AGTHIA GROUP PJSC

Consolidated financial statements
for the year ended 31 December 2015

Principal business address:

PO Box 37725
Abu Dhabi
United Arab Emirates

Agthia Group PJSC

Report and Consolidated financial statements
for the year ended 31 December 2015

Directors' Report

Dear Shareholders,

We are very pleased to report another year of success for Agthia, reflected in our year-on-year double-digit revenue and profit growth. Higher sales and lower commodity costs in addition to favorable product mix and production efficiencies propelled our profit to AED 231 million, a 20 percent increase compared with last year. Revenue, at AED 1.87 billion, grew by 13 percent, a manifestation of continued trust of our customers and consumers in our brands. Accordingly, we maintained our volume market leadership position in the UAE in PET Bottled Water, Flour and Feed, and significantly reinforced our presence in 5-gallon bulk water segment following acquisition of Al Bayan Water Company, a leading player in the 5-gallon bulk water segment in the UAE with presence also in Oman. The Company's balance sheet remains healthy, with a positive operating cash flow to support our future expansion plans.

On behalf of The Board of Directors of Agthia Group PJSC, I commend our employees for their efforts in helping our Company achieve this new level of performance.

Performance of Our Businesses

Agri Business

Net sales for the year reached AED 1.1 billion, a 7 percent growth compared to 2014. Net profit rose by 13 percent to AED 226 million. A combination of higher sales, lower commodity prices, production efficiencies and favorable product mix all contributed to a 230 basis point gross profit margin improvement, which were the main drivers behind profit outgrowing sales.

Both Grand Mills Flour and Agrivita Animal Feed have maintained their leadership positions in their respective categories. Growing 15 percent over last year, Flour sales reached AED 427 million (8 percent growth excluding wheat trading). Distribution and customer base expansion in Abu Dhabi and the Northern Emirates, complemented by successful offtake of recently launched Arabic bread flour, in addition to growing export and wheat trading businesses supported this strong performance. Despite aggressive competition, Feed sales volume recorded a resilient 5 percent growth versus last year demonstrating the trust our customers have in our brand. Net sales grew by a moderate 2 percent as a result of increased trade spend

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to defend market leadership and volume, reaching AED 679 million for the period under review. We continued to add new municipality outlets, and introduction of second shift in response to local shopping habits has been well received by our customers. We also completed production capacity upgrades in our poultry and large animal feed lines, increasing our installed capacity by 11 percent.

As part of its geographical expansion efforts into Saudi Arabia, the Company has been in talks with various renowned distributors for retail distribution of Grand Mills flour in the Saudi market, and expects to sign a distribution agreement in Q1 2016.

Consumer Business

Our Consumer Business had a very strong year with sales and profit registering double-digit growth versus last year. Net sales for the year reached AED 760 million, 23 percent ahead of 2014, and net profit increased to AED 86 million, a 50 percent leap over last year.

Water & Beverages: Al Ain, our flagship brand, maintained its volume leadership in the UAE PET bottled water market all through 2015. Our aggressive distribution drives across the UAE, supported by reinforced brand equity through effective consumer communication, resulted in a strong growth in consumer demand, which we were able to meet uninterruptedly thanks to full-year operation of our high-speed bottling line. Consequently, revenues amounted to AED 644 million, 27 percent ahead of last year, and profit surged by 30 percent to AED 110 million, propelled by higher sales, price increases in the retail trade, lower PET usage and prices, and manufacturing efficiencies. A second high-speed line will commence production in April 2016 to meet future demand.

2015 has been a difficult year in general for our Alpin natural spring water brand in Turkey as we encountered production-related setbacks at the beginning of the year in addition to significant 30% devaluation of the local currency, adversely affecting our financial performance. Nevertheless, increased and upgraded manufacturing and warehousing capabilities towards the end of the year helped regain business momentum, and our PET bottled water volume grew by a moderate 6 percent in comparison to last year, driving total revenues to grow 9 percent in local currency. On the other hand, sales of Alpin more than doubled in the UAE, and with the launch of "new look" bottle and branding, we aim Alpin to become a leading player in the Turkish Water segment in the UAE.

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With Al Bayan's acquisition in the fourth quarter, we not only became a meaningfully large player in the 5-Gallon bulk water market in the UAE, but also added in our portfolio an established value-accretive business with multiple operational synergy opportunities and a base in Oman for potential future expansion. Including the 4 months contribution of Al Bayan, net sales of our 5-Gallon business in the UAE and Oman amounted to AED 62 million, slightly more than doubling last year's sales. Excluding Al Bayan, like-for-like 5-Gallon business growth was 17 percent. Integration of the two organizations is currently in progress and we are advancing well in identifying and capturing synergies ranging from production to distribution and logistics.

In Juice Drinks, Capri Sun revenues grew by 10 percent, reversing previous periods of decline, and posted a significant 61 percent profit surge versus last year. Launch of new variants, Berry, Pineapple, and Multivitamin, and the launch of Freezies, an ice lollies/popsicles product, in two natural flavors Orange and Red Fruits, were supported by a complete revamp of brand positioning, communication and marketing activities.

Food: Net sales for the year reached AED 117 million, 6 percent growth versus last year. Growth in Dairy (Yoplait) and Frozen Vegetables businesses by more than 20 percent was partially offset by a contracting Tomato Paste business in a deliberate attempt to discontinue our profit-dilutive SKUs in export markets. In the UAE, Tomato Paste maintained its leadership position. In Frozen Vegetables, we introduced new packaging and supplemented our portfolio with value-added French Fries and Whole Strawberry. In Dairy, shifting focus from plain yogurt to high value fruit and kids segment with launch of new flavors and variants and "Yoplait Delight", an indulgent yogurt dessert offered in three unique flavors, combined with lower milk powder prices, has resulted in a gross margin turnaround from negative to double-digit figures, reducing overall category losses significantly.

Although it still remains to be a challenge, there is encouraging progress in our Frozen Baked business; regular shipments of Monty's Bakehouse products to one of the leading international airlines started in November. We are progressing in securing new airline customers in order to strengthen our foothold in this channel. Also, our efforts to develop new products in the ambient croissant range is progressing well, with the launch planned in March 2016.

In Egypt, a strong 13 percent year-on-year volume growth has been overshadowed by currency devaluation and the lower market prices in addition to an influx of cheap Chinese products in both domestic and

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international markets. Consequently, net sales remained slightly behind last year (in local currency 7 percent growth) with break-even profit for the year.

We are pleased to announce that following the appointment of exclusive distributor in the UAE, we have started distribution of Al Foah Dates range in the retail channels effective December 2015.

SG&A expenses

Total SG&A expenses rose 29 percent year-on-year to AED 369 million; excluding Al Bayan, the increase was 24 percent, which is mainly attributable to increased brand building investment and trade spend to reinforce our brands against aggressive competition, higher distribution costs from larger volumes shipped, consultancy and infrastructure strengthening costs to support growth.

Cash flow

Cash accumulated from operating activities totaled AED 335 million during the period. Cash and cash equivalents, and fixed deposits as at December 31st, 2015 amounted to AED 571 million.

To ensure uninterrupted availability of funds, the Company maintains sufficient bank credit lines at very competitive pricing to cover any short-term working capital requirements.

Unallocated Corporate Items

Under segment reporting, an unallocated assets amount of AED 786 million primarily represents cash and bank balances and goodwill.

Capital commitments and Contingencies

Capital commitments of AED 81 million mainly relate to our second high speed water bottling line, warehouse expansion in the UAE, capacity expansion in Turkey and other capital items.

Bank guarantees and letters of credit of AED 64 million have primarily been issued in favor of governmental authorities and the Company's vendors for the supply of materials and spare parts.

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Key Investment Projects

2015 has been very busy in terms of capital expansion projects to support Company's future growth projections. All major projects are well on track with their original timelines. Al Ain water 2nd high speed line, which will add 40% incremental capacity, is planned to commence production in April 2016. New grain storage silos for additional 50 thousand tons capacity will be in place by Q2 2017, and new Dubai Distribution Center that will also accommodate our new Dubai commercial offices is progressing as planned. Expansion of Flour & Feed, Al Wathba and Turkey warehouses are also continuing on track. On the other hand, PET production capacity increase in Turkey via transfer of one bottling line from UAE, capacity increase in our poultry and large animal feed lines, and expansion of our Al Ain warehouse have been completed in 2015.

Business Strategy

A thorough business review during the year has led into a new business strategy that will be executed over the next five years, with a goal of achieving group revenues of more than a billion dollar by 2020. Within this framework, we defined our core categories in which we want to play, established a seven-step plan, and began on-boarding key strategic positions as part of the organization change in parallel with the new strategy.

Corporate Social Responsibility

In 2015, we took our commitment to Corporate Social Responsibility to new levels in all four pillars of the program: Health and Wellness, Food Safety and Security, the Environment, and People and Emiratization. A new endeavor in this area was the launch of our pioneering Zaheb initiative, aiming at developing workforce readiness skills of Emirati youth in Abu Dhabi, in partnership with Injaz UAE, a member of Junior Achievement Worldwide – the largest experiential business education provider globally.

Emiratization is a priority in Agthia. Our Emirati employee headcount reached 167 at the end of 2015, 52 people more than year ago, which included appointment of COO in September 2015.

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A full report of the Company's Corporate Social Responsibility activities is provided in the relevant section of the Annual Report.

Company Directors

The present Board of Directors was elected at the Annual General Meeting on April 28, 2014 for a term of three years.

During the year Ilias Assimakopoulos resigned from the Board, and HE Salem Sultan Obaid Aldhaheri was subsequently appointed as Board member. We would like to express our appreciation to Ilias for his contribution, and are wishing him success in his future endeavors.

Directors' fees, including those of committee roles, of AED 1.37 million relating to 2014 were paid in 2015 to Board members. Director's fees, including those of committee roles, for 2015 totaled AED 1.4 million.

Dividend

The Board of Directors is pleased to recommend 12.5 percent cash dividend for the year 2015.

Auditors

The present auditors, KPMG, retire, and being eligible, offer themselves for re-appointment at the Annual General Meeting.

Code of Corporate Governance

The Board of Directors and management of the Company are committed to the principles of good governance. A full report of the Company's Corporate Governance activities, endorsed by the Board, has been provided in the Corporate Governance section of the annual report.

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Incentivization / Remuneration

The Board of Directors recognizes the importance of aligning the management interests with those of the Company's shareholders. To support this strategy, Agthia's stock incentivization scheme includes the senior executives and number of managers across the Group. The program complements the performance bonus incentives that reward individuals based on their ability to achieve annual financial and operational targets. The stock scheme rewards management with Agthia stock based on the overall performance of the Company, measured on the basis of a three-year compounded EPS growth target and the performance of the individual. Specific financial, operational, and individual development goals are set each year.

Financial Reporting Framework

The Directors of Agthia Group PJSC, to the best of their knowledge, believe that:

- The consolidated financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows, and change in equity,
- The Company has maintained proper books of accounts,
- Appropriate accounting policies have been consistently applied in preparation of consolidated financial statements, and accounting estimates are based on reasonable and prudent judgment,
- International Financial Reporting Standards (IFRS), as applicable, have been followed in the preparation of these consolidated financial statements,
- The system of internal control is sound in design and has been effectively implemented and monitored,
- There is no doubt about the Company's ability to continue as a going concern.

Subsequent Events

As of the date of this report, no major event has occurred which may have significant impact on the 2015 Consolidated Financial Statements.

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Future Outlook

2016 will be the first year in our journey toward our aspiration of reaching more than $1 billion Revenues by 2020. New business strategies and supporting action plans have been developed and execution is in progress. Barring consequential impacts of potential future changes in the regional and global geo-political and economic situation and the fiscal policies of the Government, the outlook for 2016 is positive with yet another year of strong sales and profit growth.

Eng. Dhafer Ayed Al Ahbabi
Chairman
February 28, 2016

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Independent auditors' report

The Shareholders,
Agthia Group PJSC
Abu Dhabi, United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Agthia Group PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Director's report, in so far as it relates to these financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 28 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2015.

vi) note 24 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2015.

Munther Dajani
Registration Number 268
Abu Dhabi, United Arab Emirates

28 February 2016

Agthia Group PJSC

Consolidated statement of profit or loss
For the year ended

	Notes	31 December 2015 AED'000	31 December 2014 AED'000
Revenue		**1,866,350**	1,655,067
Cost of sales	*6*	**(1,269,056)**	(1,191,774)
Gross profit		**597,294**	463,293
Selling and distribution expenses	*7*	**(231,407)**	(184,572)
General and administrative expenses	*8*	**(132,718)**	(97,959)
Research and development costs	*9*	**(4,634)**	(3,487)
Other income, net	*10*	**7,306**	17,729
Operating Profit		**235,841**	195,004
Finance income	*11*	**11,572**	10,053
Finance expense	*12*	**(15,718)**	(11,770)
Profit before income tax		**231,695**	193,287
Income tax (expense) / credit	*13, 26*	**(381)**	38
Profit for the year attributable to equity holders of the Group		**231,314**	193,325
Basic and diluted earnings per share	*14*	**0.386**	0.322

The notes on pages 9 to 47 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 and 2.

Agthia Group PJSC

Consolidated statement of comprehensive income

For the year ended

	31 December 2015 AED'000	31 December 2014 AED'000
Profit for the year attributable to equity holders of the Group	**231,314**	193,325
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation difference on foreign operations	**(6,616)**	(3,444)
Other comprehensive income	**(6,616)**	(3,444)
Total comprehensive income for the year attributable to equity holders of the Group	**224,698**	189,881

The notes on pages 9 to 47 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 and 2.

Agthia Group PJSC

Consolidated statement of financial position
As at

	Note	31 December 2015 AED'000	31 December 2014 AED'000
Assets			
Non-current assets			
Property, plant and equipment	*15*	**933,491**	841,749
Advances for property, plant and equipment		**33,714**	3,502
Goodwill	*16*	**188,336**	95,472
Intangible assets	*17*	**35,454**	10,548
Total non-current assets		**1,190,995**	951,271
Current assets			
Inventories	*18*	**262,032**	393,193
Trade and other receivables	*19*	**271,011**	224,836
Government compensation receivable	*20*	**80,103**	99,586
Cash and bank balances	*21*	**570,903**	540,397
Total current assets		**1,184,049**	1,258,012
Current liabilities			
Bank borrowings (*current portion)*	*22*	**292,815**	370,506
Trade and other payables	*23*	**318,431**	416,830
Due to related parties	*24*	**513**	1,373
Total current liabilities		**611,759**	788,709
Net current assets		**572,290**	469,303
Provision for end of service benefits	*25*	**49,343**	36,167
Bank borrowings (*non-current portion)*	*22*	**165,303**	-
Deferred tax liability	*26*	**918**	671
Other liabilities	*27*	**3,310**	4,023
Total non-current liabilities		**218,874**	40,861
Net assets		**1,544,411**	1,379,713

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Agthia Group PJSC

Consolidated statement of financial position (continued)

As at

	Note	31 December 2015 AED'000	2014 AED'000
Equity			
Share capital	*28*	**600,000**	600,000
Legal reserve	*29*	**121,423**	98,292
Translation reserve		**(21,568)**	(14,952)
Retained earnings		**844,556**	696,373
Total equity		**1,544,411**	1,379,713

The consolidated financial statements were approved and authorised by the Board of Directors on 28 Feb., 2016 and were signed on their behalf by:

HE Eng Dhafer Ayed Al Ahbabi
Chairman

Iqbal Hamzah
Chief Executive Officer

Fatih Yeldan
Acting CFO

Agthia Group PJSC

Consolidated statement of changes in equity

For the year ended

	Share capital AED'000	Legal reserve AED'000	Retained earnings AED'000	Translation reserve AED'000	Total AED'000
Balance at 1 January 2014	600,000	78,959	582,381	(11,508)	1,249,832
Total comprehensive income for the year					
Profit for the year	-	-	193,325	-	193,325
Other comprehensive income:					
Foreign currency translation difference on foreign operations	-	-	-	(3,444)	(3,444)
Total comprehensive income	-	-	193,325	(3,444)	189,881
Owners' changes directly in Equity					
Dividend for the year 2013	-	-	(60,000)	-	(60,000)
Transfer to legal reserve	-	19,333	(19,333)	-	-
Balance at 31 December 2014	**600,000**	**98,292**	**696,373**	**(14,952)**	**1,379,713**
Total comprehensive income for the year					
Profit for the year	**-**	**-**	**231,314**	**-**	**231,314**
Other comprehensive income:					
Foreign currency translation difference on foreign operations	**-**	**-**	**-**	**(6,616)**	**(6,616)**
Total comprehensive income	**-**	**-**	**231,314**	**(6,616)**	**224,698**
Owners' changes directly in Equity					
Dividend for the year 2014	**-**	**-**	**(60,000)**	**-**	**(60,000)**
Transfer to legal reserve	**-**	**23,131**	**(23,131)**	**-**	**-**
Balance at 31 December 2015	**600,000**	**121,423**	**844,556**	**(21,568)**	**1,544,411**

The notes on pages 9 to 47 form an integral part of these consolidated financial statements.
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Consolidated statement of cash flows

For the year ended 31 December

	Note	2015 AED'000	2014 AED'000
Cash flows from operating activities			
Profit for the year		**231,314**	193,325
Adjustments for:			
Depreciation	*15*	**82,522**	63,071
Finance expense	*12*	**15,718**	11,770
Finance income	*11*	**(11,572)**	(10,053)
Gain on sale of property, plant and equipment	*10*	**(722)**	(114)
Movement in provision for slow moving inventory		**(367)**	(1,890)
Movement in allowance for impairment loss		**32**	821
Provision for end of service benefits	*25*	**12,735**	6,660
Income tax expense/(credit)		**381**	(38)
		330,041	263,552
Changes in:			
Inventories		**137,082**	(118,410)
Trade and other receivables		**(31,829)**	(31,400)
Government compensation receivable		**19,483**	10,056
Trade and other payables		**(115,804)**	156,261
Due to related parties		**(860)**	(277)
Other liabilities		**(713)**	(450)
Cash generated from operating activities		**337,400**	279,332
Payment of end of service benefits	*25*	**(1,772)**	(3,354)
Tax paid		**(247)**	-
Net cash generated from operating activities		**335,381**	275,978
Cash flows from investing activities			
Acquisition of property, plant and equipment	*15*	**(169,488)**	(198,476)
Acquisition of intangible assets		**(337)**	-
Proceeds from sale of property, plant and equipment		**834**	733
Acquisition of subsidiary		**(162,410)**	-
Funds (invested in) / withdrawn from fixed deposits	*21*	**(11,608)**	14,189
Interest received		**10,670**	8,254
Proceeds from sale of available-for-sale financial assets		**-**	5,200
Net cash used in investing activities		**(332,339)**	(170,100)
Cash flows from financing activities			
Proceeds from long term loan		**165,303**	-
Bank borrowings, net		**(88,049)**	(51,522)
Dividend paid		**(60,000)**	(60,000)
Interest paid		**(15,126)**	(8,463)
Net cash generated from/(used in) financing activities		**2,128**	(119,985)
Increase/(decrease) in cash and cash equivalents		**5,170**	(14,107)
Cash and cash equivalents as at 1 January		**38,985**	53,092
Cash and cash equivalents as at 31 December	*21*	**44,155**	38,985

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1 Legal status and principal activities

Agthia Group PJSC (the “Company”) was incorporated as a Public Joint Stock Company pursuant to the Ministerial Resolution No. 324 for 2004. General Holding Corporation “SENAAT” owns 51% of the Company’s shares. The principal activities of the Company are to establish, invest, trade and operate companies and businesses that are involved in the food and beverage sector.

The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and it’s below mentioned subsidiaries (collectively referred to as the “Group”). Details of subsidiaries acquired during 2015 are provided in note 32 of these financial statements.

Subsidiary	Country of Incorporation and operation	Share of equity (%) 2015	2014	Principal Activity
Grand Mills Company PJSC	UAE	100	100	Production and sale of flour and animal feed.
Al Ain Food and Beverages PJSC (AAFB-UAE)	UAE	100	100	Production and sale of bottled water, flavored water, juices, yogurt, tomato paste, frozen vegetables and frozen baked products.
Agthia Group Egypt LLC (Agthia Egypt)	Egypt	100	100	Processing and sale of tomato paste, chilli paste, fruit concentrate and frozen vegetables.
Agthia Grup Icecek ve Dagitim Sanayi ve Ticaret Limited Sirketi (Agthia Turkey)	Turkey	100	100	Production, bottling and sale of bottled water.
Al Bayan Purification and Potable Water LLC	UAE	100	-	Production, bottling and sale of bottled water.
Shaklan Plastic Manufacturing Co. LLC	UAE	100	-	Production of plastic bottles and containers
Al Manal Purification and Bottling of Mineral Water LLC	Oman	100	-	Production, bottling and sale of bottled water.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of Agthia Group PJSC have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations and comply with the Articles of Association. On 1 April 2015, UAE Federal law no. 8 has been replaced with UAE Federal Law No 2 of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015") and has come into force on 1 July 2015. However companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein. The Group is in the process of amending its Articles of Association and the same will be finalised in due course.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'United Arab Emirates Dirham' (AED), which is the Group's functional and presentation currency.

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2.1.1 Changes in accounting policies and disclosures

a) Application of new and revised IFRS

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

a) Application of new and revised IFRS (continued)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual period beginning on or after 1 January 2018. However, early application of IFRS 9 is permitted.

The Group is assessing the potential impact of these standards on its consolidated financial statements.

2.2 Consolidation

IFRS 10 governs the basis for consolidation where it establishes a single control model that applies to all entities including special purpose entities or structured entities.

The definition of control is such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) the investor has power over an investee;
(b) the investor has exposure to, or rights, to variable returns from its involvement with the investee; and
(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries

Subsidiaries are investees that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

Business combination
The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's CEO.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 5).

2 Summary of significant accounting policies (continued)

2.4 Foreign currency

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss within “finance income or finance expense”.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within “finance income or finance expense”.

(b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Group’s functional and presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at the rate prevailing on the date of the transaction; and

(iii) all resulting exchange differences are recognised in the consolidated statement of comprehensive income.

2.5 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Freehold land is not depreciated though it is subject to impairment testing. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Plant and equipment	4-20 years
Other equipment	2-3 years
Vehicles	4-8 years
Furniture and fixtures	4-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income' in the consolidated statement of profit or loss.

Capital work in progress
The Group capitalises all costs relating to the construction of property, plant and equipment as capital work in progress, up to the date of completion and commissioning of the assets.

These costs are then transferred from capital work in progress to the appropriate asset classification upon completion and commissioning, and are depreciated over their useful economic lives from the date of such completion and commissioning.

2.6 Intangible assets

2.6.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Calculations are performed based on the expected cash flows of the relevant cash generating units and discounting them at an appropriate discount rate, the determination of which requires the exercise of judgement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

2 Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

2.6.2 Acquired intangible assets

Intangible assets acquired separately are measured initially at fair value which reflects market expectations of the probability that future economic benefits embodied in the asset will flow to the entity.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, available for sale and at fair value through profit or loss . The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and bank balances' in the consolidated statement of financial position (notes 2.12 and 2.13). These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(b) Financial assets at fair value through profit or loss

Financial assets/liabilities at fair value through profit or loss are financial assets held for trading. Derivative financial instruments are also categorised as held for trading unless they are designated as hedges. Assets/liabilities in this category are classified as current assets/liabilities if expected to be settled within 12 months, otherwise they are classified as non-current.

2.9 Impairment of financial assets

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the original effective interest rate. Impairment losses are recognised in the consolidated statement of profit or loss and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of profit or loss.

2.10 Financial instruments

Financial instruments comprise trade and other receivables, cash and bank balances, trade and other payables, amounts due to related parties, derivative financial instruments, and bank loans. A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised initially at fair value plus, any directly attributable transaction costs.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and bank balances comprise unrestricted cash balances and term deposits with original contractual maturities of three months or less.

The fair values of the financial instruments are not materially different from the carrying amount.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.11 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion cost and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories cost includes an appropriate share of production overheads based on normal operating capacity. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and bank balances

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of not more than three months and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

2 Summary of significant accounting policies (continued)

2.16 Borrowings (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is recognised in the consolidated statement of profit or loss over the period of loan.

2.17 Current and deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.18 Employee benefits

(a) Bonus and long-term incentive plans

The Group recognises the liability for bonuses and long-term incentives in the consolidated statement of profit and loss on an accrued basis. The benefits for the management are subject to board’s approval and are linked to business performance.

(b) Staff terminal benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group 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.

Defined contribution plan

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group currently operates an unfunded scheme for defined benefits in accordance with the applicable provisions of the UAE Federal Labour Law and is based on periods of cumulative service and levels of employees' final basic salaries. The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods discounted to determine its present value. Any unrecognised past service costs are deducted.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the profit or loss.

2 Summary of significant accounting policies (continued)

2.19 Provisions

Provisions for claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required and settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured when the significant risks and rewards of ownership have been transferred to the buyer, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, there is no continuing management involvement with the goods, amount of revenue, recovery of the consideration is probable, the associated costs, possible return of goods can be estimated reliably. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

Sale of services
Revenue from services rendered is recognised upon services performed.

2.21 Finance income and finance expenses

Finance income comprises interest income on call deposits and gains on derivative financial instrument (note 2.10). Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expenses on borrowings and losses on derivative financial instrument. All borrowing costs are recognised in the consolidated statement of profit or loss using the effective interest method.

2 Summary of significant accounting policies (continued)

2.22 Leases

Leases in which 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 consolidated statement of profit or loss on a straight-line basis over the period of the lease. The Group leases certain properties and vehicles.

2.23 Dividends distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

2.24 Government compensation and grants

Funds that compensate the Group for selling flour and animal feed at subsidised prices within the Emirate of Abu Dhabi are recognised in the consolidated statement of profit or loss, as a deduction from the cost of sales, on a systematic basis in the same period in which the sales transaction is affected.

2.25 Earnings per share

The Group presents earning per share data for its shares. Earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Group by the weighted average number of shares outstanding during the period.

2.26 Research and development cost

In accordance with IAS 38 'Intangible Assets', expenditure incurred on research and development, excluding known recoverable amounts on contracts, and contributions to shared engineering programmes, is distinguished as relating either to a research phase or to a development phase. All research phase expenditure is charged to consolidated statement of profit or loss. For development expenditure, this is capitalised as an internally generated intangible asset only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits. Expenditure that cannot be classified into these two categories is treated as being incurred in the research phase.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk, interest rate risk, cash flow risk and price risk), credit risk, liquidity risk and operational risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management

The Group's international operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks, liquidity and operational risk. The Group's financing and financial risk management activities are centralised into Group Treasury ("GT") to achieve benefits of scale and control. GT manages financial exposures of the Group centrally in a manner consistent with underlying business risks. GT manages only those risks generated by the underlying commercial operations and speculative transactions are not undertaken.

Through the Group's risk management process, risks faced by the Group are identified and analysed to set appropriate actions to mitigate risk, and to monitor risks and adherence to the process. Risk management activities are reviewed when appropriate to reflect changes in market conditions and the Group's activities.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management activities.

The Group's Audit Committee oversees how management manages the Group's risk management process, and reviews the adequacy of the risk management activities in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management activities, the results of which are reported to the Audit Committee.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Egyptian Pound, Turkish Lira and Indian Rupees. In respect of the Group's transactions denominated in the US Dollar the Group is not exposed to the foreign exchange risk as the AED is pegged to the US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations (note 30).

(ii) Price risk

The Group does not have investment in securities and is not exposed to equity price risk. The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements, and is exposed to commodities price risk. However, the Group has entered into a derivative financial instrument whereby the Group will earn a minimum return of 1%, the value of which is driven by a combination of interest rate movements and movements in foreign exchange rate of currencies that underlie the derivative financial instrument. The principal amount under the derivative financial instrument is guaranteed in case Group does not liquidate the structure before the contractual maturity of the instrument.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The effective rates of interest on the Group's bank liabilities are linked to the prevailing bank rates. The Group does not hedge its interest rate exposure.

(b) Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each subsidiary is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

The Group, in the ordinary course of business, accepts letters of credit/guarantee as well as post dated cheques from major customers. The Group establishes an allowance for impairment that represents its estimated losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets and as per Group policy.

Credit risk arising from cash and bank balances and deposits with banks and financial institutions, is managed by making deposits taking into account the bank's/financial institution's financial position, past experiences and other relevant factors.

(c) Liquidity risk

Cash flow forecasting is performed at a Group level. Group finance department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities are transferred to GT as per the Group's cash pooling arrangements with a bank. GT invests surplus cash in time deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational and capital expenditures in accordance with the Group's working capital requirement, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group maintains the following lines of credit:

- Facility for AED 737,953 thousand, which includes overdraft, guarantee line and import line. These facilities carry interest of EIBOR /LIBOR/ mid corridor rate plus margin.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

- AED 123,893 thousand, short term loans which carries interest rate of EIBOR/LIBOR/ mid corridor rate plus margin.
- AED 165,303 thousand, long term loans which carries interest rate of LIBOR plus margin.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the practicing and managing of key operational risks, for example:

- Adequate internal controls
- Reconciliations and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Policies and procedures compliance
- Business resumption and IT disaster recovery plans
- Code of business conduct
- Adequate insurance coverage
- Commodity Risk Management Committee
- QA compliance function independent of manufacturing
- Enterprise Risk Management
- Monthly and quarterly business reviews
- Training and professional development of talents

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

3.2 Capital risks management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

4 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Group's accounting policies, which are described in (note 2), management has made the following judgements which have a significant effect on the amounts of the assets and liabilities recognised in the consolidated financial statements.

Impairment losses on trade receivables
Management reviews its receivables to assess impairment at each reporting date. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows.

Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Provision for obsolescence on inventories
Management reviews the ageing and movements of its inventory items to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the consolidated statement of profit or loss, management makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product and expired or close to expiry raw material and finished goods.

Useful lives of property, plant and equipment
Management assigns useful lives and residual values to items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates.

Impairment of other assets
At each reporting date, management assesses whether there is any indication that its assets may be impaired. The determination of allowance for impairment loss requires considerable judgment and involves evaluating factors including industry and market conditions.

Impairment of non-current assets
The carrying values of all non-current assets are reviewed for impairment, either on a stand-alone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally, goodwill and intangible assets with indefinite useful lives are tested for impairment annually. Any provision for impairment is charged to the consolidated statement of profit or loss in the year concerned. Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

4 Accounting estimates and judgements (continued)

Income tax provision
Management has taken into consideration the requirements for a tax provision. Management has estimated the tax provision based on the year's performance after adjustment of non taxable items. The tax provision was calculated based on the tax rate of the country where operations were performed taking into consideration the exemptions that could be claimed by conventions either locally or internationally as at the balance sheet date.

Intangibles fair value estimation
Management has estimated the fair value of the spring water usage rights based on ten years estimate. Subsequent changes in the term of license or water capacity levels may change the fair value of the rights.

Management has estimated the fair value of acquired trademark based on a twenty-five year business plan and recorded it on a provisional basis. Management is in the process of hiring a valuation expert to finalise the value to be associated to the trademark acquired.

5 Segment reporting

Information about reportable segment for the year ended 31 December

The Group has two reportable segments, as described below. The reportable segments offer different products and services, and are managed separately because they require different technology and operational marketing strategies. For each of the strategic business units, the Board of Directors review internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segment:

Agri Business Division (ABD)

- Flour and Animal Feed, includes manufacturing and distribution of flour and animal feed.

Consumer Business Division (CBD)

- Bottled Water and Beverages includes manufacturing and distribution of drinking water, water based drinks and juices.
  - Business operation in Turkey is of similar nature as "Bottled Water", hence, it is also reported under CBD.
  - Business operation of Al Bayan is manufacturing and distribution of drinking water, hence, it is also reported under CBD.
- Food includes manufacturing and distribution of tomato and chilli paste, fruit concentrate, frozen vegetables, fresh dairy products, and frozen baked products.
  - Business operation in Egypt is of similar nature as "Food" hence it is also reported under CBD.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports data reviewed by the Group's CEO. Segment profit 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. Inter-segment pricing is determined on an arm's length basis.

5 Segment reporting (continued)

Segment wise operating results of the Group, for the year are as follows:

	Agri Business Division (ABD)		Consumer Business Division (CBD)							
	Flour and Animal Feed		*Bottled Water and Beverages*		*Food*		CBD Total		Total	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
External revenues	**1,106,080**	1,038,511	**643,544**	506,219	**116,726**	110,337	**760,270**	616,556	**1,866,350**	1,655,067
Gross profit	**307,054**	265,158	**295,772**	206,255	**8,191**	3,689	**303,963**	209,944	**611,017**	475,102
Finance income	**165**	30	**1,130**	9	**346**	-	**1,476**	9	**1,641**	39
Finance expense	**-**	(94)	**(7,170)**	(1,254)	**(956)**	(2,045)	**(8,126)**	(3,299)	**(8,126)**	(3,393)
Depreciation expense	**24,359**	22,480	**51,431**	30,343	**1,087**	5,328	**52,518**	35,671	**76,877**	58,151
Reportable segment profit / (loss) after tax	**226,494**	200,753	**110,118**	84,948	**(23,890)**	(27,644)	**86,228**	57,304	**312,722**	258,057
Material non cash items;										
Impairment losses on trade receivables (net)	**-**	147	**(62)**	698	**94**	(24)	**32**	674	**32**	821

5 Segment reporting (continued)

	Agri Business Division		Consumer Business Division		Total	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Others:						
Segment assets	**537,753**	702,903	**1,051,064**	861,192	**1,588,817**	1,564,095
Segment liabilities	**143,763**	321,233	**161,851**	178,737	**305,614**	499,970
Capital expenditure	**21,726**	22,407	**121,217**	189,290	**142,943**	211,697

Reconciliations of reportable segments' gross profit, interest income and expense, depreciation, capital expenditure, revenues, profit or loss, assets and liabilities.

	2015			2014		
	Reportable segment totals AED'000	**Unallocated AED'000**	**Consolidated totals AED'000**	Reportable segment totals AED'000	Un allocated AED'000	Consolidated totals AED'000
Gross profit	**611,017**	**(13,722)**	**597,295**	475,102	(11,809)	463,293
Finance income	**1,641**	**9,931**	**11,572**	39	10,014	10,053
Finance expense	**(8,126)**	**(7,592)**	**(15,718)**	(3,393)	(8,377)	(11,770)
Depreciation	**76,877**	**5,645**	**82,522**	58,151	4,920	63,071
Capital expenditure	**142,943**	**3,814**	**146,757**	211,697	2,408	214,105

5 Segment reporting (continued)

Reconciliations of reportable segments' gross profit, interest income and expense, depreciation, capital expenditure, revenues, profit or loss, assets and liabilities (continued)

Profit for the year

	31 December 2015 AED'000	31 December 2014 AED'000
Total profit for reportable segments	**312,722**	258,057
Unallocated amounts		
Other operating expenses	**(83,747)**	(66,370)
Net finance income	**2,339**	1,638
Consolidated profit for the period after income tax	**231,314**	193,325
Assets		
Total assets for reportable segments	**1,588,817**	1,564,095
Other unallocated amounts	**786,227**	645,188
Consolidated total assets	**2,375,044**	2,209,283
Liabilities		
Total liabilities for reportable segments	**305,614**	499,970
Other unallocated amounts	**525,019**	329,600
Consolidated total liabilities	**830,633**	829,570

6 Cost of sales

	31 December 2015 AED'000	31 December 2014 AED'000
Raw materials	**945,391**	918,102
Salaries and benefits	**144,220**	116,781
Depreciation	**70,304**	54,323
Utilities	**34,978**	32,298
Maintenance	**33,150**	30,888
Rent Expense	**11,715**	12,729
Others	**29,298**	26,653
	1,269,056	1,191,774

Cost of raw materials for flour and feed products is stated after the deduction of the Abu Dhabi Government compensation amounting to AED 365,799 thousand *(2014: AED 387,355 thousand)*. The purpose of the compensation is to partially reduce the impact of increased and volatile global grain prices on food retail prices for the consumers in the Emirate of Abu Dhabi.

7 Selling and distribution expenses

	31 December 2015 AED'000	31 December 2014 AED'000
Salaries and benefits	**98,972**	73,050
Marketing expenses	**54,868**	45,486
Transportation	**57,190**	54,863
Rent expense	**4,778**	2,087
Depreciation	**2,636**	1,900
Maintenance	**1,304**	1,356
Royalty fees	**3,636**	380
Others	**8,023**	5,450
	231,407	184,572

8 General and administrative expenses

	31 December 2015 AED'000	31 December 2014 AED'000
Salaries and benefits	**74,335**	57,847
Legal and professional fees	**15,564**	9,284
Maintenance	**9,967**	9,244
Depreciation	**9,267**	6,770
Allowance for impairment of trade receivables	**1,570**	840
Rent expense	**2,743**	229
Others	**19,272**	13,745
	132,718	97,959

9 Research and development costs

	31 December 2015 AED'000	31 December 2014 AED'000
Salaries and benefits	**4,014**	3,038
Depreciation	**315**	78
Others	**305**	371
	4,634	3,487

10 Other income, net

	31 December 2015 AED'000	31 December 2014 AED'000
Other income		
Management fee	**9,704**	9,508
Income on sale of raw material / scrap	**2,226**	4,146
Income from filling / storage etc.	**-**	1,144
Insurance claim	**602**	844
Gain on sale of property, plant and equipment	**722**	114
Others	**1,399**	1,973
	14,653	17,729
Other expenses		
Professional fees	**(7,347)**	-
Other income, net	**7,306**	17,729

Management fee represents the wheat storage fees charged to an Abu Dhabi Government entity as part of food security program.

11 Finance income

	31 December 2015 AED'000	31 December 2014 AED'000
Interest income	**11,099**	10,053
Gain on derivative instrument (note 27)	**473**	-
	11,572	10,053

12 Finance expense

	31 December 2015 AED'000	31 December 2014 AED'000
Interest expense	**12,951**	7,185
Loss on derivative instrument (note 27)	**-**	3,726
Others	**2,767**	859
	15,718	11,770

13 Income tax

The Group's operation in Egypt and Turkey are subject to corporate taxation. Provision is made for taxes at rates enacted or substantively enacted at the statement of financial position date on taxable profits of overseas subsidiaries in accordance with the fiscal regulations of the countries in which they operate.

14 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2015 and 2014 was based on the profit attributable to shareholders amounting to AED 231,314 thousand *(2014: AED 193,325 thousand)* and the weighted average number of shares outstanding of 600,000 thousand shares *(2014: 600,000 thousand shares).*

15 Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Furniture and Fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost						
At 1 January 2014	363,236	681,171	44,954	37,082	157,654	1,284,097
Additions	5,251	43,772	5,901	10,743	148,438	214,105
Transfers	140,910	129,849	5,418	1,731	(277,908)	-
Disposals/write-offs	(694)	(8,267)	(1,433)	(3,174)	-	(13,568)
Currency retranslation	(892)	(1,068)	(330)	(59)	(279)	(2,628)
At 31 December 2014	**507,811**	**845,457**	**54,510**	**46,323**	**27,905**	**1,482,006**
Additions	1,341	18,952	6,343	10,427	109,694	146,757
Transfers	5,440	40,575	1,827	254	(48,096)	-
Acquisition*	28,724	8,964	345	5,175	-	43,208
Disposals/write-offs	-	(14,789)	(20)	(3,628)	-	(18,437)
Currency retranslation	(2,728)	(1,783)	(3,163)	(201)	(1,793)	(9,668)
At 31 December 2015	**540,588**	**897,376**	**59,842**	**58,350**	**87,710**	**1,643,866**
Depreciation						
At 1 January 2014	160,101	374,981	29,133	25,706	-	589,921
Charge for the year	9,432	42,694	7,506	3,439	-	63,071
Disposals	(575)	(7,261)	(1,415)	(3,056)	-	(12,307)
Currency retranslation	(84)	(183)	(133)	(28)	-	(428)
At 31 December 2014	**168,874**	**410,231**	**35,091**	**26,061**	**-**	**640,257**

15 Property, plant and equipment (continued)

	Land and buildings AED'000	Plant and equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
At 1 January 2015	168,874	410,231	35,091	26,061	-	640,257
Charge for the year	14,445	53,262	8,136	6,679	-	82,522
Disposals	-	(7,231)	(16)	(3,597)	-	(10,844)
Currency retranslation	(304)	266	(1,424)	(98)	-	(1,560)
At 31 December 2015	**183,015**	**456,528**	**41,787**	**29,045**	**-**	**710,375**
Net book amount						
31 December 2015	**357,573**	**440,848**	**18,055**	**29,305**	**87,710**	**933,491**
31 December 2014	338,937	435,226	19,419	20,262	27,905	841,749

	31 December 2015 AED'000	31 December 2014 AED'000
Acquisition of property, plant and equipment	**146,757**	214,105
Increase / (decrease) in advance for property, plant and equipment	**30,212**	(14,987)
Non cash transfer within group	**(7,481)**	(642)
Acquisition of property, plant and equipment in the statement of cash flows	**169,488**	198,476

* Acquisition represents assets relating to Al Bayan Purification and Potable water LLC, Shaklan Plastic Manufacturing Co. LLC and Al Manal Purification and Bottling of Mineral Water LLC acquired during 2015.

16 Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments where the goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each unit is as follows:

	2015 AED'000	2014 AED'000
Agri business division	**61,855**	61,855
Consumer business division (UAE operations)	**31,131**	31,131
Consumer business division (Turkish operations)	**2,486**	2,486
Consumer business division (Al Bayan operations)	**92,864**	-
	188,336	95,472

The recoverable amounts of Agri Business Division and Consumer Business Division (UAE operations) cash-generating units were based on their values in use determined by management. The carrying amounts of these units were determined to be lower than their recoverable amounts.

Values in use were determined by discounting the future cash flows generated from the continuing use of the units. Cash flows were projected based on past experience and the five year business plan and were based on the following key assumptions:

	Agri business division	**Consumer business division (UAE operations)**	**Consumer business division (Turkey operations)**	**Consumer business division (Al Bayan operations)**
Anticipated annual revenue growth (%)	7%-10%	14%-25%	10% - 30%	6% - 8%
Discount rate (%)	11.50%	11.50%	11.50%	11.50%

The values assigned to the key assumptions represent management's assessment of future trends in the food and beverage industry and are based on both external and internal sources.

17 Intangible assets

	Trademark AED'000	**Spring water rights AED'000**	**Others AED'000**	**Total AED'000**
At 1 January 2014	-	11,047	220	11,267
Additions	-	-	181	181
Currency retranslation	-	(884)	(16)	(900)
At 31 December 2014	-	10,163	385	10,548
Additions	**26,733**	**-**	**337**	**27,070**
Currency retranslation	**-**	**(2,049)**	**(115)**	**(2,164)**
At 31 December 2015	**26,733**	**8,114**	**607**	**35,454**

17 Intangible assets (continued)

Spring water rights is considered to have an indefinite life as per the term of agreement. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit its useful life. Accordingly, it is not amortised.

Values in use were determined by discounting the future cash flows generated from the continuing use of the units.

Cash flows were projected based on past experience and the ten year business plan and were based on the following key assumptions:

Anticipated annual revenue growth (%)	3% - 20%
Discount rate (%)	11.50%

The values assigned to the key assumptions represent management's assessment of future trends in the food and beverage industry and are based on both external and internal sources.

Addition of trademark during the year is as a result of the acquisition of Al Bayan operations by the Group in 2015. The amount has been calculated on a provisional basis determined on a twenty five years business plan. Management is in the process of appointing a valuation expert to finalise the value to be associated to the trademark acquired.

18 Inventories

	31 December 2015 AED'000	31 December 2014 AED'000
Raw and packing materials	**127,942**	122,377
Work in progress	**9,275**	13,304
Finished goods	**59,356**	64,404
Spare parts and consumable materials	**55,158**	44,889
Goods in transit	**21,378**	159,663
	273,109	404,637
Provision for slow moving inventory	**(11,077)**	(11,444)
	262,032	393,193

19 Trade and other receivables

	31 December 2015 AED'000	31 December 2014 AED'000
Trade receivable	**202,045**	176,908
Prepayments	**46,387**	29,929
Other receivables	**22,579**	17,999
	271,011	224,836

Trade receivables are stated net of allowance for impairment loss on financial assets AED 8,185 thousand *(2014: AED 8,018 thousand)*. The Group's exposure to credit and currency risk, and impairment loss related to trade and other receivables is disclosed in (note 30).

20 Government compensation receivable

	31 December 2015 AED'000	31 December 2014 AED'000
Receivable at beginning of the year from the Government of Abu Dhabi	**99,586**	109,642
Compensation for the year	**365,799**	387,355
Amounts received during the year	**(385,282)**	(397,411)
Balance as at 31 December	**80,103**	99,586

21 Cash and bank balances

	31 December 2015 AED'000	31 December 2014 AED'000
Cash in hand	**920**	547
Current and savings account	**80,723**	62,198
Cash and bank balances	**81,643**	62,745
Escrow account (for dividend distribution 2009 to 2014)	**(27,130)**	(23,760)
Bank overdrafts used for cash management purposes (note 22)	**(10,358)**	-
Cash and cash equivalents in the statement of cash flows	**44,155**	38,985
Cash and bank balances	**81,643**	62,745
Fixed deposits	**489,260**	477,652
Cash and bank balances including fixed deposits	**570,903**	540,397

Fixed deposits are for a period not more than one year *(2014: up to one year)* carrying interest rates varying from 1.50% - 2.55% *(2014: 1.80% - 2.25%).*

Escrow account represents the amount set aside for payment of dividends. Equivalent amount has been recorded as liability in trade and other payables. This restricted cash balance has not been included in the cash and cash equivalents for the purpose of cash flow statements.

22 Bank borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	31 December 2015	31 December 2014
Current liabilities	**AED'000**	AED'000
Credit facility	**245,723**	300,578
Short term loan	**36,734**	69,928
Bank overdraft	**10,358**	-
	292,815	370,506
Non-current liabilities		
Term loan***	**165,303**	-

Terms and repayment schedule

Amounts in AED'000

				31 December 2015		31 December 2014	
	Currency	**Interest Rate**	**Year of maturity**	**Face value/ limit**	**Carrying amount**	Face value/ limit	Carrying amount
Short term loan**	USD/ AED/ EGP	LIBOR/ EIBOR/mid corridor rate + margin *	2016	**123,893**	**47,092**	132,699	69,928
Credit Facility**	USD/ AED/ EGP	LIBOR/ EIBOR / mid corridor rate + margin *	2016	**712,953**	**243,747**	456,629	299,077
Credit Facility (Capex) **	USD/ AED	LIBOR/ EIBOR + margin *	2016	**25,000**	**1,976**	75,000	1,501
Term loan***	USD	LIBOR+ margin*	2020***	**165,303**	**165,303**	-	-
Total				**1,027,149**	**458,118**	664,328	370,506

*Margin on the above loans and facilities varies from 0.40% - 1.25% *(2014: 0.50% - 1.25%).*

**Credit facility of face value AED 375,000 thousand and credit facility (Capex) of face value AED 25,000 thousand is secured by a floating charge over the current assets, stock and receivables of the Group.

*** During the year, Group availed a loan of AED 165,303 thousand for a tenure of five years. The loan is secured by floating charges over the current assets, inventory and receivables of the Group.

23 Trade and other payables

	31 December 2015 AED'000	31 December 2014 AED'000
Trade payables	**119,719**	245,676
Accruals	**128,119**	102,783
Other payables	**70,593**	68,371
	318,431	416,830

24 Transactions with related parties

The Group, in the ordinary course of business, enters into transactions at agreed terms and conditions which are carried out on an arm's length basis, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24. The Company has a related party relationship with the Group entities, its executive officers and business entities over which they can exercise significant influence or which can exercise significant influence over the Group.

The volume of related party transactions, outstanding balances and related expenses and income for the year are as follows:

Amounts due to related parties

	31 December 2015 AED'000	31 December 2014 AED'000
General Holding Corporation PJSC (SENAAT)		
Opening balance 1 January	**1,373**	1,650
Directors and committee members' fees charged	**9**	1,361
Other expenses	**604**	534
Payments	**(1,575)**	(2,172)
Closing balance at 31 December	**411**	1,373

	31 December 2015 AED'000	31 December 2014 AED'000
AL Foah Company LLC		
Opening balance 1 January	**-**	-
Local purchases	**8**	-
Other expenses	**102**	-
Payments	**(8)**	-
Closing balance at 31 December	**102**	-

24 Transactions with related parties (continued)

Transactions with key management personnel

Key management personnel compensation are as follows:

	2015 AED'000	2014 AED'000
Short term benefits	**19,094**	17,354
Long term benefits	**4,084**	4,277
	23,178	21,631

25 Provision for end of service benefits

	31 December 2015 AED'000	31 December 2014 AED'000
Balance at 1 January	**36,167**	32,861
Acquired during the year	**2,213**	-
Charge for the year	**12,735**	6,660
Paid during the year	**(1,772)**	(3,354)
	49,343	36,167

In accordance with the provisions of IAS 19, an actuary has carried out an exercise to assess the present value of its obligations as at 31 December 2015, using the projected unit credit method, in respect of employees' end of service benefits payable under the U.A.E Labour Law. The actuary has assumed average annual increment/promotion costs of 4.00% p.a. The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 3.50%. Under this method an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service.

26 Deferred tax liability

Deferred tax assets and liabilities resulted from the temporary differences between the tax base of an asset and liability and the carrying amount of these assets and liabilities in the consolidated financial statements.

	31 December 2015 AED'000	31 December 2014 AED'000
Balance at 1 January	**671**	764
Tax expense/(credit) for the year	**381**	(38)
Currency retranslation	**(134)**	(55)
	918	671

26 Deferred tax liability (continued)

The analysis of deferred income tax is as follows:

	31 December 2015 AED'000	31 December 2014 AED'000
Deferred tax asset		
Current assets	**946**	6
Current liabilities	**-**	36
Gross deferred tax assets	**946**	42
Property, plant and equipment	**(1,860)**	(647)
Others	**(4)**	(66)
Gross deferred tax liabilities	**(1,864)**	(713)
Net deferred tax liabilities	**(918)**	(671)

27 Other liabilities

(a) During 2015, the Group entered into a forward contract with a bank to buy AED against the Turkish Lira (TRY) to hedge its receivables in TRY. Under the arrangement, the Group has fixed the rate for buying AED against TRY to manage its TRY/AED foreign exchange rate risk. This is due to mature on 15 March 2017.

(b) During 2014, the Group entered into a derivative instrument with a bank whereby:

i) Bank lends the Group USD 50,000 thousand at Libor + 0.90%
ii) The Group invests USD 50,000 thousand in a structured product whereby the Group will earn a minimum return of 1% + a rate based on the performance of a foreign exchange index created by the bank.

The principal amount of USD 50,000 thousand is guaranteed in case the Group does not liquidate the structure before the contractual maturity of the instrument (5 years). Under the instrument, lending arrangement and the arrangement to invest in the index are contained in one agreement and not contractually separable.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) are determined by using valuation techniques. The Group uses counterparty valuation at the end of each reporting date. This derivative instrument is classified as a level 3 security.

	31 December 2015 AED'000	31 December 2014 AED'000
Derivative instrument liability	**3,253**	3,726
Other liability	**57**	297
	3,310	4,023

28 Share capital

The share capital includes 526,650 thousand shares of a par value of AED 1 each, which have been issued for in-kind contribution.

	31 December 2015 AED'000	31 December 2014 AED'000
Authorised, issued and fully paid (600,000 thousand ordinary shares of AED 1 each)	**600,000**	600,000

The Group has not purchased any shares during the year.

29 Legal reserve

In accordance with the applicable Federal Law and the Company's Articles of Association, 10% of the profit for each year is transferred to the legal reserve until this reserve equals 50% of the paid up share capital. The legal reserve is restricted and not available for distribution.

30 Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	**31 December 2015 AED'000**	31 December 2014 AED'000
Trade receivables	19	**202,045**	176,908
Other receivables	19	**22,579**	17,999
Cash at banks	21	**569,983**	539,850
		794,607	734,757

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables as estimated by the Group's management based on prior experience and the current economic environment.

The Group has no significant concentration of credit risk, with overall exposure being spread over a large number of customers.

30 Financial instruments *(continued)*

Credit risk (continued)

Impairment losses

The ageing of trade receivables at the reporting date was:

	31 December 2015 AED'000	31 December 2014 AED'000
Trade receivables not impaired:		
Not due	**147,027**	128,261
Past due 0 – 60 days	**39,696**	35,228
Past due 61 – 120 days	**7,029**	6,087
Past due 121 – 180 days	**4,401**	2,601
Past due 181 – 240 days	**947**	1,228
Past due 241 – 300 days	**554**	993
301 days and above	**2,391**	2,510
Trade receivable past due and provided for impairment:		
Past due 181 – 240 days	**359**	398
Past due 241 – 300 days	**29**	333
301 days and above	**7,797**	7,287
	210,230	184,926

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 December 2015 AED'000	31 December 2014 AED'000
Balance at 1 January	**8,018**	7,197
Acquired during the year	**135**	-
Provision for receivables	**1,570**	883
Write offs	**(1,538)**	(62)
	8,185	8,018

30 Financial instruments (continued)

Credit risk (continued)

The following are the contractual maturities of financial liabilities:
31 December 2015

Amounts in AED'000	**Carrying value**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Trade an d other payables	**190,312**	**190,312**	**190,312**	**-**	**-**	**-**
Due to related parties	**513**	**513**	**513**	**-**	**-**	**-**
Bank borrowings	**458,118**	**472,572**	**297,040**	**2,924**	**172,608**	**-**
Long term liability	**975**	**975**	**57**	**918**	**-**	**-**
Derivative Instrument liability	**3,253**	**3,253**	**-**	**2,577**	**676**	**-**
	653,171	**667,625**	**487,922**	**6,419**	**173,284**	**-**

31 December 2014

Amounts in AED'000	Carrying value	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables	314,047	314,047	314,047	-	-	-
Due to related parties	1,373	1,373	1,373	-	-	-
Bank borrowings	370,506	370,731	370,731	-	-	-
Long term liability	968	968	190	778	-	-
Derivative Instrument liability	3,726	3,726	-	-	3,726	-
	690,620	690,845	686,341	778	3,726	-

Market risk

Foreign currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2015				2014			
Amounts in '000	**EUR**	**INR**	**CHF**	**GBP**	EUR	INR	CHF	GBP
Foreign purchases	**1,868**	**1,704**	**150**	**206**	3,597	3,671	485	237
Long term loan	-	-	-	-	745	-	-	-

30 Financial instruments (continued)

Market risk (continued)

Foreign currency risk (continued)

The following exchange rates were applicable during the year:

	Average rate		**Reporting date rate**	
	2015	2014	**2015**	2014
EUR	**4.073**	4.880	**4.012**	4.464
CHF	**3.821**	4.017	**3.705**	3.711
EGP	**0.478**	0.516	**0.468**	0.512
TRY	**1.355**	1.680	**1.260**	1.580
INR	**0.057**	0.060	**0.055**	0.058
GBP	**5.618**	6.050	**5.443**	5.703

A strengthening / weakening of the AED, as indicated below, against the EUR, CHF, EGP, TRY, INR and GBP at 31 December would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2014, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

31 December 2015	**Equity**	**Profit/(loss)**
	AED'000	**AED'000**
EUR (strengthening by 0.02%)	-	**2**
CHF (strengthening by 0.45%)	-	**3**
INR (weakening by 0.02%)	-	**-**
GBP (strengthening by 0.29%)	**-**	**6**
EGP (weakening by 0.58%)	**(3)**	-
TRY (strengthening by 0.14%)	**51**	-
	48	**11**

30 Financial instruments (continued)

Market risk (continued)

Foreign currency risk (continued)

31 December 2014	Equity AED'000	Profit/(loss) AED'000
EUR (weakening by 8%)	-	1,250
CHF (strengthening by 4%)	-	(73)
INR (strengthening by 3%)	-	(7)
GBP (weakening by 1%)	-	9
EGP (weakening by 6%)	(643)	-
TRY (weakening by 7%)	(3)	-
	(646)	1,179

The above analysis is based on currency fluctuations during January 2016 *(2014: January and February 2015).*

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was;

Fixed rates instruments	**31 December 2015 AED'000**	31 December 2014 AED'000
Financial assets	**489,260**	477,652
Financial liabilities	**-**	(297)
	489,260	477,355
Variable rates instruments		
Financial liabilities	**458,118**	370,506

The fair value of the Group's financial instruments is not materially different from their carrying amount.

At 31 December 2015, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 3,538 thousand (2014: AED 2,460 thousand) lower/higher, mainly as a result of higher/lower interest expense.

30 Financial instruments (continued)

Market risk (continued)

Interest rate risk *(continued)*

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. In maintaining an appropriate capital structure and providing returns for shareholders in 2015, the Group provided returns to Shareholders in the form of dividends for the year 2014, current details of which are included in the statement of changes in equity for the year.

31 Contingent liabilities and capital commitments

	31 December 2015 AED'000	31 December 2014 AED'000
Bank guarantees and letters of credit	**64,386**	63,200
Capital commitments	**80,628**	46,702

At 31 December 2015 guarantees of AED 52,626 thousand were outstanding (2014: AED 43,038 thousand) and is included in bank guarantees and letter of credit above.

The above bank guarantees and letters of credits were issued in the normal course of business. These include deferred payment credit, performance bonds, tender bonds, deferred payent bills, inward bill and margin deposit guarantees.

Non-cancellable operating lease rentals are payable as follows:

	31 December 2015 AED'000	31 December 2014 AED'000
Less than one year	**19,253**	16,700
Between one and five years	**30,932**	24,806
More than five years	**6,632**	4,914
	56,817	46,420

The Group has leasehold land, building and vehicles under operating leases. The lease terms are with option to renew the lease at the time of expiry.

Lease expense charged for the year is AED 26,437 thousand *(2014: AED 19,533 thousand).*

32 Acquisition of subsidiary

During 2015, the Group acquired 100% shares of three entities, Al Bayan Purification and Potable Water LLC, Shaklan Plastic Manufacturing Co. LLC in UAE and Al Manal Purification and Bottling of Mineral Water LLC in Sultanate of Oman. The entities are leading companies in the 5 gallon bulk water segment. The Group took over management control of the entities on 31 August 2015 and completed 100% equity acquisition by October 2015 for a cash consideration of AED 162,410 thousand. The Group plans to expand its regional distribution footprint in Northern Emirates of UAE and in Oman. The acquisition resulted in the recognition of goodwill of AED 92,864 thousand.

The acquired entities contributed AED 26,365 thousand of revenue and a profit of AED 3,587 thousand for the period from 31 August 2015 (date of acquisition) to 31 December 2015. Acquisition-related costs incurred amounted to AED 610 thousand was charged to general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2015.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value AED'000
Net assets acquired	
Property, plant and equipment	43,208
Inventories	4,358
Other current assets	11,156
Other current liabilites	(15,522)
Income tax payable	(387)
Net identifiable assets acquired	42,813
Share of net identifiable assets acquired (100%)	42,813
Intangible acquired	26,733
Goodwill	92,864
Total consideration (satisfied by cash)	**162,410**