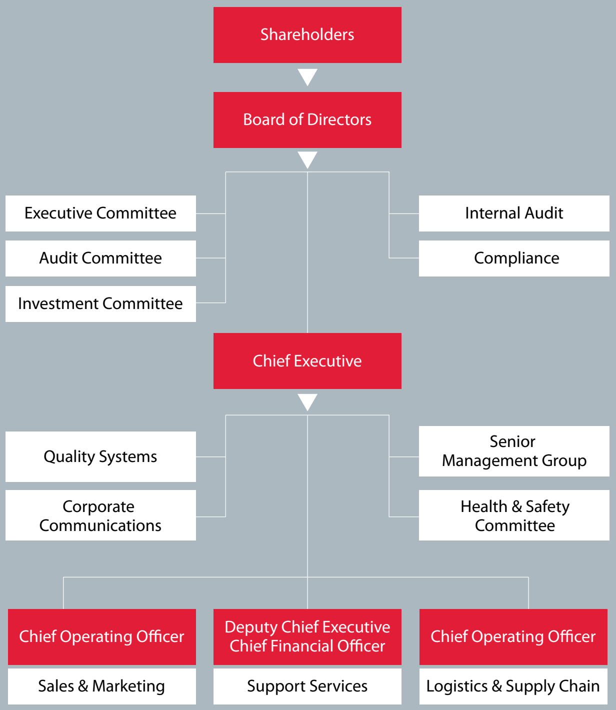
BMMI is exposed to a variety of risks that stem from the changing economic environment and the volatility of supply and delivery in products and services. Factors contributing to, or intensifying these risks include changes in regulatory and political frameworks, changes in currency exchange rates, and changes in competitive environment and general underlying business conditions. Managing and mitigating the negative impact of the wide array of risks in a systematic manner is a key concern of the Board of Directors and Management. Accordingly BMMI has instituted policies, frameworks and procedures to foster good risk awareness among all those concerned.

Code of Conduct

To protect the Group's reputation, BMMI has developed a Code of Business Conduct that sets out the behaviour that is expected from directors, management and staff. The Code has been made available in both printed and electronic format, and can be viewed on the Group's website.

Communications

BMMI conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. Main communications channels include an annual and interim report and accounts, corporate brochure and website, internal Intranet and newsletter, and announcements in the appropriate local press.




BMMI

GROUP MANAGEMENT

Executive Management

Gordon Boyle, Chief Executive Officer
Jaffar Al Mansoor, Deputy Chief Executive Officer and Chief Financial Officer
Robert Smith, Chief Operating Officer, Logistics and Supply Chain
Mike Eastwood, Chief Operating Officer, Sales and Marketing

Corporate & Support Services

Ammar Aqeel, Finance Divisional Manager and Company Secretary
Wissam El Jamal, Corporate Business Development Manager
Laura Mejia, Quality Systems Manager
Claire Pollard, Corporate Communications Manager
Salah Al Haiki, Administration Manager
Mike Kruger, Information Technology Manager
Mohammed Turaif, Assistant Human Resources Manager

Sales & Marketing

Ian Moir, Beverages Manager
Cyrilo Baring, Manager, Alosra Supermarket
Jawad Madan, Consumer Manager
Prakash Rajappan, General Manager, ZAD Marketing & Distribution

Logistics & Supply Chain

Karim Al Mahal, Manager, Bahrain Logistics Services
Clinton Evans, General Manager, Inchcape Shipping Services
Brandon Smith, Supply Chain Manager
Linda Lawrence, Government Contracts Manager
Patrick Favorite, Sourcing & Supply Manager
Johan Kriel, General Manager, BMMI-United Logistics, Kuwait
Marc Starke, Country Manager, BMMI, Djibouti
Lou Pettinelli, Manager, BMMI Export, USA

I am delighted to report that 2007 proved to be another year of outstanding achievements across all areas of the Group's operations. Our business divisions posted record revenues while continuing to enhance and diversify their core activities. At the same time, our support divisions implemented a number of key initiatives designed to strengthen our organisational capability and further improve our performance.

Contract-based Business

During 2007, the Group successfully renewed its major overseas government contracts. These comprise the Middle East Zone 4 prime vendor contract; the ship husbandry contract for the Naval Forces in Bahrain; and the subsistence contract with the French military in Djibouti, East Africa.

In addition, BMMI commenced its new major five-year logistics contract in Djibouti for the United States Agency for International Development (USAID). The scope of the contract covers the handling, receipt and storage of up to 30,000 tonnes of products and re-delivery of processed commodities that are owned by USAID. Also in Djibouti, BMMI expanded its business operations in the local market with appointment as a key supplier for two major hotels, and identified further business opportunities in neighbouring countries in the Horn of Africa.

These important business achievements illustrate the ability of BMMI not only to tap its core competencies in logistics and supply chain solutions, but also to draw upon its extensive experience in meeting the subsistence support needs of overseas governments, NGOs, humanitarian agencies, and militaries in the GCC, Middle East, Central Asia and East Africa.

Key initiatives during 2007 include the establishment of a new specialist division – Sourcing & Supply – which will provide specialist supply chain solutions for overseas governments and NGOs around the region. In addition, through partnerships with major international manufacturers and wholesalers, BMMI will offer one-stop sourcing and procurement of industrial hardware, equipment and spare parts. The Group has secured access to over one million line items of branded and non-branded products. As part of its strategy to widen the range of its supply chain-related services to a broader-based clientele, BMMI also formed new strategic alliances in 2007 with major international providers of camp infrastructure and facilities management solutions.

Retail and Distribution

Despite increasingly competitive market conditions, the Group's wholesale Food and Household Goods divisions in Bahrain and Qatar continued to increase revenues and market share. In addition, BMMI won several important new international food agencies including Storck, American Garden, Rich Sauces, and Britannia Biscuits. On the retail front, plans were approved to broaden the footprint of Alosra Supermarket through a strategy of selective geographic expansion.

BMMI's Beverages division once again demonstrated its ability to develop innovative marketing strategies to counter new market changes in the hospitality sector in Bahrain. Due to careful brand management and enhanced relationships with major principals, BMMI was able to achieve its challenging target sales volumes while maintaining dominant market share by its key brands. As part of its strategy to expand business activities outside Bahrain, in late 2007,

OUR BUSINESS DIVISIONS POSTED RECORD REVENUES WHILE CONTINUING TO ENHANCE AND DIVERSIFY THEIR CORE ACTIVITIES

إلتزام

THROUGHOUT 2007, BMMI FOCUSED ON STRENGTHENING ITS HUMAN CAPITAL AND TECHNICAL RESOURCES

BMMI has achieved accreditation to OHSAS 18001, the internationally-recognised standard for occupational health and safety (OH&S) management systems. This certification follows an exhaustive OH&S audit covering the Group's headquarters and logistic complex at Sitra, the warehouse at Mina Salman port, and Alosra Supermarket at the Najibi Centre community shopping mall.

This latest accreditation illustrates the Group's strategic commitment to adopt the highest international standards and global best practices, and will complement BMMI's existing ISO 9001: 2000 quality certification.

BMMI signed a Memorandum of Understanding with a beverages company in Jordan to establish a joint venture operation.

Logistics & Supply Chain

During 2007, the Group made good progress in consolidating its regional Logistics network. In Bahrain, an extensive renovation of the warehouse at Mina Salman Port was completed, and bonded and duty-paid warehousing facilities were consolidated. Together with the recent upgrade and expansion of the Sitra logistics complex, BMMI is now fully self sufficient in terms of warehousing and storage facilities in the Kingdom.

The Group's new joint-venture company in Kuwait – BMMI-United Logistics Company (BULC) – appointed a General Manager, and was awarded a management contract to support the warehousing operations of its JV partner, UWRC. In Qatar, additional warehousing space was secured to support the continued business success of the Group's joint venture, ZAD Marketing & Distribution, while plans were finalised to establish a new logistics and supply chain operation with a local partner.

Also during the year, BMMI expanded its Supply Chain division, which now has dedicated staff at offices based in Bahrain, Qatar, Djibouti and the USA. Latest initiatives include the establishment of a new Quality Control and Performance Supervision department to monitor performance and service levels by both BMMI personnel and suppliers; and the planned implementation of a new customer and supplier online system for order processing and tracking.

Investments

Investment activities now constitute a significant revenue stream for the Group. The well-balanced investment portfolio, supervised by an Investment Committee reporting to the Board of Directors, consists primarily of regional and international bond and equity investments. It is managed according to strict and conservative investment criteria in order to provide effective risk diversification and ready liquidity.

People and Technology

Throughout 2007, BMMI focused on strengthening its human capital and technical resources in order to support the Group's current and planned business growth, and future strategic direction.

Key HR achievements include the development of a human capital development model that is based on international best practice. This was supported by the introduction of leadership and management competencies; the completion of a job evaluation and grading review by external consultants; and the alignment of salaries and benefits with market rates. In addition, plans were finalised for a new management trainee programme to help establish a cadre of future leaders; while a new position of Corporate Business Development Manager, reporting directly to the Chief Executive, was created to spearhead and coordinate Group-wide strategic initiatives.

On the IT front, the implementation of BMMI's new, fully-integrated Oracle-based ERP solution was successfully completed during the year. The new, state-of-the-art ICT infrastructure will provide important benefits across all corporate functions, business operations and support activities. These include increased efficiency and flexibility, reduced costs, improved productivity, greater accuracy and security, and a more responsive level of customer service. In addition, a single database with imbedded business intelligence will enable the development of a management information system (MIS) to improve the speed and quality of decision making.

International Standards

In 2007, BMMI achieved accreditation to OHSAS 18001, the internationally-recognised standard for occupational health and safety (OH&S) management systems. This certification followed an exhaustive audit, initially covering the Group's headquarters and logistic complex at Sitra, the warehouse at Mina Salman port, and Alosra Supermarket at the Najibi Centre community shopping mall. An audit of overseas operations is planned for the future.

This latest accreditation illustrates the Group's strategic commitment to adopt the highest international standards and global best practices, and will complement BMMI's existing ISO 9001: 2000 quality certification. BMMI also complies with other recognised international and regional benchmarks for corporate governance, risk management, financial reporting and accounting, business ethics, regulatory compliance, human resources development, performance management, information technology, security, and corporate communications.

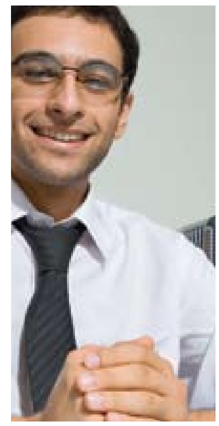
Corporate Responsibility

During the first half of 2007, BMMI illustrated its enduring commitment to uphold the highest levels of corporate responsibility, in a number of different ways.

These included strengthening the Group's corporate governance framework to ensure continued compliance with the requirements of the Central Bank of Bahrain and relevant regulatory bodies in other jurisdictions where BMMI operates. This entailed an ongoing review of internal financial controls, risk management policies and procedures, and external communications processes.

The Group also increased its involvement in community outreach activities designed to help the disadvantaged, with a number of charitable donations and sponsorships across the region, including the Alosra University Scholarship for students from low-income families. In addition, BMMI supported major government health and safety initiatives in the Kingdom of Bahrain.

In a pioneering move, BMMI also became the first company in Bahrain to commit to actively participate in the United Nations Global Contract, and to uphold its ten principles covering the areas of human rights, labour standards, the environment, and anti-corruption. The Global Contract aims to encourage business to contribute to the development of a more sustainable and inclusive global economy.



Future Challenges

The impressive achievements of 2007 – consolidating the remarkable progress of recent years – provide BMMI with a strong platform for meeting our future ambitious business goals and strategic objectives.

But while we take pride in our accomplishments, we are not complacent, and recognise that we will face many new challenges in the years ahead. By continuing to leverage our core competencies, and supported by our unique corporate culture, I am confident that we can achieve our goal of becoming a truly dynamic and diversified pan-regional enterprise.

On behalf of the management team, I would like to take this opportunity to express my sincere appreciation to the Directors for their unswerving confidence, support and guidance; and to thank all BMMI staff worldwide for their continued hard work, dedication and professionalism during the year.

Gordon Boyle
Chief Executive

WE CONTINUE TO LEVERAGE OUR CORE COMPETENCIES, SUPPORTED BY OUR UNIQUE CORPORATE CULTURE

In a pioneering move, BMMI also became the first company in Bahrain to commit to actively participate in the United Nations Global Compact, and to uphold its ten principles covering the areas of human rights, labour standards, the environment, and anti-corruption.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

Bahrain Maritime & Mercantile International BSC
Sitra, Kingdom of Bahrain

We have audited the accompanying consolidated financial statements of Bahrain Maritime & Mercantile International B.S.C. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Group as at 31 December 2006, were audited by another auditor whose report dated 31 January 2007, expressed an unqualified opinion on those consolidated statements.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Regulatory Matters

We confirm that, in our opinion, proper accounting records have been kept by the Company and the consolidated financial statements, and the contents of the Report of the Board of Directors relating to these consolidated financial statements, are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the memorandum and articles of association of the Company have occurred during the year ended 31 December 2007 that might have had a material adverse effect on the business of the Company or on its financial position.

Ernst & Young
Manama, Kingdom of Bahrain
30 January 2008

Financial Statements Bahrain Maritime and Mercantile International 2007

progress report

BAHRAIN MARITIME & MERCANTILE INTERNATIONAL B.S.C.

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 BD	2006 BD
ASSETS			
Non-current assets			
Property, plant and equipment	4	**7,637,667**	5,948,411
Investments in jointly controlled entities	5	**1,563,665**	1,407,788
Investment in an associate	7	**3,521,546**	3,312,659
Available-for-sale investments	6	**13,480,620**	10,789,360
Loan to a jointly controlled entity	20	**550,000**	550,000
Total non-current assets		**26,753,498**	22,008,218
Current assets			
Inventories	8	**14,409,321**	8,939,625
Trade and other receivables	9	**12,129,750**	7,445,790
Bank balances and cash		**4,877,452**	10,391,124
Total current assets		**31,416,523**	26,776,539
TOTAL ASSETS		**58,170,021**	48,784,757
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**10,001,267**	9,092,061
Treasury shares	10	**(2,396,801)**	(1,356,631)
Statutory reserve	11	**5,000,633**	4,546,031
Cumulative changes in fair values		**974,316**	337,633
Charity reserve	12	**338,843**	161,563
General reserve	12	**2,000,000**	1,500,000
Retained earnings		**24,198,549**	20,751,292
Total equity		**40,116,807**	35,031,949
Liabilities			
Non current liabilities			
Employees' end of service benefits	13	**777,793**	601,070
Current liabilities			
Trade and other payables	14	**17,275,421**	13,151,738
Total current liabilities		**17,275,421**	13,151,738
TOTAL LIABILITIES		**18,053,214**	13,752,808
TOTAL EQUITY AND LIABILITIES		**58,170,021**	48,784,757

The financial statements were authorised for issue in accordance with a resolution of the Directors on 30 January 2008 and signed on their behalf by:

Abdulla Hassan Buhindi
Chairman

Abdulla Mohammed Juma
Vice Chairman

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 BD	2006 BD
Sales	22	**59,737,134**	56,979,342
Cost of sales	22	**(43,284,371)**	(39,607,171)
GROSS PROFIT		**16,452,763**	17,372,171
Other operating income	16	**265,769**	137,458
Selling and distribution expenses	17	**(5,212,757)**	(7,073,376)
General and administrative expenses	18	**(3,598,536)**	(2,747,280)
Profit from operations		**7,907,239**	7,688,973
Share of results of jointly controlled entities	5	**741,319**	697,657
Share of results of associate	7	**101,682**	-
Investment income		**207,689**	136,557
Gain on sale of available-for-sale investments	6	**779,791**	277,933
Interest income		**403,688**	427,862
PROFIT FOR THE YEAR	15	**10,141,408**	9,228,982
Basic and diluted earning per share (Fils)	19	**106**	95

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Share capital BD
Balance at 1 January 2006		8,265,510
Changes in fair value of available-for-sale investments	6	-
Directors' fees for 2005		-
Total income and expense for the year recognised directly in equity		-
Net income for the year		-
Total income and expenses for the year		-
Bonus shares issued	10	826,551
Purchase of treasury shares		-
Final dividend for 2005	10	-
Interim dividend for 2006	10	-
Transfer to statutory reserve	11	-
Transfer to general reserve	12	-
Transfer to charity reserve		-
Balance at 31 December 2006		9,092,061

	Notes	**Share capital BD**
Balance at 1 January 2007		9,092,061
Changes in fair value of available-for-sale investments	6	-
Directors' fees for 2006		-
Total income and expenses for the year recognised directly in equity		**-**
Net income for the year		-
Total income and expenses for the year		**-**
Bonus shares issued	10	909,206
Purchase of treasury shares		-
Final dividend for 2006	10	-
Interim dividend for 2007	10	-
Transfer to statutory reserve	11	-
Transferred to general reserve	12	-
Transfer to charity reserve		-
Balance at 31 December 2007		**10,001,267**

The attached notes 1 to 25 form part of these consolidated financial statements.

Treasury shares BD	Statutory reserve BD	Cumulative changes in fair value BD	Charity reserve BD	General reserve BD	Retained earnings BD	Total BD
(770,763)	4,132,755	545,899	-	1,000,000	17,694,731	30,868,132
-	-	(208,266)	-	-	-	(208,266)
-	-	-	-	-	(116,200)	(116,200)
-	-	(208,266)	-	-	(116,200)	(324,466)
-	-	-	-	-	9,228,982	9,228,982
-	-	(208,266)	-	-	9,112,782	8,904,516
	-	-	-	-	(826,551)	-
(585,868)	-	-	-	-	-	(585,868)
-	-	-	-	-	(2,405,461)	(2,405,461)
-	-	-	-	-	(1,749,370)	(1,749,370)
-	413,276	-	-	-	(413,276)	-
-	-	-	-	500,000	(500,000)	-
-	-	-	161,563	-	(161,563)	-
(1,356,631)	4,546,031	337,633	161,563	1,500,000	20,751,292	35,031,949

Treasury shares BD	**Statutory reserve BD**	**Cumulative changes in fair value BD**	**Charity reserve BD**	**General reserve BD**	**Retained earnings BD**	**Total BD**
(1,356,631)	4,546,031	337,633	161,563	1,500,000	20,751,292	35,031,949
-	-	636,683	-	-	-	636,683
-	-	-	-	-	(104,700)	(104,700)
-	**-**	**636,683**	**-**	**-**	**(104,700)**	**636,683**
					10,141,408	10,141,408
-	**-**	**636,683**	**-**	**-**	**10,036,708**	**10,778,091**
-	-	-	-	-	(909,206)	-
(1,040,170)	-	-	-	-	-	(1,040,170)
-	-	-	-	-	(2,624,055)	(2,624,055)
-	-	-	-	-	(1,924,308)	(1,924,308)
-	454,602	-	-	-	(454,602)	-
-	-	-	-	500,000	(500,000)	-
-	-	-	177,280	-	(177,280)	-
(2,396,801)	**5,000,633**	**974,316**	**338,843**	**2,000,000**	**24,198,549**	**40,116,807**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 BD	2006 BD
OPERATING ACTIVITIES			
Cash received from customers		**55,053,174**	57,180,916
Payments to suppliers and employees		**(53,536,167)**	(46,898,888)
Other receipts		**265,769**	124,318
Net cash from operating activities		**1,782,776**	10,406,346
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(2,238,357)**	(947,281)
Proceeds from disposal of property, plant and equipment		**310**	64,007
Purchase of available-for-sale investments	6	**(5,097,354)**	(3,689,207)
Proceeds from disposal of available-for-sale investments		**4,602,359**	1,766,281
Acquisition of shares in associated company		**(107,205)**	(144,129)
Investment in jointly controlled entities	5	**-**	(10,000)
Cash received from jointly controlled entities	5	**520,955**	397,737
Interest received		**403,688**	427,862
Dividend received		**207,689**	136,557
Net cash used in investing activities		**(1,707,915)**	(1,998,173)
FINANCING ACTIVITIES			
Purchase of treasury shares		**(1,040,170)**	(585,868)
Dividends paid		**(4,548,363)**	(4,154,832)
Net cash used in financing activities		**(5,588,533)**	(4,740,700)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(5,513,672)**	3,667,473
Cash and cash equivalents at 1 January		**10,391,124**	6,723,651
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**4,877,452**	10,391,124

The attached notes 1 to 25 form part of these consolidated financial statements.

1 ACTIVITIES

Bahrain Maritime & Mercantile International B.S.C. ("the Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with Ministry of Industry and Commerce under commercial registration (CR) number 10999. The postal address of the Company's head office is P.O. Box 828, Manama, Kingdom of Bahrain.

The principal activity of the Group is the wholesale and retailing of food, beverages and other consumable items. It also provides logistics and shipping services. The Group's operations are concentrated in Bahrain, Djibouti and Qatar.

2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") as at 31 December each year.

All intra group balances, transactions, income and expenses, including unrealised profits on intra group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group had control.

The subsidiaries of the Company are as follows:

	Ownership interest	**Country of incorporation**	**Activity**
Nader Trading and Refrigerating Company W. L. L.	100%	Kingdom of Bahrain	Managing various consumer agencies.
Alfayrooz Trading W. L. L. (Registration cancelled in 2007 as Company has ceased operations)	100%	Kingdom of Bahrain	Managing Kraft agency.
Alosra W. L. L.	100%	Kingdom of Bahrain	Supermarket management.
BMMI Sarl	100%	Djibouti	Air transport activity, storage and distribution, import and export.

The entities jointly controlled by the Company are as follows:

	Effective interest	**Country of incorporation**	**Activity**
Qatar Bahrain International W.L.L.	50%	State of Qatar	Managing various consumer agencies.
B & B Logistics W.L.L.	50%	Kingdom of Bahrain	Constructing and operating warehouses.
Inchcape Shipping Services Bahrain W.L.L.	50%	Kingdom of Bahrain	Rendering of shipping services.
A & B Logistics Services Co W.L.L.	50%	Kingdom of Bahrain	Import and export, selling and distribution

There has been no change in the effective ownership during the year.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the Bahrain Commercial Companies Law.

The consolidated financial statements have been prepared in Bahrain Dinars being the functional currency of the Company.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments.

Changes in accounting policies

The accounting policies are consistent with those used in the previous year.

The Group has adopted IFRS 7 (Financial Instruments: Disclosures) and IAS 1: (Capital Disclosures) during the year. Adoption of these revised standards did not have any effect on the financial performance or position of the Group. This did however give rise to additional disclosures regarding financial instruments and associated risks and capital management.

IFRS 7 requires disclosures that enable users of the consolidated financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the consolidated financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

The Group also adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

International Accounting Standards Board (IASB) Standards and Interpretations issued but not adopted

The Group has not adopted the revised IAS 1 "Presentation of Financial Statements" which will be effective for the year ending 31 December 2009. The application of this standard will result in amendments to the presentation of the consolidated financial statements.

The Group has not adopted the revised IFRS 8 "Operating Segments" which will be effective for the year ending 31 December 2009. IFRS 8 "Operating Segments" was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. IFRS 8 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The Group has determined that the operating segments disclosed in IFRS 8 will be the same as the business segments disclosed under IAS 14. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in jointly controlled entities

The Group has an interest in jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The Group recognises its interest in the jointly controlled entities using the equity method of accounting. The consolidated income statement reflects the Group's share of the results of the jointly controlled entities.

When the Group's share of losses exceeds its interest in jointly controlled entities, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land and capital work in progress are not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings on freehold land	5 to 20 years
Leasehold buildings	15 to 20 years
Plant and equipment	2 to 10 years
Motor vehicles	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

Available for-sale-investments

Available-for-sale investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments. After initial recognition, available-for-sale investments are remeasured at fair value with unrealised gains and losses reported as a separate component in equity until the investments are derecognised or the investments are determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the consolidated income statement for the year.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include those expenses incurred in bringing each product to its present location and condition and is determined on a first in first out basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to make the sale.

Management estimates that suppliers will ship goods after one month from the placing of a purchase order. Hence purchase orders outstanding as at the balance sheet date, but placed one month before balance sheet date, are assumed to be goods-in-transit.

Trade receivables

Accounts receivable are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Employees' end of service benefits

The Group makes contributions to the General Organisation for Social Insurance scheme, for its national employees, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group also provides for end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services
Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Interest is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income is recognised when the right to receive the dividend is established.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Foreign currency transactions
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. All exchange differences are taken to the consolidated income statement.

Impairment and uncollectibility of financial assets
An assessment is made at each reporting date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by quoted share prices for publicly traded associates or other available fair value indicators.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the consolidated income statement.

4 PROPERTY, PLANT AND EQUIPMENT

	Freehold land BD	Plant and Buildings BD	Motor equipment BD	Work in vehicles BD	progress BD	Total BD
Cost:						
At 1 January 2007	1,819,520	4,370,910	3,068,428	1,002,475	674,534	10,935,867
Additions	1,422,924	-	219,845	36,411	559,177	2,238,357
Disposals	-	-	(61,942)	-	-	(61,942)
Transfer from work in progress	-	50,187	1,118,371	3,276	(1,171,834)	-
At 31 December 2007	**3,242,444**	**4,421,097**	**4,344,702**	**1,042,162**	**61,877**	**13,112,282**
Depreciation:						
At 1 January 2007	-	1,868,445	2,378,399	740,612	-	4,987,456
Provided during the year	-	203,296	238,575	107,230	-	549,101
Relating to disposals	-	-	(61,942)	-	-	(61,942)
At 31 December 2007	**-**	**2,071,741**	**2,555,032**	**847,842**	**-**	**5,474,615**
Net carrying values:						
At 31 December 2007	**3,242,444**	**2,349,356**	**1,789,670**	**194,320**	**61,877**	**7,637,667**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land BD	Plant and Buildings BD	Motor equipment BD	Work in vehicles BD	progress BD	Total BD
Cost:						
At 1 January 2006	1,819,520	4,129,521	2,916,331	946,687	55,911	9,867,970
Transfer from investment property	-	232,389	-	-	-	232,389
Additions	-	9,000	165,134	100,036	673,111	947,281
Disposals	-	-	(67,525)	(44,248)	-	(111,773)
Transfer from work in progress	-	-	54,488	-	(54,488)	-
At 31 December 2006	1,819,520	4,370,910	3,068,428	1,002,475	674,534	10,935,867
Depreciation:						
At 1 January 2006	-	1,591,182	2,163,534	663,108	-	4,417,824
Transfer from investment property	-	77,309	-	-	-	77,309
Provided during the year	-	199,954	250,623	115,791	-	566,368
Relating to disposals	-	-	(35,758)	(38,287)	-	(74,045)
At 31 December 2006	-	1,868,445	2,378,399	740,612	-	4,987,456
Net carrying values:						
At 31 December 2006	1,819,520	2,502,465	690,029	261,863	674,534	5,948,411
Cost of fully depreciated assets						
At 31 December 2007	**-**	**632,928**	**2,189,438**	**512,614**	**-**	**3,334,980**
At 31 December 2006	-	632,928	1,866,921	469,663	-	2,969,512

5 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2007 **BD**	2006 BD
At 1 January	**1,407,788**	1,097,868
Investment made during the year	**-**	10,000
Reclassification of investment as subsidiary	**(64,487)**	-
Share of profits of jointly controlled entities, net	**741,319**	697,657
Less: Dividends received during the year	**(520,955)**	(397,737)
At 31 December	**1,563,665**	1,407,788

5 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

The following table illustrates summarised unaudited financial information of the Group's investments in jointly controlled entities as at the balance sheet date.

	2007	2006
	BD	BD
Share of the jointly controlled entities' balance sheets:		
Current assets	**2,830,887**	2,637,892
Non-current assets	**1,212,023**	1,355,698
Current liabilities	**(1,714,633)**	(1,666,397)
Non-current liabilities	**(266,128)**	(418,712)
Net assets	**2,062,149**	1,908,481
Share of the jointly controlled entities' revenue and profits		
Revenue	**2,524,548**	2,190,788
Profits	**741,319**	697,657
Carrying amount of the investments	**1,563,665**	1,407,788

6 AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	BD	BD
At 1 January	**10,789,360**	8,706,770
Purchase of investments	**5,097,354**	3,689,207
Sale of investments	**(3,822,568)**	(1,676,284)
Changes in fair value during the year	**1,416,474**	69,667
At 31 December	**13,480,620**	10,789,360
Quoted investments	**5,318,414**	2,635,866
Unquoted investments		
- carried at cost	**2,566,509**	1,677,154
- carried at fair value	**5,595,697**	6,476,340
	8,162,206	8,153,494
Total available-for-sale investments	**13,480,620**	10,789,360

Quoted investments
The fair values of the quoted ordinary shares are determined by reference to published price quotations in an active market.

Unquoted investments
The fair values of unquoted investments have been estimated using indicative bids provided by the fund administrators. For the commodity and real estate funds, there are no readily observable market prices available and hence, these funds are carried at cost.

6 AVAILABLE-FOR-SALE INVESTMENTS (continued)

Movements in cumulative changes in fair values arising from available-for-sale investments are as follows:

	2007	2006
	BD	BD
Net unrealised gains	**1,416,474**	69,667
Net realised gains reclassified to the income statement on disposal	**(779,791)**	(277,933)
	636,683	(208,266)

7 INVESTMENT IN AN ASSOCIATE

The Group has a 27.50% (2006: 26.04%) interest in Banader Hotels Company B.S.C., which is involved in operating hotels in the Kingdom of Bahrain. Banader Hotels Company B.S.C. is listed on the Bahrain Stock Exchange. The following table illustrates summarised financial information of the Group's investment in Banader Hotels Company B.S.C. as at 30 September 2007 being the latest available information:

	2007	2006
	BD	BD
Share of the associate's balance sheet:		
Current assets	**1,647,019**	1,571,974
Non-current assets	**1,772,969**	1,629,255
Current liabilities	**(13,125)**	(27,370)
Net assets	**3,406,863**	3,173,859
Share of the associate's revenue and profit		
Revenue	**113,652**	-
Profit	**101,682**	-
Carrying amount of the investment	**3,521,546**	3,312,659

8 INVENTORIES

	2007	2006
	BD	BD
Goods for resale	**9,294,739**	7,059,586
Goods-in-transit	**5,760,705**	3,185,387
	15,055,444	10,244,973
Provision for expired and slow-moving items	**(646,123)**	(1,305,348)
	14,409,321	8,939,625

Movement in the provision recognised in the consolidated balance sheet is as follows:

	2007	2006
	BD	BD
At 1 January	**1,305,348**	509,678
Provided during the year - net	**258,640**	1,297,622
Written off during the year	**(917,865)**	(501,952)
At 31 December	**646,123**	1,305,348

9 TRADE AND OTHER RECEIVABLES

	2007	2006
	BD	BD
Trade receivables - net	**10,546,070**	6,277,607
Other receivables and prepayments	**1,583,680**	1,168,183
	12,129,750	7,445,790

As at 31 December 2007, trade receivables at nominal value of BD 205,780 (2006: BD 253,119) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2007	2006
	BD	BD
At 1 January	**253,119**	233,238
Charge for the year	**36,217**	19,881
Utilised during the year	**(81,667)**	-
Unused amounts reversed	**(1,889)**	-
At 31 December	**205,780**	253,119

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

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	60- 90 days	90- 120 days	> 120 days
	BD	BD	BD	BD	BD	BD	BD
2007	**10,546,070**	**8,481,016**	**761,365**	**331,279**	**22,710**	**787,765**	**161,935**
2006	6,277,607	4,526,880	446,747	201,036	34,939	883,541	184,464

Unimpaired receivables are expected, on the basis of past experiences, to be fully recoverable. It is not the practice of the Group to obtain collateral.

10 SHARE CAPITAL

	2007	2006
	BD	BD
Authorised:		
200,000,000 shares of 100 fils each	**20,000,000**	20,000,000
Issued, subscribed and fully paid-up:		
At 1 January	**9,092,061**	8,265,510
Bonus issue during the year	**909,206**	826,551
At 31 December: 100,012,670 shares (2006: 90,920,610 shares) of 100 fils each	**10,001,267**	9,092,061
Treasury shares: 4,997,291 shares (2006: 3,452,083 shares)	**(2,396,801)**	(1,356,631)

During 2007, the Company increased the issued and fully paid share capital by 9,092,061 (2006: 8,265,510) ordinary shares of 100 fils each amounting to BD 909,206 (2006: BD 826,551) by an issue of 1 bonus share for every 10 (2006: 1 bonus share for every 10) shares held. These shares rank pari passu with all other issued shares for future dividends and distributions. This bonus shares issue was made by a transfer from retained earnings.

The Bahrain Commercial Companies Law permits the holding of up to 10% of issued shares as treasury shares.

The Board of Directors has proposed a cash dividend of 50 fils per share, totalling to BD 4,750,769 (2006: 50 fils per share totalling to BD 4,373,425) of which 20 fils per share totalling BD 1,924,308 (2006: 20 fils per share totalling BD 1,749,370) was paid as an interim dividend. The proposed final dividend equals 30 fils per share, totalling to BD 2,826,461 (2006: 30 fils per share totalling to BD 2,624,055).

The Board of Directors has also proposed Directors' remuneration of BD 105,900 (2006: BD 104,700).

The proposed appropriations and the Directors' committee fees are in accordance with the Company's Articles of Association and are subject to approval by the shareholders at the Annual General Meeting.

The largest shareholder is Yousuf Khalil Almoayyed & Sons B.S.C. (c) with 5.91 million (2006: 5.37 million) shares representing 6.22% (2006: 6.14%) of the outstanding share capital. The distribution of shareholdings is as follows:

	2007			2006		
Categories	**No. of shares**	**No. of shareholders**	**% of total outstanding share capital**	No. of shares	No. of shareholders	% of total outstanding share capital
Less than 1%	**41,929,090**	**385**	**44.13**	73,243,729	420	83.74
1% up to less than 5%	**47,176,281**	**21**	**49.65**	8,852,044	8	10.12
5% up to less than 10%	**5,910,008**	**1**	**6.22**	5,372,754	1	6.14
	95,015,379	**407**	**100.00**	87,468,527	429	100.00

11 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law, the Group is required to transfer 10% of the net profit to a statutory reserve until such reserve equals 50% of the share capital. The Company has resolved to limit the annual transfer in the current year as the statutory reserve equaled 50% of paid up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

12 RESERVES

a) Charity reserve

In accordance with the Company's articles of association and the recommendation of the Board of Directors, amounts not exceeding 2% of the Group's profit for the year are transferred to the charity reserve. The Board of Directors has proposed a transfer of BD 202,828 (2006: BD 177,280) to the charity reserve in the current year. This is subject to approval by the shareholders at the Annual General Meeting.

b) General reserve

In accordance with the Company's articles of association and the recommendation of the Board of Directors, specific amounts are transferred to the general reserve. The Board of Directors has proposed a transfer of BD 500,000 (2006: BD 500,000) to the general reserve in the current year. This is subject to approval by the shareholders at the Annual General Meeting.

13 EMPLOYEES' END OF SERVICE BENEFITS

	2007	2006
	BD	BD
Movements in the provision recognised in the balance sheet are as follows:		
At 1 January	**601,070**	523,514
Provided during the year	**225,853**	106,893
End of service benefits paid	**(49,130)**	(29,337)
At 31 December	**777,793**	601,070

14 TRADE AND OTHER PAYABLES

	2007	2006
	BD	BD
Trade payables	**12,508,533**	9,785,313
Other payables and accrued liabilities	**4,479,726**	2,900,549
Due to jointly controlled entities	**287,162**	465,876
	17,275,421	13,151,738

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled on 60 day terms.
- Other payables and accrued liabilities are non- interest bearing and have an average term of 2 months.

15 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2007	2006
	BD	BD
Staff costs	**4,606,521**	4,095,050
Rental - operating leases	**228,450**	274,801
Inventories recognised as expense upon sale of finished goods	**43,284,371**	39,607,171

16 OTHER OPERATING INCOME

	2007	2006
	BD	BD
Rental income	**112,858**	124,053
Gain on disposal of property, plant and equipment	**310**	13,140
Miscellaneous income	**152,601**	265
	265,769	137,458

17 SELLING AND DISTRIBUTION EXPENSES

	2007	2006
	BD	BD
Staff costs	**2,808,556**	2,584,062
Depreciation (note 4)	**124,571**	317,600
Other selling and distribution expenses	**2,020,990**	2,874,092
Provision for inventory (note 8)	**258,640**	1,297,622
	5,212,757	7,073,376

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2007	2006
	BD	BD
Staff costs	**1,761,503**	1,510,988
Depreciation (note 4)	**424,530**	248,768
Other general and administrative expenses	**1,412,503**	987,524
	3,598,536	2,747,280

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares, as follows:

	2007	2006
	BD	BD
The following reflects the income and share data used in the basic earnings per share computations:		
Profit of the Group for the year - BD	**10,141,408**	9,228,982
Weighted average number of shares, net of treasury shares, excluding bonus shares issued during the year	**86,695,823**	87,958,031
Issue of bonus shares	**9,092,060**	9,092,060
Adjusted shares in issue	**95,787,883**	97,050,091
Basic earnings per share (fils)	**106**	95

No figure for diluted earnings per share has been presented because the Group has not issued instruments that would have a dilutive effect.

20 RELATED PARTY TRANSACTIONS

Related parties represent the associated company, jointly controlled entities, major shareholders, directors and key management personnel of the Group entities, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated income statement are as follows:

		2007		2006
	Other related parties	**Jointly controlled entities**	Other related parties	Jointly controlled entities
Selling and distribution expenses	**21,973**	**-**	24,738	
Cost of sales		**925,963**		567,105
Other operating income	**-**	**9,600**	-	9,600

Balances with related parties included in the balance sheet are as follows:

		2007		2006
	Other related parties	**Jointly controlled entities**	Other related parties	Jointly controlled entities
Trade and other payables	**1,630**	**287,162**	1,630	465,876
Loan to a jointly controlled entity	**550,000**	**-**	550,000	-

Loan to a jointly controlled entity is interest free and has no set repayment terms.

20 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

Key management personnel are those persons having responsibility for planning, directing and controlling the activities of the Group. The key management personnel comprise members of the board of directors, the chief executive officer, the deputy chief executive officer and two chief operating officers and their compensation is as follow:

	2007	2006
	BD	BD
Short-term benefits	**608,639**	520,396
Employees' end of service benefits	**27,151**	19,771
	635,790	540,167

21 COMMITMENTS AND CONTINGENCIES

	2007	2006
	BD	BD
Letters of credit	**43,763**	15,547
On call of shares in the associated company- [50 fils per share for 11,254,078 shares (2006: 9,065,250 shares)]	**562,704**	453,262

At 31 December 2007 the Group had contingent liabilities in the form of bank guarantees issued in the ordinary course of business amounting to BD 819,207 (2006: BD 780,000), from which it is anticipated that no material liabilities will arise.

Operating lease commitments
Commitments for future rentals payable are as follows:

	2007	2006
	BD	BD
Future minimum lease payments :		
Not later than one year	**256,947**	236,703
Later than one year and not later than five years	**500,168**	247,448
Later than five years	**189,725**	189,725
Aggregate operating lease expenditure contracted for at the balance sheet date	**946,840**	673,876

22 SEGMENT REPORTING

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. Secondary information is not reported geographically although the Group operates in three segments as the Bahrain operations are only considered significant. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The group is organised into two main business segments:

Wholesale - wholesaling of food, beverage and other consumer products.
Retail - retailing of food, beverage and other consumer product.

An additional segment of the Group provides service and general management facilities.

Segment revenue, segment expense and segment results include transfers between business segments. Those transfers are eliminated in consolidation.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The group operates in three geographical segments, Bahrain, Qatar and Djibouti. Qatar and Djibouti operations are insignificant.

	Wholesale		Retail		Service and general management		Group	
Consolidated income statement	**2007 BD**	2006 BD	**2007 BD**	2006 BD	**2007 BD**	2006 BD	**2007 BD**	2006 BD
Sales	**42,132,498**	40,458,112	**17,476,633**	16,469,108	**128,003**	52,122	**59,737,134**	56,979,342
Cost of sales	**(31,949,274)**	(28,825,102)	**(11,335,097)**	(10,782,069)	**-**	-	**(43,284,371)**	(39,607,171)
Gross profit	**10,183,224**	11,633,010	**6,141,536**	5,687,039	**128,003**	52,122	**16,452,763**	17,372,171
Operating costs	**(6,351,302)**	(7,665,345)	**(1,709,005)**	(1,494,231)	**(750,986)**	(661,080)	**(8,811,293)**	(9,820,656)
Other operating income	-	-	**242,361**	126,250	**23,408**	11,208	**265,769**	137,458
Profit / (loss) from operations	**3,831,922**	3,967,665	**4,674,892**	4,319,058	**(599,575)**	(597,750)	**7,907,239**	7,688,973
Share of results of jointly controlled entities	**-**	-	**-**	-	**741,319**	697,657	**741,319**	697,657
Share of results of associate	**-**	-	**-**	-	**101,682**	-	**101,682**	-
Investment income	**-**	-	**-**	-	**207,689**	136,557	**207,689**	136,557
Gain on sale of available-for-sale investments	**-**	-	**-**	-	**779,791**	277,933	**779,791**	277,933
Interest income	**-**	-	**-**	-	**403,688**	427,862	**403,688**	427,862
Profit for the year	**3,831,922**	3,967,665	**4,674,892**	4,319,058	**1,634,594**	942,259	**10,141,408**	9,228,982

22 SEGMENT REPORTING (continued)

	Group	
	2007	2006
Balance sheet	**BD**	BD
Total assets	**58,170,021**	48,784,757
Total liabilities	**(18,053,214)**	(13,752,808)
	40,116,807	35,031,949

The assets and liabilities are managed on an integrated basis and as a result no segmental analysis has been provided.

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments of the Group comprise of financial assets and financial liabilities.

Financial assets consist of available-for-sale investments, trade and other receivables and bank balances and cash. Financial liabilities consist of trade and other payables.

The fair values of financial instruments, with the exception of certain available-for-sale investments carried at cost (note 6) and loan to a jointly controlled entity which is interest free and has no set repayment terms (note 20), are not materially different from their carrying values.

24 RISK MANAGEMENT

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and bank overdrafts).

The sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit is not provided as it is not expected to be material.

Equity price risk

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

		2007		2006
	Change in equity price	**Effect on equity**	Change in equity price	Effect on equity
	BD	**BD**	BD	BD
GCC	**20%**	**1,063,683**	20%	527,173
Unquoted investments at fair value	**20%**	**1,119,139**	20%	1,295,268

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated income statement will be impacted.

24 RISK MANAGEMENT (continued)

Concentration of investment portfolio

Concentration of investment portfolio arise when a number of investments are made in entities engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would be affected by changes in economic, political or other conditions. The Group manages this risk through diversification of investments in terms of investment concentration. The concentration of the Group's investment portfolio as of 31 December 2007 is as follows:

	2007
	BD
Bonds	**1,273,477**
Equities	**5,318,414**
Commodity funds	**1,919,560**
Open-ended funds	**3,049,272**
Property funds	**1,919,897**
	13,480,620

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 9.

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances and cash and investments in bonds, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Included in trade receivables is an amount of BD 2,946,931 (2006: BD 2,748,746) receivable from a single customer.

Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 90 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	BD	BD	BD	BD	BD
31 December 2007					
Trade and other payables	**17,048,906**	**226,515**	**-**	**-**	**17,275,421**
31 December 2006					
Trade and other payables	12,987,032	164,706	-	-	13,151,738

24 RISK MANAGEMENT (continued)

Currency risk

Other than as mentioned in the table below, the Group is not exposed to a significant currency risk. As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The table below indicates the Company's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the Bahraini Dinar currency rate against the Euro and Great Britain Pound, with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities).

	2007 Euro	**2007 GBP**	2006 Euro	2006 GBP
Foreign currency denominated monetary assets	-	380,785	84,009	72,960
Foreign currency denominated monetary liabilities	(194,797)	(254,464)	(175,317)	(229,018)

	Increase / decrease in GBP rate to BD	**Effect on profit BD**	**Increase / decrease in euro rate to BD**	**Effect on profit BD**
2007	**+5%**	**(4,476)**	**+5%**	**(5,454)**
	-5%	**4,476**	**-5%**	**5,454**
2006	+5%	(5,839)	+5%	(2,322)
	-5%	5,839	-5%	2,322

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006, respectively.

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. The estimation is performed on an individual customer basis.

At the balance sheet date, gross trade accounts receivable were BD 10,751,850 (2006: BD 6,530,726) and the allowance for impairment of accounts receivable was BD 205,780 (2006: BD 253,119). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, gross inventories of goods for resale were BD 9,294,739 (2006: BD 7,059,586), with provisions for expired and slow moving items of BD 646,123 (2006: BD 1,305,348). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of available-for-sale investments

The Group's management classifies investments as available-for-sale and recognises movements in their fair value in equity. When the fair value declines, the management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the consolidated statement of income. At 31 December 2007, no impairment losses have been recognised for available-for-sale investments (2006: BD nil).

Valuation of investments

Management uses its best judgement in determining fair values of the unquoted private equity investments by reference to recent, material arms' length transactions involving third parties. Nonetheless, the actual amount that will be realised in a future transaction may differ from the current estimate of fair value, given the inherent uncertainity surrounding valuations of unquoted private equity investments.