AGTHIA GROUP PJSC

Consolidated financial statements
for the year ended 31 December 2013

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 2013

Agthia Group PJSC

Financial results for the full year 2013

Directors' report

The Board of Directors of Agthia Group PJSC (the "Company") is pleased to present the Company's financial results for the full year 2013, ended 31 December.

2013 has been another growth year for Agthia delivering strong performance. During the year our focus remained on growing our core businesses, consolidating and accelerating diversification initiatives as well as pursuing regional expansion and cost saving initiatives.

The Company's balance sheet remains very healthy with all key financial indicators reflecting a robust performance.

Summary

The Company recorded net sales for the full year of AED 1.51 billion, an increase of 14 percent over last year. The net profit at AED 160.1 million represents a strong 28 percent growth, resulting from the higher net sales and improved margins.

During 2013, Agri Business Division expanded its poultry feed production line , which is now running at full capacity. We made further progress on our strategy of product diversification, and launched a new range of Chakki Atta (whole wheat flour) products. In the Consumer Business Division, we re-launched the Yoplait yogurt portfolio with fresh look packaging, and also introduced low fat fruit yogurts and new flavors. We also signed a distribution agreement for the Monster brand of beverages, and have launched Alpin natural spring bottled water from Turkey in selective UAE outlets, with a fully-fledged launch planned in the UAE in the first quarter of 2014.

Meanwhile, our expansion projects remain on track, with the launch of frozen baked products and the commissioning of a new high-speed water bottling line in the second quarter of 2014. In January 2014, we completed our flour production capacity expansion and in February 2014 the Company rebranded its Animal Feed portfolio under the "Agrivita" brand, providing performance and value orientated animal feed solutions.

The Agthia Promise

A total commitment to quality.

Business developments

The Company continues to make good progress on its strategy of broadening and diversifying its product offering and, driving growth of its core product categories, while proactively addressing underperforming businesses.

In the Agri business division, new self-raising flour and Chakki Atta (whole wheat flour) were launched during the year. The poultry feed capacity was increased during the year and flour milling capacity upgrade has been completed in January 2014.

In the Consumer Business Division, Yoplait dairy products continued to grow steadily and gained market share, with sales more than doubling compared to the previous year. The company intends to continue investing in the brand, further expand distribution and to broaden its product offering range by introducing new fruit yogurt flavors in Q2 2014. We are addressing the plain yogurt profitability issue resulting mainly from the steep increase in milk prices.

During the year the Company signed an agreement for the exclusive rights to distribute the Monster Energy brand range of beverages in the UAE. The launch of Monster products is planned for the second quarter of 2014. Trial production of the state of the art frozen baked products plant has commenced and commercial launch is on track for Q2 2014.

The operation of a new high-speed water bottling line scheduled to commence production in the second quarter of 2014, will almost double the Company's bottled water production capacity.

Capri Sun sales remained flat versus the previous year partly due to a change in school regulations requiring higher juice content and a slowdown in consumer offtake in retail trade. A new marketing strategy has been developed including the introduction of a new product mix will aim to address the situation by accelerating consumer off take. With regard to Chiquita juices, the Company has decided to discontinue the brand due to slower than expected consumer offtake.

Alpin natural spring bottled water from Turkey was launched in selective outlets in the UAE towards the end of the year and expansion of distribution will continue during 2014. Exports to other GCC countries will begin during the first half of 2014. A five and ten litre bottling line for distribution in Turkey was commissioned during the year. Plans are in place for a quick turnaround and improved profitability of the Turkey business by accelerating domestic and export volume growth, and through a mix of pricing and cost reduction initiatives.

As reported earlier, the restructuring actions for our Egypt operation designed to improve organizational efficiency and performance are bearing results, with 2013 performance yielding significant improvement on a year earlier. Sales grew strongly while losses were reduced significantly.

In September the Company announced that its Chief Executive Officer Ilias Assimakopoulos would be stepping down at the end of the year after 8 years with the company to pursue new opportunities in the future and to be closer to his family. The departure of Mr Assimakopoulos, who was appointed as the company's first CEO in July 2006, has now been postponed to April 2014. He will join the Agthia Board as a non-executive director, and the Company will announce his replacement in due course.

Financial highlights

Net profit and sales

The Company recorded a net profit of AED 160.1 million for the year, an increase of 28 percent on 2012, due to higher sales and improved margins. Net sales for the full year reached AED 1.51 billion, an increase of 14 percent on a year earlier.

Fourth-quarter sales increased 13 percent on the previous year to AED 386.7 million and the Company achieved a net profit of AED 39.3 million in the fourth quarter, an increase of 21 percent year-on-year.

Agri Business Division

The Division recorded a net sale in 2013 of AED 961.4 million, up 13 percent on the previous year. Net profit was AED 172.1 million, an increase of 31 percent, resulting from higher volume and improved margins. The improvement in gross profit margin was the result of competitive sourcing of grains, ongoing cost saving initiatives, in house production of previously outsourced feed volume and the stable flour & feed market prices in the UAE.

Consumer Business Division

The Consumer Business Division recorded a net sale of AED 550.8 million in 2013, an increase of 16 percent on the previous year. The water and beverages segment achieved net sales of AED 451.1 million, up 11 percent, while the food segment recorded net sales of AED 99.7 million, an increase of 47 percent.

Net profit for the year was AED 52.1 million, a rise of 35 percent from a year earlier. The water and beverages segment grew its net profit by 15 percent to AED 73.9 million, driven by higher sales and improved efficiency. Meanwhile, the food segment narrowed its net loss to AED 21.9 million from AED 25.8 million in 2012. The loss is attributable mainly to fresh dairy products.

SG&A expenses

Total SG&A expenses for the Company increased in 2013 by 15 percent from a year earlier to AED 255.6 million. The increase is attributable to higher distribution costs due to higher sales volumes, investment in marketing activities, new business costs, employee-related costs and other inflationary increases. SG&A expenses as percentage of sales stood at 16.9 percent, the same level as a year earlier.

Cash flow

Cash generated from operating activities at AED 189.4 million. Net cash employed in investing activities of AED 140 million mainly includes investments in a distribution center, the frozen baked products plant, high speed bottling line and capacity expansion for flour and animal feed.

Cash and cash equivalents as at 31 December, 2013 amounted to AED 544.9 million compared with fiscal 2012 of AED 424.9 million.

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

Unallocated Corporate Items

Under segment reporting, an unallocated assets amount of AED 656.8 million represents goodwill and cash and bank balances as the Company's fund management is centralized at corporate level.

Capital commitments and Contingencies

Capital commitment of AED 96.3 million mainly relates to the high speed water bottling line, the frozen baked products project, distribution center, flour capacity expansion and other capital items.

Bank Guarantees and letter of credits of AED 36.9 million have primarily been issued in favor of the Company's vendors for the supply of materials and spare parts.

Future Outlook

The company is continuing to pursue its strategy for sustainable growth, focusing on delivery of profitable growth in its core business, and improving the performance of recently launched products and the Egyptian and Turkish operations. We continue to optimize the further growth potential that UAE offers and in parallel pursuing growth opportunities from new geographies, including the GCC. We also continue to enhance Company's manufacturing capabilities, and remain focused on improving operating and cost efficiencies. Furthermore, we have a strong Balance Sheet that can support our expansion plans. Although regional economic uncertainty and commodity market volatility suggest challenges, we remain optimistic on the Company's prospects for future revenue and profit growth.

Subsequent Events

As of the date of this report, no major events has occurred which may have significant impact on the 2013 Financial Statements.

Directors

The office term of present Directors will expire on April 27, 2014. The retiring Directors are eligible to contest election.

Directors' fees of AED 1.4 million relating to 2012 were paid in 2013 to Board members. Remuneration for 2013 was at AED 1.35 million.

Dividend

The Board of Directors is pleased to recommend 10% percent cash dividend for the year 2013.

Auditors

The present auditors, PricewaterhouseCoopers retire. Complying with the Statutory Auditors Appointment Rules (SAAR) as promulgated by Decision of the Abu Dhabi Accountability Authority Number (1) of 2010, the selection process for external auditors was conducted and the Board proposes the appointment of KPMG at the Annual General Meeting for the year ending December 31, 2014.

Code of Corporate Governance

The Board of Directors and management of the Company are committed to the principles of good governance. A full report on the Company's corporate governance activities endorsed by the Board is attached as Annexure 1.

Incentivization/remuneration

The Board of Directors recognizes the importance of aligning the management interest with those of the Company's shareholders. To support this strategy, Agthia's stock incentivization scheme includes a number of senior executives and managers across the Group. The program complements the performance bonus incentives that reward individuals based on their ability to achieve annual financial 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 development goals are set each year.

Financial reporting framework

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

a. The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operation, cash flows, and change in equity.

b. The Company has maintained proper books of accounts.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.

d. International Financial Reporting Standards (IFRS), as applicable, have been followed in the preparation of these financial statements.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

f. There is no doubt about the Company's ability to continue as a going concern.

The Board takes this opportunity to thank our shareholders, employees, and business partners for their continued support, and recognizes their vital role in making all our efforts successful.

On behalf of the Board

HE Rashed Mubarak Al Hajeri
Chairman

February 24, 2014

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Report on the consolidated financial statements to the Shareholders of Agthia Group PJSC

We have audited the accompanying consolidated financial statements of Agthia Group PJSC ("Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, and a summary of significant accounting policies and other explanatory information.

Management' 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 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.

Auditor's 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 relevant 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 risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

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Report on the consolidated financial statements to the Shareholders of Agthia Group PJSC (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and of their financial performance and 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. (8) of 1984, as amended, we report that:

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

(ii) the consolidated financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended and the Articles of Association of the Company;

(iii) the Company has maintained proper books of accounts and has carried out physical verification of inventories in accordance with properly established procedures;

(iv) the financial information included in the report of the directors is consistent with the books of account of the Company; and

(v) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position for the year ended 31 December 2013.

PricewaterhouseCoopers
24 February 2014

Jacques E. Fakhoury
Registered Auditor Number 379
Abu Dhabi, United Arab Emirates

Agthia Group PJSC

Consolidated statement of income

For the year ended

	Notes	**31 December 2013 AED'000**	31 December 2012 AED'000
Revenue		**1,512,192**	1,326,605
Cost of sales	6	**(1,102,020)**	(992,002)
Gross profit		**410,172**	334,603
Other income, net	7	**3,748**	8,226
Selling and distribution expenses	8	**(153,104)**	(137,975)
General and administrative expenses	9	**(98,997)**	(81,622)
Research and development	10	**(3,471)**	(2,834)
Operating Profit		**158,348**	120,398
Finance income		**11,560**	13,605
Finance expense		**(9,759)**	(9,485)
Profit before income tax		**160,149**	124,518
Income tax (expense)/credit	11, 25	**(73)**	220
Profit for the year attributable to equity holders of the Group		**160,076**	124,738
Basic and diluted earnings per share (AED)	12	**0.267**	0.208

The notes on pages 9 to 49 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of comprehensive income

For the year ended

	31 December 2013 AED'000	31 December 2012 AED'000
Profit for the year attributable to equity holders of the Group	**160,076**	124,738
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Board of directors' remuneration and committee members fees	**(1,350)**	(1,400)
	(1,350)	**(1,350)**
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation difference on foreign operations	**(7,825)**	126
	(7,825)	126
Other comprehensive income	**(9,175)**	(1,274)
Total comprehensive income for the year attributable to equity holders of the Group	**150,901**	123,464

The notes on pages 9 to 49 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of financial position

	Note	As at 31 December 2013 AED'000	2012 AED'000
Assets			
Non-current assets			
Property, plant and equipment	13	**694,176**	621,079
Advance for property, plant and equipment		**18,489**	5,359
Goodwill	14	**95,472**	95,472
Intangible Assets	15	**11,267**	13,462
Total non-current assets		**819,404**	735,372
Current assets			
Inventories	16	**272,893**	265,611
Trade and other receivables	17	**192,458**	169,722
Government compensation receivable	18	**109,642**	95,089
Available-for-sale financial assets	19	**5,200**	10,000
Cash and bank balances	20	**564,021**	437,506
Total current assets		**1,144,214**	977,928
Current liabilities			
Bank borrowings (*current portion)*	21	**321,029**	158,750
Trade and other payables	22	**253,514**	243,605
Due to related party	23	**1,650**	1,400
Total current liabilities		**576,193**	403,755
Net current assets		**568,021**	574,173
Provision for end of services benefits	24	**32,861**	26,098
Bank borrowings (*non current portion)*	21	**103,314**	152,790
Deferred tax liability	25	**764**	826
Other liability		**654**	900
Total non-current liabilities		**137,593**	180,614
Net assets		**1,249,832**	1,128,931

The notes on pages 9 to 49 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of financial position (continued)

	Note	As at 31 December 2013 AED'000	2012 AED'000
Equity			
Share capital	26	**600,000**	600,000
Legal reserve	27	**78,959**	62,951
Translation reserve		**(11,508)**	(3,683)
Retained earnings		**582,381**	469,663
Total equity		**1,249,832**	1,128,931

The consolidated financial statements were approved and authorised by the Board of Directors on 24 February 2014 and were signed on ~~their behalf~~ by:

HE Rashed Mubarak Al Hajeri Chairman	Ilias Assimakopoulos Chief Executive Officer	Iqbal Hamzah Chief Financial Officer

The notes on pages 9 to 49 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of changes in equity

	Share capital AED'000	Legal reserve AED'000	Retained earnings AED'000	Translation reserve AED'000	Total AED'000
Balance at 1 January 2012	600,000	50,477	388,799	(3,809)	1,035,467
Total comprehensive income for the year					
Profit for the year	-	-	124,738	-	124,738
Other comprehensive income:					
Foreign currency translation difference on foreign operations	-	-	-	126	126
Board of directors' remuneration and committee members fees	-	-	(1,400)	-	(1,400)
Transaction with shareholder					
Dividend for the year 2011	-	-	(30,000)	-	(30,000)
Total comprehensive income	-	-	93,338	126	93,464
Owners' changes directly in Equity					
Transfer to legal reserve	-	12,474	(12,474)	-	-
Balance at 31 December 2012	**600,000**	**62,951**	**469,663**	**(3,683)**	**1,128,931**
Total comprehensive income for the year					
Profit for the year	**-**	**-**	**160,076**	**-**	**160,076**
Other comprehensive income:					
Foreign currency translation difference on foreign operations	**-**	**-**	**-**	**(7,825)**	**(7,825)**
Board of directors' remuneration and committee members fees	**-**	**-**	**(1,350)**	**-**	**(1,350)**
Transaction with shareholder					
Dividend for the year 2012	**-**	**-**	**(30,000)**	**-**	**(30,000)**
Total comprehensive income	**-**	**-**	**128,726**	**(7,825)**	**120,901**
Owners' changes directly in Equity					
Transfer to legal reserve	**-**	**16,008**	**(16,008)**	**-**	**-**
Balance at 31 December 2013	**600,000**	**78,959**	**582,381**	**(11,508)**	**1,249,832**

The notes on pages 9 to 49 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December

	Note	**2013 AED'000**	2012 AED'000
Cash flows from operating activities			
Profit for the year before income tax		**160,149**	124,518
Adjustments for:			
Depreciation	13	**56,857**	54,773
Finance expense		**9,759**	9,485
Finance income		**(11,560)**	(13,605)
Property, plant and equipment written off	7	**10,017**	9,593
Gain on sale of property, plant and equipment	7	**(910)**	(67)
Movement in provision for slow moving inventory		**(50)**	7,925
Movement in provision for bad debts		**15**	(1,624)
Provision for end of service benefits	24	**8,787**	7,260
Operating cash flows before payment for employees' end of service benefits and changes in working capital		**233,064**	198,258
Increase in inventories		**(7,232)**	(19,447)
Increase in trade and other receivables		**(23,319)**	(23,812)
Increase in government compensation receivable		**(14,553)**	(20,979)
Increase in trade and other payables		**3,472**	88,149
Increase/(decrease) in due to related parties		**250**	(439)
Payment of end of service benefits	24	**(2,024)**	(1,683)
Decrease in long term payable		**(308)**	(198)
Net cash generated from operating activities		**189,350**	219,849
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(157,960)**	(82,374)
Proceeds from sale of property, plant and equipment		**1,068**	554
Finance income received		**12,128**	11,634
Investment in subsidiary	30	**-**	(23,253)
Acquisition of intangible asset		**-**	(263)
Sale/(purchase) of available-for-sale financial asset		**4,800**	(10,000)
Net cash used in investing activities		**(139,964)**	(103,702)
Cash flows from financing activities			
Bank borrowings, net		**110,488**	88,307
Dividend paid		**(30,000)**	(30,000)
Finance expense paid		**(9,842)**	(9,279)
Net cash from financing activities		**70,646**	49,028
Increase in cash and cash equivalents		**120,032**	165,175
Cash and cash equivalents as at 1 January		**424,901**	259,726
Cash and cash equivalents as at 31 December	20	**544,933**	424,901

The notes on pages 9 to 49 form an integral part of these consolidated financial statement.

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. SENAAT- General Holding Corporation 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 2013 comprise the Company and it's below mentioned subsidiaries (collectively referred to as the "Group").

Subsidiary	Country of Incorporation and operation	Share of equity (%) 2013	2012	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 and frozen vegetables.
Agthia Group Egypt LLC (formerly Al Ain Food and Beverages LLC)	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, 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

The consolidated financial statements of Agthia Group PJSC have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and complying wherever applicable with the UAE Federal law no.8. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company'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.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2013 and currently relevant to the Group

The following standards are mandatory for the first time for the financial year beginning on or after 1 January 2013 and does not have a material impact on the Group:

- IAS 1 (amendment), 'Presentation of Financial Statements' (effective from 1 July 2012) reflected in the statement of comprehensive income;
- IAS 19 (amendment), 'Employee benefits' (effective from 1 January 2013);
- IAS 27 (revised 2011), 'Separate financial statements' (effective from 1 January 2013);
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective from 1 January 2013);
- IFRS 1 (amendment), 'First time adoption of International Financial Reporting Standards' (effective from 1 January 2013);
- IFRS 7 (amendment), 'Financial Instruments' (effective from 1 January 2013);
- IFRS 10 (standard and amendment), 'Consolidated financial statements' (effective from 1 January 2013);
- IFRS 11 (standard and amendment), 'Joint arrangements' (effective from 1 January 2013);
- IFRS 12 (standard and amendment), 'Disclosures of interests in other entities' (effective from 1 January 2013); and
- IFRS 13 (standard), 'Fair value measurement' (effective from 1 January 2013).

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not adopted earlier

- IAS 32 (amendment), 'Financial Instruments' (effective from 1 January 2014);
- IAS 27 (amendment), 'Separate financial statements' (effective from 1 January 2014);
- IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2014);
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2014);
- IFRS 10 (amendment), 'Consolidated financial statements' (effective from 1 January 2014);
- IFRS 12 (amendment), 'Disclosures of interests in other entities' (effective from 1 January 2014); and
- IFRS 9 (standard), 'Financial instruments' (effective from 1 January 2015).

The Group is currently in the process of identifying the relevance and the impact of the above standards, amendments and interpretations on its financial statements. Management expects that most of the relevant standards, amendments and interpretations will not have a material impact on the financial statements.

2.2 Consolidation

Subsidiaries
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from 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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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 given, 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 statement of comprehensive income (note 2.6).

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.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

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).

2.4 Foreign currency translation

(a) 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 presentation currency.

(b) 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 income within "Finance income or expenses".

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of income within "Finance income or expenses".

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) 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 presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

(iii) all resulting exchange differences are recognised in other 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 income during the financial period in which they are incurred.

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 & 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.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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 income.

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 segment.

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 profit or loss when the asset is derecognised.

2 Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life 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 and available for sale. 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 cash equivalents' in the consolidated statement of financial position (notes 2.12 and 2.13).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor or indications that a debtor will enter bankruptcy.

An impairment loss in respect of financial assets measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

2 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the consolidated statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the consolidated statement of income.

2.10 Financial instruments

Financial instruments comprise trade and other receivables, cash and bank balances, trade and other payables, amount due from/ due to related parties 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 cash equivalents comprise cash balances and term deposits with original maturity dates of not more than one year.

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.

2.11 Inventories

Inventories are stated at the lower of cost and 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 Summary of significant accounting policies (continued)

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 cash equivalents

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 one year 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. Accounts 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 income over the period of the borrowings using the effective interest method.

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 income over the period of loan.

2 Summary of significant accounting policies (continued)

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 consolidated statement of income and as per the Group's policy and procedure. The benefits for the management are subject to board's approval and are linked to business performance.

(b) Staff terminal benefits

Provision for employees' end of service benefits is calculated in accordance with the UAE Federal Labour Law and is determined on the basis of the liability that would arise if the employment of all staff was terminated at the reporting date.

Monthly pension contributions are made in respect of UAE National employees, who are covered by law No. 2 of 2000. The pension fund is administered by the government of Abu Dhabi, Finance Department, represented by Abu Dhabi Retirement Pension and Benefits Fund. Total pension contribution amounted to AED 1,986 thousand (2012: AED 1,582 thousand).

2.19 Provisions

Provisions for legal 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 Summary of significant accounting policies (continued)

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 will only be recognised when title has effectively passed to the customer or on delivery to carrier for onward shipment to the customer, whichever is earlier.

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. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expenses on borrowings. All borrowing costs are recognised in the consolidated statement of income using effective interest method.

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 income on a straight-line basis over the period of the lease. The Group leases certain properties and vehicles.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2 Summary of significant accounting policies (continued)

2.23 Dividend 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 grant

Funds that compensate the Group for selling flour and animal feed at subsidised prices in the Emirates of Abu Dhabi are recognised in the consolidated statement of income, 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. Earning 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 the statement of income. 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 operating 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

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 and liquidity. 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 and flows generated by the underlying commercial operations and speculative transactions are not undertaken.

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

Through 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 Group 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 US Dollar, Euro, Egyptian Pound, Turkish Lira, Indian Rupee and Swiss Francs. In respect of the Group's transactions denominated in the US Dollar the Group is not exposed to the foreign exchange risk as 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 28)

(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 not exposed to commodities price risk.

(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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is managed on 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 estimate of incurred 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 arises from cash and cash equivalents and deposits with banks and financial institutions, is managed by making deposits taking in account banks/financial institutions financial position, past experiences and other relevant factors.

(c) Liquidity risk

Cash flow forecasting is performed at Group level, Group finance 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 (note 28) 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 the Group treasury as per the Group's cash pooling arrangements with a bank. Group treasury invests surplus cash in time deposits and sukuks with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held Time deposit of AED 491,841 thousand (2012: AED 377,965 thousand) and Sukuk of AED 5,200 thousand (2012: AED 10,000 thousand) that are expected to readily generate cash inflows.

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:

- AED 528,935 thousand facilities, which includes overdraft, guarantee line and import line. These facilities carry interest of EIBOR /LIBOR/ mid corridor rate plus margin.
- AED 133,233 thousand, short term loans which carries interest rate of EIBOR/LIBOR/ mid corridor rate plus margin.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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 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

The 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.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

4 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of the 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 income, 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
The 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 income, 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 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 balance sheet 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 income statement 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.

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 marketing strategies. For each of the strategic business units, the Board of Directors review internal management reports on at least 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.
- Food includes manufacturing and distribution of tomato and chilli paste, fruit concentrate, frozen vegetables and fresh dairy 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.

Agthia Group PJSC

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

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 2013	31 December 2012	**31 December 2013**	31 December 2012	**31 December 2013**	31 December 2012	**31 December 2013**	31 December 2012	**31 December 2013**	31 December 2012
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
External revenues	**961,400**	853,465	**451,127**	405,354	**99,665**	67,786	**550,792**	473,140	**1,512,192**	1,326,605
Inter segment revenue	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Gross profit	**234,222**	185,093	**180,427**	161,231	**6,833**	(2,059)	**187,260**	159,172	**421,482**	344,265
Finance income	**25**	20	**14**	110	**-**	-	**14**	110	**39**	130
Finance expense	**(53)**	-	**(1,357)**	(97)	**(1,374)**	(909)	**(2,731)**	(1,006)	**(2,784)**	(1,006)
Depreciation expense	**20,014**	20,427	**29,955**	24,978	**1,750**	4,869	**31,705**	29,847	**51,719**	50,274
Reportable segment profit/(loss) after tax	**172,145**	131,728	**73,937**	64,375	**(21,879)**	(25,803)	**52,058**	38,572	**224,203**	170,300
Material non cash items;										
Impairment losses on trade receivables (net)	**-**	(1,750)	**495**	(39)	**(480)**	165	**15**	126	**15**	(1,624)

5 Segment reporting (continued)

	Agri Business Division		Consumer Business Division		Total	
	31 December 2013 AED'000	31 December 2012 AED'000	**31 December 2013 AED'000**	31 December 2012 AED'000	**31 December 2013 AED'000**	31 December 2012 AED'000
Others:						
Segment assets	**622,113**	578,970	**684,685**	572,435	**1,306,798**	1,151,405
Segment liabilities	**137,982**	172,312	**142,750**	106,351	**280,732**	278,663
Capital expenditure	**38,028**	9,040	**106,795**	67,254	**144,823**	76,294

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

	2013			2012		
	Reportable segment totals AED'000	**Un allocated AED'000**	**Consolidated totals AED'000**	Reportable segment totals AED'000	Un allocated AED'000	Consolidated totals AED'000
Gross profit	**421,482**	**(11,310)**	**410,172**	344,265	(9,662)	334,603
Finance income	**39**	**11,521**	**11,560**	130	13,475	13,605
Finance expense	**(2,784)**	**(6,975)**	**(9,759)**	(1,006)	(8,479)	(9,485)
Depreciation	**51,719**	**5,138**	**56,857**	50,274	4,499	54,773
Capital expenditure	**144,823**	**538**	**145,361**	76,294	3,709	80,003

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 2013 AED'000	31 December 2012 AED'000
Total profit for reportable segments	**224,203**	170,300
Unallocated amounts		
Other operating expenses	**(68,673)**	(51,461)
Net finance income	**4,546**	5,899
Consolidated profit for the period after income tax	**160,076**	124,738
Assets		
Total assets for reportable segments	**1,306,798**	1,151,405
Other unallocated amounts	**656,820**	561,895
Consolidated total assets	**1,963,618**	1,713,300
Liabilities		
Total liabilities for reportable segments	**280,732**	278,663
Other unallocated amounts	**433,054**	305,706
Consolidated total liabilities	**713,786**	584,369

6 Cost of sales

	31 December 2013 AED'000	31 December 2012 AED'000
Raw materials	**866,242**	776,246
Salaries and benefits	**100,991**	95,108
Depreciation	**49,448**	48,366
Maintenance	**28,134**	19,839
Utilities	**25,411**	24,086
Rent Expense	**7,532**	7,642
Others	**24,262**	20,715
	1,102,020	992,002

Cost of raw materials for flour and feed products is stated after the deduction of the Abu Dhabi Government compensation amounting to AED 448 million (2012: AED 328 million). 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 Abu Dhabi Emirate.

7 Other income, net

	31 December 2013 AED'000	31 December 2012 AED'000
Other income		
Management fee	**9,222**	6,422
Income from filling/storage etc	**1,115**	1,058
Income on sale of raw material/ scrap	**1,706**	1,408
Gain/ (Loss) on sale of fixed assets	**910**	67
Income from derivatives	**-**	9,881
Write-off of fixed assets	**(10,017)**	(9,593)
Others	**812**	(1,017)
	3,748	8,226

Management fee was received from Abu Dhabi Government for storage of wheat and feed as part of food security program.

Income from derivatives received from the Holding company represents gain on the commodity derivative contracts signed by the Holding company with their counter party which expired in 2012.

8 Selling and distribution expenses

	31 December 2013 AED'000	31 December 2012 AED'000
Salaries & Benefits	**61,282**	54,553
Marketing Expenses	**33,401**	29,272
Maintenance	**2,794**	3,126
Depreciation	**984**	813
Transportation	**44,236**	37,520
Royalty Fees	**2,355**	2,819
Rent Expense	**3,361**	3,689
Others	**4,691**	6,183
	153,104	137,975

9 General and administrative expenses

	31 December 2013 AED'000	31 December 2012 AED'000
Salaries & Benefits	**58,360**	50,517
Maintenance	**5,111**	6,378
Depreciation	**6,408**	5,594
Legal, consulting and audit fees	**11,398**	7,258
Rent Expense	**107**	148
Provision for doubtful debts	**882**	2,110
Others	**16,731**	9,617
	98,997	81,622

10 Research and Development

	31 December 2013 AED'000	31 December 2012 AED'000
Salaries & Benefits	**2,953**	2,290
Depreciation	**17**	-
Others	**501**	544
	3,471	2,834

11 Income tax

The Group's operation in Egypt and Turkey are subject to taxation. Provision is made for taxes at rates enacted or substantively enacted by 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.

12 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2013 and 2012 was based on the profit attributable to shareholders of AED 160,076 thousand (2012: AED 124,738 thousand) and the weighted average number of shares outstanding of 600,000 thousand (2012: 600,000 thousand).

13 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 2012	372,329	627,929	29,605	34,208	62,435	1,126,506
Additions	1,010	7,549	5,382	1,471	64,591	80,003
Transfers	16,230	51,331	3,537	-	(71,098)	-
Disposals/write-offs	-	(23,287)	(7)	(1,176)	-	(24,470)
Acquisition of subsidiary (note 30)	6,012	2,906	17	45	-	8,980
Currency retranslation	(301)	(192)	(29)	(34)	(14)	(570)
At 31 December 2012	395,280	666,236	38,505	34,514	55,914	1,190,449
Additions	**1,743**	**22,264**	**6,284**	**3,156**	**111,914**	**145,361**
Transfers	**493**	**6,226**	**818**	**2,558**	**(10,095)**	**-**
Disposals/write-offs	**(31,490)**	**(11,508)**	**(198)**	**(3,024)**	**-**	**(46,220)**
Currency retranslation	**(2,790)**	**(2,047)**	**(455)**	**(122)**	**(79)**	**(5,493)**
At 31 December 2013	**363,236**	**681,171**	**44,954**	**37,082**	**157,654**	**1,284,097**
Depreciation						
At 1 January 2012	167,586	317,550	17,592	25,641	-	528,369
Charge for the year	9,202	38,447	5,149	1,975	-	54,773
Disposals/write-offs	-	(12,396)	(2)	(1,168)	-	(13,566)
Currency retranslation	(69)	(99)	(17)	(21)	-	(206)
At 31 December 2012	176,719	343,502	22,722	26,427	-	569,370

13 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 31 December 2012	176,719	343,502	22,722	26,427	-	569,370
Charge for the year	**9,473**	**38,387**	**6,622**	**2,375**	**-**	**56,857**
Disposals/write-offs	**(25,874)**	**(6,518)**	**(98)**	**(3,024)**	**-**	**(35,514)**
Currency retranslation	**(217)**	**(390)**	**(113)**	**(72)**	**-**	**(792)**
At 31 December 2013	**160,101**	**374,981**	**29,133**	**25,706**	**-**	**589,921**
Net book amount						
31 December 2013	**203,135**	**306,190**	**15,821**	**11,376**	**157,654**	**694,176**
31 December 2012	218,561	322,734	15,783	8,087	55,914	621,079

	31 December 2013 AED'000	31 December 2012 AED'000
Acquisition of Property plant and equipment	**145,361**	80,003
Increase in advance for property, plant and equipment	**13,130**	3,195
Non cash transfer within group	**(531)**	(824)
Acquisition of property, plant and equipment in the statement of cash flows	**157,960**	82,374

The buildings of subsidiaries, except Al Ain Food and Beverages, Egypt and Mussafah (Ice Crystal), have been constructed on plots of land granted by the Government of Abu Dhabi for no consideration.

14 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:

	2013	2012
	AED'000	AED'000
Agri business division	**61,855**	61,855
Consumer business division (UAE operations)	**31,131**	31,131
Consumer business division (Turkish operations) (note 30)	**2,486**	2,486
	95,472	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)**
Anticipated annual revenue growth (%)	5%-8%	15%-20%	15% - 138%
Discount rate (%)	11%	11%	11.50%

** Growth rate for Turkish Operation is exceptionally high during 2014, being initial year of operation.

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.

15 Intangible assets

	Spring water rights AED'000	Others AED'000	Total AED'000
At 1 January 2012	-	-	-
Acquisition of subsidiary (note 30)	12,488	-	12,488
Additions	-	263	263
Currency retranslation	711	-	711
At 31 December 2012	13,199	263	13,462
Currency retranslation	**(2,152)**	**(43)**	**(2,195)**
At 31 December 2013	**11,047**	**220**	**11,267**

Spring water rights is considered to have an indefinite life as per the term is 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 (%)	5% - 138%
Discount rate (%)	11.50%

** Growth rate for Turkish Operation is exceptionally high during 2014, being initial year of operation.

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.

16 Inventories

	31 December 2013 AED'000	31 December 2012 AED'000
Raw and packing materials	**147,174**	113,309
Work in progress	**12,539**	12,684
Finished goods	**48,595**	59,133
Goods in transit	**41,137**	60,676
Spare parts and consumable materials	**36,782**	33,193
	286,227	278,995
Provision for obsolescence	**(13,334)**	(13,384)
	272,893	265,611

17 Trade and other receivables

Trade receivable	**154,442**	139,571
Prepayments	**28,922**	19,944
Other receivables	**9,094**	10,207
	192,458	169,722

Trade receivables are stated net of provision for doubtful debts of AED 7,197 thousand (2012: AED 7,182 thousand).

The Group's exposure to credit and currency risk, and impairment loss related to trade and other receivables is disclosed in note 28.

18 Government compensation receivable

	31 December 2013 AED'000	31 December 2012 AED'000
Receivable at beginning of the year from Abu Dhabi government	**95,089**	74,110
Compensation for the year	**447,647**	328,102
Received during the year	**(433,094)**	(307,123)
Balance as at 31 December	**109,642**	95,089

19 Available-for-sale financial assets

Available for sale financial assets are generally classified as non-current assets unless expected to be realised within 12 months of the balance sheet date.

All purchases and sales of available-for-sale investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Investments designated as available-for-sale are recorded at cost plus transaction costs.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the consolidated statement of income.

	2013	2012
	AED'000	AED'000
Investments in Sukuk certificates	**5,200**	10,000

The Sukuk are expected to be realised within 12 months.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the above available-for-sale financial assets held by the group is the current bid price as per the issuer. These instruments are Level 1 securities.

The change in fair value of the above available-for-sale financial assets from the date of acquisition is insignificant.

20 Cash and bank balances

	31 December 2013	31 December 2012
	AED'000	AED'000
Cash in hand	**609**	617
Cash at banks:		
Current and savings account	**71,571**	58,924
Fixed deposits	**491,841**	377,965
Cash and bank balances	**564,021**	437,506
Escrow account (for dividend distribution 2009 to 2012)	**(16,773)**	(12,605)
Bank overdraft (note 21)	**(2,315)**	-
Cash and cash equivalents in the statement of cash flows	**544,933**	424,901

20 Cash and bank balances (continued)

Fixed deposit are for period not more than one year (2012: up to one year) carrying interest rates varying from 2.00%- 2.25% (2012: 2.75%-3.30%). Management believes that the fixed deposits with maturity more than three months but less than one year are highly liquid and if these deposits are liquidated before the maturity date the loss will be insignificant.

Escrow represents amount set aside for payment of dividend. 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.

21 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 2013 AED'000	31 December 2012 AED'000
Current liabilities		
Credit facility	**245,092**	98,704
Term loan	**49,686**	39,549
Short term loan	**23,936**	20,497
Bank overdraft	**2,315**	-
	321,029	158,750
Non-current liabilities		
Term loan	**103,314**	152,790

21 Bank borrowings (continued)

Terms and repayment schedule

Amounts in AED'000

	Currency	Interest Rate	Year of maturity	31 December 2013 Face value/ limit	31 December 2013 Carrying amount	31 December 2012 Face value/ limit	31 December 2012 Carrying amount
Short term loan**	USD/ AED/ EGP	LIBOR/ EIBOR/mid corridor rate + margin *	2014	**133,233**	**23,936**	106,460	20,497
Credit Facility***	USD/ AED/ EGP	LIBOR/ EIBOR / mid corridor rate + margin *	2014	**453,935**	**247,407**	413,845	94,369
Credit Facility (Capex) **	USD/ AED	LIBOR/ EIBOR + margin *	2014	**75,000**	**-**	20,000	4,335
Term loan**	EURO/ USD	EURIBOR/ LIBOR+ margin*	2014/2016	**153,000**	**153,000**	192,339	192,339
Total				**815,168**	**424,343**	732,644	311,540

*Margin on the above loans and facilities varies from 0.70% - 1.50% (2012: 1.00% - 1.75%). Average interest rate on loan and facilities in Turkey of AED 7,354 (2012: NIL) is 3.50%.

**Credit facility of face value AED 325,000 thousand, Credit facility (Capex) of face value AED 75,000 thousand and the Term loan of face value AED 149,232 thousand is secured by a floating charge over the current assets, stock and receivables of the Group.

Credit facility and credit facility (Capex) are secured against following:

- Third party indemnity to make available guarantees, documentary credit, bills drawn, loan to finance import/open account settlement in the name of any of the subsidiary of the Group in favour of the bank.

22 Trade and other payables

	31 December 2013 AED'000	31 December 2012 AED'000
Trade payables	**120,087**	150,591
Accruals	**98,357**	72,559
Other payables	**35,070**	20,455
	253,514	243,605

23 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:

Amount due to and transactions with related parties during the year

	2013 AED'000	2012 AED'000
SENAAT- General Holding Corporation		
Opening balance 1 January	**1,400**	1,839
Directors and committee members' fees charged (2012)	**-**	1,400
Directors and committee members' fees charged (2013)	**1,350**	-
Purchase of foreign currency	**4,391**	249,222
Payment for foreign currency	**(4,391)**	(249,222)
Profit receivable on hedging	**-**	(9,881)
Profit received on hedging	**-**	9,881
Other expenses	**683**	176
Payments	**(1,783)**	(2,015)
Closing balance 31 December	**1,650**	1,400

23 Transactions with related parties (continued)

Transactions with Key management personnel

Key management personnel compensation are as follows:

	2013 AED'000	2012 AED'000
Short term benefits	**20,001**	19,730
Long term benefits	**5,733**	4,825
	25,734	24,555

24 Provision for end of service benefits

	31 December 2013 AED'000	31 December 2012 AED'000
Balance at 1 January	**26,098**	20,521
Charge for the year	**8,787**	7,260
Paid during the year	**(2,024)**	(1,683)
	32,861	26,098

25 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 2013 AED'000	31 December 2012 AED'000
Balance at 1 January	**826**	-
Acquisition of subsidiary	**-**	991
Tax expense (credit) for the year	**73**	(220)
Currency retranslation	**(135)**	55
	764	826

25 Deferred tax liability (continued)

The analysis of deferred income tax is as follows:

	31 December 2013 AED'000	31 December 2012 AED'000
Deferred tax asset		
Current assets	**7**	53
Current liabilities	**22**	33
Gross deferred tax assets	**29**	86
Deferred tax liability		
Property, plant and equipment	**(764)**	(863)
Others	**(29)**	(49)
Gross deferred tax liabilities	**(793)**	(912)
Net deferred tax liabilities	**(764)**	(826)

26 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 2013 AED'000	31 December 2012 AED'000
Authorised, issued and fully paid (600,000 thousand ordinary shares of AED 1 each)	**600,000**	600,000

27 Legal reserve

In accordance with the Federal Law No. 8 of 1984 (as amended) 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 not available for distribution.

28 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:

	31 December 2013 AED'000	31 December 2012 AED'000
Trade receivables	**154,442**	139,571
Other receivables	**9,094**	10,207
Cash at banks	**563,412**	436,889
	726,948	586,667

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.

Impairment losses

The ageing of trade receivables at the reporting date was:

	31 December 2013 AED'000	31 December 2012 AED'000
Trade receivables not impaired:		
Not Due	**119,875**	110,315
Past due 0 – 60 days	**28,091**	25,830
Past due 61 – 120 days	**2,807**	1,163
Past due 121 – 180 days	**1,334**	787
Past due 181 – 240 days	**402**	305
Past due 241 – 300 days	**214**	212
301 days and above	**1,719**	959
Trade receivable past due and provided for impairment:		
Past due 181 – 240 days	**877**	1,010
Past due 241 – 300 days	**289**	322
301 days and above	**6,031**	5,850
	161,639	146,753

28 Financial instruments (continued)

Credit risk (continued)

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

	31 December 2013 AED'000	31 December 2012 AED'000
Balance at 1 January	**7,182**	8,806
Provision for receivable	**882**	2,110
Write offs/ Release	**(867)**	(3,734)
	7,197	7,182

Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2013

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	**155,157**	**155,157**	**155,157**	**-**	**-**	**-**
Due to a related party	**1,650**	**1,650**	**1,650**	**-**	**-**	**-**
Bank loans	**424,343**	**433,122**	**325,503**	**48,500**	**59,119**	**-**
Long term liability	**1,418**	**1,500**	**960**	**188**	**352**	**-**

31 December 2012

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	171,046	171,046	171,046	-	-	-
Due to a related party	1,400	1,400	1,400	-	-	-
Bank loans	311,540	322,556	163,363	53,312	105,881	-
Long term liability	1,726	2,029	1,019	505	505	-

28 Financial instruments (continued)

Market risk

Foreign currency risk

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

	2013			2012		
Amounts in '000	**Euro**	**INR**	**CHF**	Euro	INR	CHF
Forecast purchases	**10,072**	**3,671**	**55**	4,773	14,684	178
Long term loan	**745**	**-**	**-**	1,810	-	-

The following exchange rates were applicable during the year:

	Average rate		**Reporting date rate**	
	2013	2012	**2013**	2012
Euro	**4.877**	4.725	**5.055**	4.854
CHF	**3.962**	3.920	**4.124**	4.019
EGP	**0.532**	0.609	**0.525**	0.585
TRY	**1.933**	2.038	**1.716**	2.050
INR	**0.063**	0.068	**0.059**	0.067

A strengthening / weakening of the AED, as indicated below, against the Euro, CHF, INR, TRY and EGP 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 2012, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

31 December 2013	**Equity**	**Profit/(loss)**
	AED'000	**AED'000**
Euro (weakening by 2%)	**-**	**995**
CHF (weakening by 1%)	**-**	**3**
INR (weakening by 1%)	**-**	**2**
EGP (strengthening by 1%)	**19**	**-**
TRY (strengthening by 5%)	**50**	**-**
	69	**1,000**

28 Financial instruments (continued)

Market risk (continued)

Foreign currency risk (continued)

31 December 2012	**Equity AED'000**	**Profit/(loss) AED'000**
Euro (strengthening by 3%)	-	(902)
CHF (strengthening by 0.5%)	-	(4)
INR (strengthening by 2%)	-	(24)
EGP (weakening by 7%)	(1,385)	-
TRY (strengthening by 1%)	56	-
	(1,329)	(930)

The above analysis is based on currency fluctuations during January and February 2014 (2012: January and February 2013).

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

Fixed rates instruments	**2013 AED'000**	2012 AED'000
Financial assets	**497,041**	387,965
Financial liabilities	**(654)**	(900)
	496,387	387,065
Variable rates instruments		
Financial liabilities	**424,343**	311,540

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

At 31 December 2013, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 3,339 thousand (2012: AED 2,718 thousand) lower/higher, mainly as a result of higher/lower interest expense.

28 Financial instruments (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 2013 the Group provided returns to Shareholders in the form of dividends for the year 2012, current details of which are included in the statement of changes in equity for the year.

29 Contingent liabilities and capital commitments

	31 December 2013 AED'000	31 December 2012 AED'000
Bank guarantees and letters of credit	**36,925**	83,378
Capital commitments	**96,308**	162,176

At 31 December 2013 guarantees of AED 18,493 thousand were outstanding (2012: AED 18,573 thousand).

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

Non-cancellable operating lease rentals are payable as follows;

	2013 AED'000	2012 AED'000
Less than one year	**16,295**	9,320
Between one and five years	**27,423**	10,777
More than five years	**8,626**	-
	52,344	20,097

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 14,997 thousand (2012: AED 13,593 thousand).

30 Business combination

The Group acquired Agthia Turkey the Turkey based natural spring water bottling entity with direct access to a natural spring water source. The Group took over management control of the Turkish entity on 1st January 2012 and completed 100 % equity acquisition by March 2012 for a value of AED 23,253 thousand. The Group plans to expand its regional distribution footprint in Turkey. This strategic venture will also facilitate the Group's entry into fast growing premium 'natural spring' drinking water segment in the UAE and GCC. The acquisition resulted in the recognition of goodwill of AED 2,486 thousand at the assumption of the assets and liabilities of the acquiree. The fair value for the acquisition is determined based on purchase price allocation exercise carried out by the external consultants.

Acquisition-related costs incurred amounted to AED 1,121 thousand. AED 14 thousand was charged to cost of sales and AED 1,107 thousand was charged to general and administrative expenses in the consolidated statement of income for the year ended 31 December 2012.

30 Business combination (continued)

	Fair value AED'000
Net assets acquired	
Land	**4,086**
Machinery & Equipment	**2,906**
Building	**1,926**
Spring Water Usage Rights	**12,488**
Others	**62**
Inventories	**196**
Other Current Assets	**432**
Deferred Tax Liabilities	**(991)**
Other Current Liabilities	**(106)**
Provision for Taxation	**(232)**
Net identifiable assets acquired	**20,767**
Share of net identifiable assets acquired (100%)	**20,767**
Goodwill	**2,486**
Total consideration (satisfied by cash)	**23,253**
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	**Nil**