AGTHIA GROUP PJSC

Consolidated financial statements for the year ended 31 December 2011

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 2011

Directors' Report

The Board of Directors of Agthia Group PJSC is pleased to present to its shareholders the Company's Annual Report and audited Financial Statements for the year ended December 31, 2011.

Overall, Company performance for the year was satisfactory in light of the challenging environment for food and beverage manufacturers of increasing input costs, accelerating cost of inflation, and regional unrest. Nevertheless, business fundamentals remain strong as evident by the Company's strong sales and volume growth across all categories during 2011; this performance is consistent with our long-term growth model.

Our investments remained focused on growth opportunities, while we continued addressing the challenge of higher input costs by pursuing cost-saving initiatives, pricing opportunities, and by accelerating entry into new categories.

In line with our strategy to gradually reduce reliance on the Flour & Animal Feed business by diversifying into higher-margin businesses, the contribution of this business to total Group revenue was further reduced by 160 basis points in 2011 to 67 percent (2006: 83 percent).

We are pleased to state that as planned, in the later part of Q4 the Company launched the fresh dairy products, under the "Yoplait" brand, and the long shelf life 100 percent natural fruit juice under the "Chiquita" brand. The Company's entry into processed fresh fruits and vegetables category, targeting the UAE's hospitality and catering industry, also commenced with a selective fresh fruit juices range under the "Al Ain Fresh" brand. Entries into these new segments are strategic growth drivers and contribute to our ambition of becoming the UAE's leading food and beverage group. The launch of frozen baked products has been delayed to Q2, 2013 due to technical reasons.

In December 2011, the Company announced the acquisition of Pelit Su, the Turkey-based natural spring water bottling plant with direct access to a natural spring water

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Agthia Group PJSC

source. The Company has taken over management control of the Turkish entity and has completed 100 percent equity acquisition in March 2012. The Company plans to expand its regional distribution footprint in Turkey. This strategic venture will also facilitate the Company's entry into higher margin premium 'natural spring' drinking water in the UAE and wider geography.

Sales

The Company has delivered strong 14 percent year-on-year net sales growth, reaching AED 1.14 billion. This is attributable to solid performance of Water & Beverages business delivering 21 percent sales growth, and the Flour & Animal Feed business achieving 12 percent sales growth. This rise in sales was primarily driven by volume increases, pricing and distribution expansion.

Over a period of five years (2006-2011), the Company has achieved impressive CAGR 21.4 percent in sales revenue.

Profitability

Although total year net profit at 86 million declined by 25 percent versus last year, it is encouraging to see profit recovery in Q4, 2011. Net profit for Q4, 2011 reflects a 33 percent growth over the average of the preceding three quarters. This improvement arose from the price increase in Water & Beverages, which took effect during Q4, 2011, in-house production of previously outsourced flour and feed volumes following the capacity increases, and lower grain input cost. Further expansion in poultry feed capacity is planned for Q4, 2012 including restructuring of the feed mill with the aim of reducing cost and improving efficiency.

Decline in total year 2011 net profit resulted mainly from a four percentage point drop in gross profit margin attributed to two factors: (a) the continued increase in input cost of raw materials (grains and PET); and (b) during last year, the Company's Flour business benefited from a decline in wheat prices which outpaced the drop in the market selling price of flour resulting in higher one-off profit margins.

Measured on five-year period 2006-2011, CAGR in net profit was 24.3 percent.

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Other Income

The Company realized AED 13.6 million of other income. This includes the settlement of AED 4.2 million in business interruption insurance claims relating to a fire incident in one of our flour mills in mid-2010, reversal of not required provisions and gain on sales of raw materials.

Selling & General Admin Expenses (SG&A)

SG&A as a percentage of sales has declined to 14.3 percent from 15.3 percent last year. Overall SG&A at AED 163 million has increased by 5.7 percent compared to the same period last year, basically reflecting the higher distribution costs, full-year impact of last year's hiring, and other inflationary increases.

Cash Flow

At AED 94.7 million, net cash from operations is AED 51.7 million less than last year due to lower profits and increased inventory level (higher grain cost plus forward cover).

Cash and cash equivalents as of December 31, 2011 amounted to AED 259.7 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, unallocated assets of AED 394.6 million mainly includes goodwill of AED 93 million, and cash and bank balance of AED 268.7 million as Company's fund management is centralized at the corporate level. Unallocated liabilities of AED 247.3 million mainly include bank borrowings of AED 223 million.

Capital Commitment and Contingencies

Capital commitments of AED 94 million reflect amount relating to the Turkish Water Company acquisition, the dairy plant, frozen baked project, warehouse racking equipment, investments in delivery trucks, and other capital items.

Bank Guarantees and letters of credit of AED 52 million have primarily been issued in favor of Company's vendors for the supply of materials and spare parts.

The Agthia Promise
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Divisional Performance

Agri Business Division (ABD)

ABD net sales at AED 767.4 million in 2011 reflect a growth of 12 percent year-on-year driven by pricing, and volume increase of 4 percent. The division maintained its number 1 market position in both flour and animal feed in the UAE.

Net profit of this division at AED 67 million declined by 24 percent year-on-year. This is mainly attributable to the gross margin contraction of 5.1 percentage points due to a significant increase in grain prices; as well as for the fact that the flour segment during the same period last year benefited from a decline in grain prices which outpaced the adjustment in market selling price resulting in a higher one-off profit margin.

Actions initiated during 2011 to address the profitability of this segment are delivering results. Q4, 2011 gross profit margin improved by 2 percentage points compared to first nine months of 2011. Production capacity expansion of existing flour and animal feed mills has been completed, and previously outsourced volumes are now being produced in-house (effective Q4, 2011); feed profitability has improved; and the recent drop in grain prices has helped. Further expansion in poultry feed capacity is planned for Q4, 2012 including restructuring of the feed mill with the aim to reduce cost and improve efficiency. In the later part of 2011, the Company secured a contract to manage stock of wheat for the Abu Dhabi Government, in return for a management fee.

Consumer Business Division (CBD)

Once again, the CBD delivered a strong and consistent performance. Net sales at AED 376.9 million reflects solid 18 percent growth, driven by Water & Beverages segment. The contribution of CBD division to total Company sales has reached 33 percent (2006: 17 percent), reflecting the Company's strategy to accelerate diversification to sustainable higher margin products.

Net profit at AED 33.3 million is marginally behind last year due to higher PET cost. A price increase of around 10 percent was implemented on bottled water and Capri-Sun juice during Q4, 2011. This will partially offset the increased PET cost and will improve the profit margin going forward.

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Water & Beverages

The Water & Beverages segment, despite a challenging and competitive market, has continued its strong performance with sales growing by 21 percent year-on-year driven by a solid 19 percent volume increase in water and a 23 percent increase in Capri-Sun juice drink. Al Ain Water brand has maintained its leading market position in Abu Dhabi Emirate and strong number two position in the UAE.

In December 2011, the Company launched 100 percent natural juice under the 'Chiquita' brand and acquired Turkey-based natural spring water bottling plant with direct access to a natural spring water source. The Company plans to expand its regional distribution footprint in Turkey, as well this strategic move will enable us to enter the higher-margin premium 'natural spring' drinking water in the UAE and the wider geography.

Food

Food segment sales at AED 55.6 million are 3 percent higher than 2010 while the Al Ain branded business in the UAE grew by 11 percent. Al Ain tomato paste brand has further consolidated its leading market position in the UAE and is continuing to grow its presence in the frozen vegetable segment.

Food segment loss of AED 10.6 million is attributed to the newly-launched fresh dairy and fresh juice products' losses of AED 2.4 million, Egypt operation losses of AED 3.6 million due to domestic/regional unrest, and low-priced Chinese tomato paste, while the loss for the UAE branded tomato paste and frozen vegetables has significantly dropped to AED 4.6 million against last year's AED 10.2 million. The Company remains focused on turning the Egypt operation and UAE tomato paste and frozen vegetable business to profitability.

Future outlook

It is quite clear that food & beverage manufacturers will have to contend with the volatile input cost (soft commodities & PET) and may not be able to pass on the full input cost increase to its consumers and customers, while the repercussions of the regional unrest remain a concern. Despite a truly challenging environment, we remain optimistic about the prospects for future revenue and profit growth as the Company pursues its strategy of introducing new and value-added products, continued geographical expansion, and high operating efficiencies.

Subsequent Events

The first quarter of 2012 has seen no major events which may have significant impact on the 2011 Financial Statements.

Directors

The present Board of Directors was re-elected at the Annual General Meeting on April 27, 2011 for a term of three years.

Directors' fees of AED 1.2 million relating to 2010 were paid in 2011 to Board members. Remuneration for 2011 was AED 1.4 million.

Dividend

The Board of Directors is pleased to recommend 5 percent cash dividend for the year 2011.

Auditors

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

Code of Corporate Governance

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

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 in the UAE, 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

March 28, 2012

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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 and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statement of income, consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and 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 whether the consolidated financial statements are free of 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, we consider 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 respect, the financial position of the Group as at 31 December 2011 and its financial performance and its 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 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 Group;

(iii) the Group 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 Group; and

(v) nothing has come to our attention which causes us to believe that the Group 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 2011.

PricewaterhouseCoopers
28 March 2012

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

Agthia Group PJSC

Consolidated statement of income

For the year ended

	Note	31 December 2011 AED'000	31 December 2010 AED'000
Revenue		**1,144,312**	1,006,134
Cost of sales	6	**(907,562)**	(753,794)
Gross profit		**236,750**	252,340
Other income, net	7	**13,594**	14,186
Selling and distribution expenses	8	**(99,661)**	(89,476)
General and administrative expenses	9	**(61,377)**	(64,943)
Research and Development	10	**(2,169)**	-
Operating Profit		**87,137**	112,107
Finance income		**6,226**	7,743
Finance expense		**(6,974)**	(4,527)
Profit before income tax		**86,389**	115,323
Income tax (expense) / credit	11	**(66)**	340
Profit for the year attributable to equity holders of the Group		**86,323**	115,663
Basic and diluted earnings per share (AED)	12	**0.144**	0.193

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of comprehensive income

For the year ended

	31 December 2011 AED'000	31 December 2010 AED'000
Profit for the year attributable to equity holders of the Group	**86,323**	115,663
Other comprehensive income		
Foreign currency translation difference on foreign operations	**(3,779)**	769
Board of directors and committee members fees	**(1,300)**	(1,200)
Other comprehensive income	**(5,079)**	(431)
Total comprehensive income for the year attributable to equity holders of the Group	**81,244**	115,232

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of financial position

	Note	As at 31 December 2011 AED'000	2010 AED'000
Assets			
Non-current assets			
Property, plant and equipment	13	**598,137**	479,853
Advance for property, plant and equipment		**2,164**	25,403
Goodwill	14	**92,986**	92,986
Total non-current assets		**693,287**	598,242
Current assets			
Inventories	15	**253,893**	214,228
Trade and other receivables	16	**141,883**	134,881
Government compensation receivable	17	**74,110**	114,998
Cash and bank balances	18	**268,657**	268,973
Total current assets		**738,543**	733,080
Current liabilities			
Bank overdraft	18	**-**	6,193
Bank borrowings *(current portion)*	19	**214,733**	128,955
Trade and other payables	20	**149,672**	179,774
Due to related party	21	**1,839**	306
Total current liabilities		**366,244**	315,228
Net current assets		**372,299**	417,852
Provision for end of services benefits	22	**20,521**	16,702
Bank borrowings *(non current portion)*	19	**8,500**	13,851
Other liability		**1,098**	1,318
Total non-current liabilities		**30,119**	31,871
Net assets		**1,035,467**	984,223
Equity			
Share capital	23	**600,000**	600,000
Legal reserve	24	**50,477**	41,845
Translation reserve		**(3,809)**	(30)
Retained earnings		**388,799**	342,408
Total equity		**1,035,467**	984,223

The consolidated financial statements were approved and authorised by the Board of Directors on 28 March 2012 and were signed on their behalf by:

Chairman

Chief Executive Officer

Chief Financial Officer

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of changes in equity

For the year ended 31 December

	Share capital AED'000	Legal reserve AED'000	Retained earnings AED'000	Translation reserve AED'000	Total AED'000
Balance at 1 January 2010	600,000	30,279	269,511	(799)	898,991
Total comprehensive income for the year					
Profit for the year	-	-	115,663	-	115,663
Other comprehensive income:					
Foreign currency translation difference on foreign operations	-	-	-	769	769
Board of directors and committee members fees	-	-	(1,200)	-	(1,200)
Total comprehensive income	-	-	114,463	769	115,232
Transaction with Owners					
Dividend for the year 2009	-	-	(30,000)	-	(30,000)
Owners' changes directly in Equity					
Transfer to legal reserve	-	11,566	(11,566)	-	-
Balance at 31 December 2010	600,000	41,845	342,408	(30)	984,223
Total comprehensive income for the year					
Profit for the year	**-**	**-**	**86,323**	**-**	**86,323**
Other comprehensive income:					
Foreign currency translation difference on foreign operations	**-**	**-**	**-**	**(3,779)**	**(3,779)**
Board of directors and committee members fees	**-**	**-**	**(1,300)**	**-**	**(1,300)**
Total comprehensive income	**-**	**-**	**85,023**	**(3,779)**	**81,244**
Transaction with Owners					
Dividend for the year 2010	**-**	**-**	**(30,000)**	**-**	**(30,000)**
Owners' changes directly in Equity					
Transfer to legal reserve	**-**	**8,632**	**(8,632)**	**-**	**-**
Balance at 31 December 2011	**600,000**	**50,477**	**388,799**	**(3,809)**	**1,035,467**

The notes on pages 8 to 42 form an integral part of these consolidated financial statement.

Agthia Group PJSC

Consolidated statement of cash flows

For the year ended 31 December

	Note	2011 AED'000	2010 AED'000
Cash flows from operating activities			
Profit for the year		**86,323**	115,663
Adjustments for:			
Depreciation	13	**45,082**	39,812
Finance expense		**6,974**	4,527
Finance income		**(6,226)**	(7,743)
Loss on sale of property, plant and equipment	7	**164**	192
Impairment of inventory		**(2,707)**	(2,393)
(Release of provision)/ Provision for bad debts		**(1,243)**	3,470
Provision for end of service benefits	22	**5,087**	5,132
Income tax expense / (credit)		**66**	(340)
Operating cash flows before payment for employees' end of service benefits and changes in working capital		**133,520**	158,320
(Increase)/Decrease in inventories		**(36,958)**	22,628
Increase in trade and other receivables		**(5,686)**	(4,608)
Decrease/(Increase) in government compensation receivable		**40,888**	(27,779)
(Decrease)/Increase in trade and other payables		**(37,114)**	1,249
Increase/(Decrease) in due to related parties		**1,533**	(1,706)
Payment of end of service benefits	22	**(1,268)**	(1,273)
Decrease in long term payable		**(220)**	(451)
Net cash generated from operating activities		**94,695**	146,380
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(144,334)**	(93,968)
Proceeds from sale of property, plant and equipment		**479**	618
Finance income received		**6,153**	7,535
Net cash used in investing activities		**(137,702)**	(85,815)
Cash flows from financing activities			
Bank borrowings, net		**80,427**	47,273
Dividend paid		**(30,000)**	(30,000)
Finance expense paid		**(6,660)**	(4,026)
Net cash from financing activities		**43,767**	13,247
Increase in cash and cash equivalents		**760**	73,812
Cash and cash equivalents as at 1 January		**258,966**	185,154
Cash and cash equivalents as at 31 December	18	**259,726**	258,966

The notes on pages 8 to 42 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. General Holding Corporation PJSC 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 2011 comprise the Company and it's below mentioned subsidiaries (collectively referred to as the "Group").

Subsidiary	Country of Incorporation and operation	Share of equity (%) 2011	2010	Principal Activity
Grand Mills Company PJSC (formerly Grand Mills for Flour and Feed Company PJSC)	UAE	100	100	Production and sale of flour and animal feed
Al Ain Food and Beverages PJSC (AAFB-UAE) (formerly Al Ain Mineral Water Company PJSC)	UAE	100	100	Production, bottling and sale of bottled water, flavored water, juices, yoghurt, tomato paste and frozen vegetables
Al Ain Vegetable processing and canning factory (AAV)	UAE	0	100	Processing and sale of tomato paste and frozen vegetables
Al Ain Food and Beverages LLC (AAF&B- Egypt)	Egypt	100	100	Processing and sale of tomato paste, chilli paste fruit concentrate and frozen vegetables

As of 1st July, 2011, the assets and liabilities of Al Ain Vegetable processing and Canning Factory (AAV) were transferred to Al Ain Food and Beverages PJSC (AAFB-UAE) as per the approval of Board of Directors. The above restructuring has brought synergies in production process, supply chain and selling and distribution expenses.

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.

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 adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

- IAS 1 (amendment), 'Presentation of financial instruments' (effective for periods beginning on or after 1 January 2011);
- IAS 24, 'Related party disclosures' (revised 2009), (effective for periods beginning on or after 1 January 2011);
- IFRS 1 (amendment), 'First time adoption', on financial instrument disclosures (effective for periods beginning on or after 1 January 2011);

  IFRS 7 (amendment), 'Financial instruments' (effective for periods beginning on or after 1 January 2011).

(b) Standards and Interpretations in issue not yet effective

New Standards and amendments to Standards:	**Effective for annual periods beginning on or after**
Amendments to IAS 1, Presentation of Financial Statements - revise the way other comprehensive income is presented, with grouping of items on the basis of whether they are potentially reclassifiable to profit and loss subsequently.	July 1, 2012
The amendments to IFRS 7, Financial Instruments: Disclosures – The amendment to IFRS 7 introduces disclosure requirements for financial assets and liabilities that are offset in statement of financial position or are subject to master netting arrangements or similar agreements.	January 1, 2013
Amendments to IAS 12, Income Taxes — Limited scope amendment on recovery of underlying assets.	January 1, 2012

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) Standards and Interpretations in issue not yet effective (continued)

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
Amendments to IAS 19, Employee Benefits — Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects, requiring recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, with all actuarial gains and losses recognized immediately through other comprehensive income.	January 1, 2013
IAS 27, Separate Financial Statements (revised 2011) and IAS 28, Investments in Associates and Joint Ventures (revised 2011) – Revision as required by IFRS 10, IFRS 11 and IFRS 12.	January 1, 2013
The amendments to IAS 32 , Financial Instruments: Presentation – The amendments clarify the offsetting criteria in IAS 32 to address inconsistencies in their application. An entity will have a legally enforceable right to set off only if it is non-contingent in nature and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy	January 1, 2014
IFRS 10, Consolidated Financial Statements - Replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. Under IFRS 10 there is only one basis of consolidation, that is control, for which a new definition has been included.	January 1, 2013
IFRS 11, Joint Arrangements - Replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. It deals with how a joint arrangement of which two or more parties have joint control should be classified and requires that joint ventures are accounted for using the equity method of accounting.	January 1, 2013
IFRS 12, Disclosure of Interests in Other Entities - Replaces the requirements previously included in IAS 27 – Consolidated and Separate Financial Statements, IAS 31 – Interests in Joint Ventures and IAS 28 - Investments in Associates. In general, the disclosure requirements are more extensive than the current standards.	January 1, 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) Standards and Interpretations in issue not yet effective (continued)

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
IFRS 13, Fair Value measurement - represents the completion of the joint project to establish a single source for the requirements on how to measure fair value under IFRS. The Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and improving disclosure requirements for use across IFRSs.	January 1, 2013
IFRS 9, Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39)	January 1, 2013

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

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).

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)

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".

(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 Summary of significant accounting policies (continued)

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.

Land is not depreciated. 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.

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 Summary of significant accounting policies (continued)

2.6 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.

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.

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2. 8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, 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) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. There are no financial assets been recorded at fair value through statement of income as of reporting date.

(b) 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).

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

2. 8.1 Classification (continued)

(c) 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. There are no financial assets available for sale as of reporting date.

2.9 Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

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.

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. Subsequent to initial recognition instruments are measured at amortised cost using the effective interest method, less impairment losses if any.

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.

2 Summary of significant accounting policies (continued)

2.10 Financial instruments (continued)

Cash and cash equivalents comprise cash balances and term deposits with original maturity dates of not more than one year.

Other non-derivative financial instruments are measured at cost using the effective interest method, less any impairment losses. Accounting for finance income and expense is discussed in note 2.21.

However, 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.

2.12 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.

The fair value of trade and other receivables is estimated to be not materially different from their carrying amounts.

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 Summary of significant accounting policies (continued)

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.

The fair value of trade and other payable is estimated to be not materially different from the carrying amount.

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.

2.17 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 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 are subject to board's approval and are linked to business performance.

2 Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

(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.

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.

2.20 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. 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.

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.

2 Summary of significant accounting policies (continued)

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. The Group does not have any assets on financial leases.

2.23 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's 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. Grants that compensate the Group for the cost of an asset are recognised in consolidated statement of income on a systematic basis over the useful life of the asset.

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 Summary of significant accounting policies (continued)

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 interest rate risk, cash flow interest rate 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.

Risk management

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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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, UK Pound 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 25)

(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.

(b) Credit risk

Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each local entity 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 25) 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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, 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 220,043 thousand (2010: AED 244,849 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 399,701 thousand facilities, which includes overdraft, guarantee line and import line. These facilities carry interest of EIBOR/ ADIBOR /LIBOR/ mid corridor rate plus margin.
- AED 93,218 thousand, short term loans which carries interest rate of ADIBOR/LIBOR/ mid corridor rate plus margin.

(d) Operational risk

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Operational risk (continued)

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 receivables
Management reviews its receivables and related ageing reports 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.

4 Accounting estimates and judgements (continued)

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.

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.

5 Segment reporting

Information about reportable segment for the year ended 31 December

Due to reorganization the Group has reclassified its reporting segment effective 1 July, 2011. 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,
  - Food include manufacturing and distribution of tomato and chilli paste, fruit concentrate, frozen vegetables and fresh dairy products.
    - Business operation in Egypt is reported under CBD.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports data reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

5 Segment reporting (continued)

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

	Agri Business Division (ABD)		Consumer Business Division (CBD)							
	Flour and Animal Feed		*Bottled Water and Beverages*		*Food*		CBD Total		Total	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010	**31 December 2011**	31 December 2010	**31 December 2011**	31 December 2010	**31 December 2011**	31 December 2010
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000			**AED'000**	AED'000
External revenues	**767,436**	687,422	**321,231**	264,806	**55,645**	53,906	**376,876**	318,712	**1,144,312**	1,006,134
Inter segment revenue	-	-	-	-	-	-	-	-	-	-
Gross profit	**119,973**	142,225	**119,472**	113,546	**2,079**	1,580	**121,551**	115,126	**241,524**	257,351
Finance income	**14**	20	**30**	33	**1**	2	**31**	35	**45**	55
Finance expense	-	-	-	-	**(88)**	(7)	**(88)**	(7)	**(88)**	(7)
Depreciation expense	**19,222**	18,282	**19,966**	15,792	**3,866**	3,907	**23,832**	19,699	**43,054**	37,981
Income tax (expense)/credit/	-	-	-	-	**(66)**	340	**(66)**	340	**(66)**	340
Reportable segment profit/(loss) after tax	**86,933**	113,935	**43,955**	46,709	**(10,637)**	(12,123)	**33,318**	34,586	**120,251**	148,521
Material non cash items;										
Impairment losses on trade receivables (net)	**(1,713)**	(9,369)	**25**	537	**445**	894	**470**	1,431	**(1,243)**	(7,938)

5 Segment reporting (continued)

	Agri Business Division		Consumer Business Division		Total	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010	**31 December 2011**	31 December 2010
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Others:						
Segment assets	**566,899**	588,015	**470,324**	381,874	**1,037,223**	969,889
Segment liabilities	**75,891**	125,252	**73,195**	49,669	**149,086**	174,921
Capital expenditure	**25,196**	11,699	**86,533**	55,602	**111,729**	67,301

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

	2011			2010		
	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	**241,524**	**(4,774)**	**236,750**	257,351	(5,011)	252,340
Interest income	**45**	**6,181**	**6,226**	55	7,688	7,743
Interest expense	**(88)**	**(5,083)**	**(5,171)**	(7)	(4,645)	(4,652)
Depreciation	**43,054**	**2,028**	**45,082**	37,981	1,831	39,812
Capital expenditure	**111,729**	**55,844**	**167,573**	67,301	1,264	68,565

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 2011 AED'000	31 December 2010 AED'000
Total profit for reportable segments	120,251	148,521
Unallocated amounts		
Other operating expenses	(34,945)	(36,630)
Net finance income	1,017	3,772
Consolidated profit for the period after income tax	86,323	115,663
Assets		
Total assets for reportable segments	1,037,223	969,889
Other unallocated amounts	394,607	361,433
Consolidated total assets	1,431,830	1,331,322
Liabilities		
Total liabilities for reportable segments	149,086	174,921
Other unallocated amounts	247,277	172,178
Consolidated total liabilities	396,363	347,099

6 Cost of sales

	31 December 2011 AED'000	31 December 2010 AED'000
Raw materials	737,578	604,524
Salaries and benefits	70,076	60,864
Depreciation	41,090	36,089
Maintenance	14,004	14,377
Utilities	21,086	15,880
Rent Expense	6,584	5,585
Others	17,144	16,475
	907,562	753,794

Cost of raw materials for flour and feed products is stated after the deduction of the Abu Dhabi Government compensation amounting to AED 271 million (2010: AED 152 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 2011 AED'000	31 December 2010 AED'000
Other income		
Commission income	-	6,289
Income from filling/storage etc	1,202	3,014
Income on sale of raw material/ scrap	3,101	2,125
Loss on sale of fixed assets	(164)	(192)
Insurance claim	4,209	-
Others	5,246	2,950
	13,594	14,186

In the second quarter of 2011, the Group received an amount of AED 5.3 million from an insurance company pertaining to business interruption and damage to plant and equipment, incurred due to a fire in one of its flour milling production lines in 2010.

The amount related to business interruption of AED 4.2 million has been recognised in the consolidated statement of income as other income and the balance amount has been offset against the cost incurred to repair the damaged plant and equipment.

8 Selling and distribution expenses

	31 December 2011 AED'000	31 December 2010 AED'000
Salaries & Benefits	40,152	37,739
Marketing Expenses	15,213	14,890
Maintenance	3,002	2,887
Depreciation	907	826
Transportation	28,231	22,629
Royalty Fees	2,742	1,653
Rent Expense	3,095	2,560
Others	6,319	6,292
	99,661	89,476

9 General and administrative expenses

	31 December 2011 AED'000	31 December 2010 AED'000
Salaries & Benefits	37,572	36,733
Maintenance	3,937	4,577
Depreciation	3,085	2,897
Legal, consulting and audit fees	6,620	7,648
Rent Expense	1,809	1,686
Provision for Doubtful Debts	(171)	3,470
Others	8,525	7,932
	61,377	64,943

10 Research and Development

	31 December 2011 AED'000	31 December 2010 AED'000
Salaries & Benefits	1,933	-
Others	236	-
	2,169	-

11 Income tax

The Group's operations in Egypt are subject to taxation. Income tax for the current year is provided on the basis of estimated taxable income computed by the Group for its operations in Egypt.

12 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2011 was based on the profit attributable to shareholders of AED 86,323 thousand (2010: AED 115,663 thousand) and the weighted average number of shares outstanding of 600,000 thousand (2010: 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 2010	325,780	512,220	30,864	26,597	17,059	912,520
Reclassification	(1,408)	7,749	(10,734)	17	1,949	(2,427)
Additions	4,118	18,777	1,664	5,113	38,893	68,565
Disposals	(11)	(4,041)	(1,309)	(601)	-	(5,962)
Transfers	2,405	41,490	236	1,170	(45,301)	-
At 31 December 2010	330,884	576,195	20,721	32,296	12,600	972,696
Additions	**41,879**	**15,706**	**2,486**	**185**	**107,317**	**167,573**
Transfers	**7,510**	**39,677**	**6,877**	**3,483**	**(57,547)**	**-**
Disposals	**-**	**(1,803)**	**(320)**	**(1,635)**	**-**	**(3,758)**
Impairment Adjustment	**(5,620)**	**(480)**	**(93)**	**(38)**	**-**	**(6,231)**
Currency Retranslation	**(2,324)**	**(1,366)**	**(66)**	**(83)**	**65**	**(3,774)**
At 31 December 2011	**372,329**	**627,929**	**29,605**	**34,208**	**62,435**	**1,126,506**
Depreciation						
At 1 January 2010	152,223	256,207	19,034	24,485	-	451,949
Reclassification	242	6,468	(7,160)	70	-	(380)
Charge for the year	7,658	27,403	3,266	1,485	-	39,812
Disposals	(9)	(3,364)	(953)	(443)	-	(4,769)
At 31 December 2010	160,114	286,714	14,187	25,597	-	486,612
Charge for the year	**7,549**	**32,454**	**3,516**	**1,563**	**-**	**45,082**
Disposals	**-**	**(1,517)**	**(100)**	**(1,498)**	**-**	**(3,115)**
Currency Retranslation	**(77)**	**(101)**	**(11)**	**(21)**	**-**	**(210)**
At 31 December 2011	**167,586**	**317,550**	**17,592**	**25,641**	**-**	**528,369**

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
Impairment provision for the book value						
At 1 January 2010	5,620	527	342	125	-	6,614
Disposals	-	(47)	(249)	(87)	-	(383)
At 31 December 2010	5,620	480	93	38	-	6,231
Impairment Adjustment	**(5,620)**	**(480)**	**(93)**	**(38)**	-	**(6,231)**
At 31 December 2011	-	-	-	-	-	-
Net book amount						
31 December 2011	**204,743**	**310,379**	**12,013**	**8,567**	**62,435**	**598,137**
31 December 2010	165,150	289,001	6,441	6,661	12,600	479,853

	31 December 2011 AED'000	31 December 2010 AED'000
Acquisition of Property plant and equipment	167,573	68,565
(Transfer from)/ Addition to advance for property, plant and equipment	(23,239)	25,403
Acquisition of property, plant and equipment in the statement of cash flows	144,334	93,968

The buildings of subsidiaries, except Al Ain Food and Beverages, Egypt, have been constructed on plots of land granted by the Government of Abu Dhabi for no consideration.
In 2011 assets of Al Ain Vegetable and Canning Factory were transferred to Al Ain Food and Beverages (AAFB) and impairment was adjusted with cost at time of transfer.

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:

	2011 AED'000	2010 AED'000
Agri business division	61,855	61,855
Consumer business division (UAE operations)	31,131	31,131
	92,986	92,986

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 both 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)
Anticipated annual revenue growth (%)	3%-5%	10% - 15%
Discount rate (%)	12.5%	12.5%

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 Inventories

	31 December 2011 AED'000	31 December 2010 AED'000
Raw and packing materials	108,822	78,014
Work in progress	13,632	10,818
Finished goods	43,893	23,031
Goods in transit	62,971	84,014
Spare parts and consumable materials	30,034	26,517
	259,352	222,394
Provision for obsolescence	(5,459)	(8,166)
	253,893	214,228

16 Trade and other receivables

	31 December 2011 AED'000	31 December 2010 AED'000
Trade receivable	**109,813**	104,136
Prepayments	**21,635**	18,224
Other receivables	**10,435**	12,521
	141,883	134,881

Trade receivables are stated net of provision for doubtful debts of AED 8,806 thousand (2010: AED 10,049 thousand).

The Group's exposure to credit and currency risk, and impairment loss related to trade and other receivables is disclosed in note 25.

17 Government compensation receivable

	2011 AED'000	2010 AED'000
Receivable at beginning of the year from Abu Dhabi government	**114,998**	87,219
Compensation for the year	**271,438**	152,032
Received during the year	**(312,326)**	(124,253)
Balance as at 31 December	**74,110**	114,998

18 Cash and bank balances

	31 December 2011 AED'000	31 December 2010 AED'000
Cash in hand	**680**	76
Cash at banks:		
Current & savings account	**47,934**	24,048
Fixed deposits	**220,043**	244,849
Cash and bank balances	**268,657**	268,973
Bank overdraft	**-**	(6,193)
Escrow account (for dividend distribution 2009 & 2010)	**(8,931)**	(3,814)
Cash and cash equivalents in the statement of cash flows	**259,726**	258,966

Fixed deposit are for period not more than one year (2010: up to 3 months) carrying interest rates varying from 3.25%-4.00% (2010: 3.25%-4.00%).

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.

19 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 2011 AED'000	31 December 2010 AED'000
Current liabilities		
Short term loan	83,863	105,662
Credit facility	125,826	18,150
Term loan	5,044	5,143
	214,733	128,955
Non Current liabilities		
Term loan	8,500	13,851

Terms and repayment schedule

Amounts in AED'000

	Currency	Interest Rate	Year of maturity	31 December 2011 Face value/ limit	31 December 2011 Carrying amount	31 December 2010 Face value/ limit	31 December 2010 Carrying amount
Short term loan	USD/ AED	LIBOR/ mid corridor rate + margin/ ADIBOR + margin*	2012	93,218	81,198	110,000	105,662
Credit Facility	USD/ AED	LIBOR/ EIBOR / mid corridor rate + margin *	2012	309,701	128,491	175,000	18,150
Credit Facility (Capex)	USD/ AED	LIBOR/ EIBOR + margin *	2012	70,000	-	-	-
Term loan	EURO	EURIBOR + margin*	2014/2015	27,339	13,544	27,339	18,994
Total				500,258	223,233	312,339	142,806

*Margin on the above loans and facilities varies from 1.10% - 1.45%. (2010: 1.25% - 1.45%)

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.

20 Trade and other payables

	31 December 2011 AED'000	31 December 2010 AED'000
Trade payables	**98,988**	129,832
Accruals	**36,758**	43,640
Other payables	**13,926**	6,302
	149,672	179,774

21 Transactions with related parties

The Group, in the ordinary course of business, enters into transactions at agreed terms and conditions, 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

	2011 AED'000	2010 AED'000
General Holding Corporation		
Opening balance 1 January	**306**	2,012
Directors and committee members' fees charged (last year)	**1,400**	1,200
Paid to GHC	-	(1,621)
Reimbursement of Consulting Fees	-	(975)
Others	**133**	(310)
Closing balance 31 December	**1,839**	306
Surouh Real Estate		
Opening balance 1 January	-	-
Purchase cost and service charges for Sky Tower Office	**29,127**	12,315
Paid to Surouh	**(29,127)**	(12,315)
Closing balance 31 December	-	-

A net accrual of AED 1,400 thousand is made for the board of directors and committee members fees for the year 2011 (2010: AED 1,500 thousand).

21 Transactions with related parties (continued)

Transactions with Key management personnel

Key management personnel compensation are as follows:

	2011 AED'000	2010 AED'000
Short term benefits	**12,620**	14,142
Long term benefits	**4,571**	3,973
	17,191	18,115

22 Provision for end of service benefits

	31 December 2011 AED'000	31 December 2010 AED'000
Balance at 1 January	**16,702**	12,843
Charge for the year	**5,087**	5,132
Paid during the year	**(1,268)**	(1,273)
	20,521	16,702

23 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 2011 AED'000	31 December 2010 AED'000
Authorised, issued and fully paid (600,000 thousand ordinary shares of AED 1 each)	**600,000**	600,000

24 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.

25 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 2011 AED'000	31 December 2010 AED'000
Trade receivables	**109,813**	104,136
Other receivables	**10,435**	12,521
Cash at banks	**267,977**	268,897
	388,225	385,554

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.

There is 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 2011 AED'000	31 December 2010 AED'000
Trade receivables not impaired:		
Not Due	**86,432**	77,414
Past due 0 – 60 days	**16,435**	19,308
Past due 61 – 120 days	**3,036**	2,321
Past due 121 – 180 days	**1,518**	1,174
Past due 181 – 240 days	**304**	936
Past due 241 – 300 days	**258**	577
301 days and above	**1,699**	1,943
Trade receivable past due and provided for impairment:		
Past due 181 – 240 days	**251**	1,353
Past due 241 – 300 days	**48**	435
301 days and above	**8,638**	8,724
	118,619	114,185

25 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 2011 AED'000	31 December 2010 AED'000
Balance at 1 January	**10,049**	17,986
(Release of provision)/ provision for receivable	**(171)**	3,470
Write offs/ Release	**(1,072)**	(11,407)
	8,806	10,049

Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2011

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	**151,511**	**(151,511)**	**(151,511)**	**-**	**-**	**-**
Bank overdraft	**-**	**-**	**-**	**-**	**-**	**-**
Bank loans	**223,233**	**224,801**	**216,116**	**5,639**	**3,046**	**-**
Long term liability	**1,098**	**1,516**	**253**	**505**	**758**	**-**

31 December 2010

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	180,080	(180,080)	(180,080)	-	-	-
Bank overdraft	6,193	(6,205)	(6,205)	-	-	-
Bank loans	142,806	(144,838)	(129,722)	(10,542)	(4,574)	-
Long term liability	1,318	(1,769)	(253)	(505)	(758)	(253)

25 Financial instruments (continued)

Foreign currency risk

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

	2011			2010	
Amounts in '000	**Euro**	**SAR**	**CHF**	Euro	CHF
Forecast purchases	**9,125**	**7**	**296**	1,843	151
Long term loan	**2,879**	-	-	3,943	-

The following exchange rates were applicable during the year:

	Average rate		Reporting date rate	
	2011	2010	**2011**	2010
Euro	**5.117**	4.878	**4.708**	4.867
CHF	**4.159**	3.532	**3.917**	3.903
EGP	**0.615**	0.658	**0.609**	0.637

A strengthening / weakening of the AED, as indicated below, against the Euro, CHF 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 for 2010, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

31 December 2011	**Equity AED'000**	**Profit/(loss) AED'000**
Euro (strengthening by 5%)	-	**(2,767)**
CHF (strengthening by 5%)	-	**(53)**
EGP (weakening by 2%)	**(447)**	-
	(447)	**(2,820)**

31 December 2010	Equity AED'000	profit/(loss) AED'000
Euro (strengthening by 3%)	-	(845)
CHF (strengthening by 4%)	-	(23)
EGP (weakening by 3%)	(769)	-
	(769)	(868)

The above analysis is based on currency fluctuations during January and February 2012.

25 Financial instruments (continued)

Interest rate risk

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

Fixed rates instruments	**2011 AED'000**	2010 AED'000
Financial assets	**220,043**	244,849
Financial liabilities	**(1,098)**	(1,318)
	218,945	243,531
Variable rates instruments		
Financial liabilities	**223,233**	148,998

Fair value

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

26 Contingent liabilities and capital commitments

	31 December 2011 AED'000	31 December 2010 AED'000
Bank guarantees and letters of credit	**52,058**	30,798
Capital commitments	**94,055**	153,990

The Capital Commitment includes the cost of acquisition of Pelit Su, a Turkey based spring water company. The transaction is expected to close during first half of 2012. Although Agthia Group takes management control effective 1st January 2012.

At 31 December 2011 guarantees of AED 12,337 thousand were outstanding (2010: AED 4,100 thousand).

The above bank guarantees and letters of credits were issued in the normal course of business.

26 Contingent liabilities and capital commitments (continued)

Non cancellable operating lease rentals are payable as follows:

	2011 AED'000	2010 AED'000
Less than one year	**10,398**	4,760
Between one and five years	**10,615**	7,075
More than five years	**40**	44
	21,053	11,879

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 10,908 thousand (2010: AED 4,330 thousand).