Agthia Group PJSC

Consolidated financial statements

31 December 2008

Principal business address:

P O Box 37725
Abu Dhabi
UAE

Agthia Group PJSC

Consolidated financial statements

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The shareholders
Agthia Group PJSC

Independent auditors' report

We have audited the accompanying consolidated financial statements of Agthia Group PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group, a physical stock count was carried out by management, and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2008, which may have had a material adverse effect on the business of the Group or its consolidated financial position.

KPMG

Munther Dajani
Registration No. 268

24 MAR 2009

Agthia Group PJSC

Consolidated income statement
for the year ended 31 December

	Note	2008 AED'000	2007 AED'000
Revenue		**853,929**	578,683
Cost of sales	*6*	**(675,431)**	(471,433)
Gross profit		**178,498**	107,250
Selling and distribution expenses	*7*	**(58,552)**	(33,139)
General and administrative expenses	*8*	**(56,704)**	(41,958)
Net other income	*9*	**13,036**	2,690
Results from operating activities		**76,278**	34,843
Net finance (expense) / income		**(4,077)**	3,305
Profit for the year		**72,201**	38,148
Basic and diluted earnings per share (AED)	*10*	**0.120**	0.064

The notes set out on pages 6 to 28 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Agthia Group PJSC

Consolidated balance sheet
as at 31 December

	Note	2008 AED'000	2007 AED'000
Goodwill	*11*	**92,986**	82,181
Property, plant and equipment	*12*	**408,400**	333,917
Deferred acquisition expense		-	2,964
Total non-current assets		**501,386**	419,062
Inventories	*13*	**163,606**	183,576
Trade and other receivables	*14*	**137,281**	127,418
Due from related parties	*20*	-	12
Government grant receivable	*21*	**217,895**	44,947
Cash and bank balances	*15*	**40,142**	92,236
Total current assets		**558,924**	448,189
Bank overdraft	*15*	**13,087**	-
Bank loans	*17*	**108,402**	36,474
Due to related parties	*20*	-	33,308
Trade and other payables	*16*	**141,722**	74,093
Total current liabilities		**263,211**	143,875
Net current assets		**295,713**	304,314
Non-current liabilities			
Long term liability		**1,769**	-
Net assets		**795,330**	723,376
Equity			
Share capital	*18*	**600,000**	600,000
Legal reserve	*19*	**19,558**	12,338
Retained earnings		**176,019**	111,038
Translation reserve		**(247)**	-
Total equity		**795,330**	723,376

These consolidated financial statements were approved and authorised for issue on behalf of the Board on 24 March 2009 by:

Chairman

Chief Executive Officer

The notes set out on pages 6 to 28 are an integral part of these consolidated financial statements.

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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 2007	600,000	8,523	76,705	-	685,228
Profit for the year	-	-	38,148	-	38,148
Transfer to legal reserve	-	3,815	(3,815)	-	-
Balance at 31 December 2007	**600,000**	**12,338**	**111,038**	**-**	**723,376**
Balance at 1 January 2008	600,000	12,338	111,038	-	723,376
Currency translation differences	-	-	-	(247)	(247)
Profit for the year	-	-	72,201	-	72,201
Transfer to legal reserve	-	7,220	(7,220)	-	-
Balance at 31 December 2008	**600,000**	**19,558**	**176,019**	**(247)**	**795,330**

The notes set out on pages 6 to 28 are an integral part of these consolidated financial statements.

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Agthia Group PJSC

Consolidated statement of cash flows

for the year ended 31 December

	2008 AED'000	2007 AED'000
Cash flows from operating activities		
Profit for the year	**72,201**	38,148
Adjustments for:		
Depreciation	**26,251**	23,202
Net finance expense / (income)	**4,077**	(3,305)
Deferred acquisition expense	**2,964**	-
Loss on sale of property, plant and equipment	**1,460**	895
Net impairment loss on property, plant and equipment	**5,448**	1,348
Impairment on inventories and receivables	**560**	2,964
Government subsidy	**(172,948)**	(44,947)
Fair value of property, plant and equipment received *(Note A)*	**(25,883)**	-
	(85,870)	18,305
Change in inventories	**20,519**	(26,194)
Change in trade and other receivables	**(10,972)**	(25,804)
Change in due from related parties	**12**	5
Change in due to related parties	**(33,308)**	(14,931)
Change in trade and other payables	**67,629**	(15,624)
Change in long term liabilities	**1,769**	-
	(40,221)	(64,243)
Finance expenses	**(5,455)**	-
Net cash used in operating activities	**(45,676)**	(64,243)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(84,856)**	(10,861)
Proceeds from disposal of property, plant and equipment	**3,097**	3,281
Finance income	**1,378**	3,305
Change in deferred acquisition expense	**-**	106
Goodwill acquired	**(10,805)**	-
Net cash used in investing activities	**(91,186)**	(4,169)
Cash flows from financing activities		
Proceeds from bank loans	**71,928**	36,474
Net cash from financing activities	**71,928**	36,474
Decrease in cash and cash equivalents	**(64,934)**	(31,938)
Cash and cash equivalents at 1 January	**92,236**	124,174
Effect of exchange rate	**(247)**	-
Cash and cash equivalents at 31 December	**27,055**	92,236

Note A: Transfer of property, plant and equipment

During the year, the Group has received property, plant and equipment with a net book value of AED 25,883 thousand for Nil consideration which has been capitalised as part of property, plant and equipment.

The notes set out on pages 6 to 28 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

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 in the United Arab Emirates (UAE).

The Board of Directors of the Company, in an Extraordinary General Meeting dated 1 May 2008, approved to change the Company's trade name to "Agthia Group PJSC" instead of "Emirates Foodstuff and Mineral Water Company PJSC".

The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and it's below mentioned subsidiaries (together referred to as the "Group").

Subsidiary	Country of Incorporation and operation	Share of equity (%) 2008	2007	Principal activity
Grand Mills for Flour and Feed Company PJSC	UAE	100	100	Production and sale of flour and animal feed
Al Ain Mineral Water Company PJSC	UAE	100	100	Production, bottling and sale of bottled water
Al Ain Vegetable Processing and Canning Factory	UAE	100	-	Processing and sale of tomato paste and frozen vegetables
Al Ain Food and Beverages	Egypt	100	-	Processing and sale of tomato paste

The registered address of the Group is P.O. Box 37725, Abu Dhabi, UAE.

2 Basis of preparation

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs), and comply, where appropriate, with the Articles of Association of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

(b) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis.

(c) *Functional and presentation currency*

These consolidated financial statements are presented in UAE Dirhams ("AED"), which is the Group's functional currency. All financial information presented in AED has been rounded to the nearest thousand, unless otherwise stated.

2 Basis of preparation *(continued)*

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 26.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities, except as described in note 3 (g).

(a) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sales. For sale of flour, animal feed and bottled water products, transfer usually occurs when the product is received at the customer's location, however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier, for sale of stocks, transfer occurs upon receipt by the customer.

3 Significant accounting policies *(continued)*

(c) Government grants

Grants that compensate the Group for losses incurred are recognised in the consolidated income statement, as a deduction from the cost of sales, on a systematic basis in the same period in which the losses are recognised.

(d) Earnings per share

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

(e) Goodwill

Goodwill arises on the acquisition of subsidiaries, which represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequently goodwill is measured at cost less accumulated impairment losses.

(f) Property, plant and equipment

Recognition and measurement
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.

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.

Gain and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the consolidated income statement.

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated income statement.

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.

3 Significant accounting policies *(continued)*

(f) ***Property, plant and equipment*** *(continued)*

Depreciation
Depreciation is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

Buildings	30 - 40 years
Plant and equipment	10 - 20 years
Furniture and fixtures	4 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(g) ***Inventories***

Inventories are measured at the lower of cost and net realisable value.

Change in accounting policy
During 2008, the Group changed its' accounting policy for the cost formula used in determining cost of inventories changing it from weighted average cost formula to the first-in first-out method. Management believes that this policy provides reliable and more relevant information because it deals more accurately with the general volatility of the Group's inventories and is based on up-to-date values for inventory at period end. The policy has been applied prospectively from 2008 because it was not practicable to estimate the effects of applying the policy either retrospectively or prospectively from any earlier date. Accordingly the adoption of the new policy has no effect on prior years.

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 and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the course of business less the estimated cost of completion and selling expense.

(h) ***Financial instruments***

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

3 Significant accounting policies *(continued)*

(h) Financial instruments (continued)

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.

Cash and cash equivalents comprise cash balances and term deposits with original maturity dates of three months or less.

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 3 (j).

(i) Impairment

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.

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 income statement.

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 income statement.

Non-financial assets
The carrying amount of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite lives, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing , assets are grouped together into the smallest group of assets that generates cash inflows from continuing use and that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

3 Significant accounting policies *(continued)*

(i) Impairment (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of other assets, impairment losses recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) 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 income statement using effective interest method.

(k) Employees' end of service benefits

Provision for employees' end of service benefits included under payables and accruals 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 balance sheet 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.

(l) Foreign currency transactions

Transactions in foreign currencies are translated to AED at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at that date. The foreign currency gain or losses on monetary items is the difference between amortised AED at the beginning of the period, adjusted for effective interest and payment during the period and the amortised cost as foreign currency translated at the exchange rate at the end of the period. Differences arising on retranslation are recognised in income statement.

3 Significant accounting policies *(continued)*

(m) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly, corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(n) New standards and interpretations not yet adopted

IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 consolidated financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 23). This standard will have no effect on the Group's reported total profit or loss or equity. The Group is currently in the process of determining the potential effect of this standard on the Group's segment reporting.

Amended IAS 27 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

Amendments to IAS 32 and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's 2009 consolidated financial statements with retrospective application required, are not expected to have any significant impact on the consolidated financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 consolidated financial statements. The Group does not expect these amendments to have any significant impact on the consolidated financial statements.

4 Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the methods and the assumptions made as disclosed in the notes specific to that asset or liability.

5 Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. However, geographically there is no concentration of credit risk. The Group, in the ordinary course of business, accepts letters of credit/ guarantee as well as post dated cheques against credit lines extended to customers.

4 Financial risk management *(continued)*

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.

Guarantees

At 31 December 2008 guarantees of AED 6,000 thousand were outstanding *(2007: Nil)*.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are Euro, UK Pound Sterling (GBP) and Swiss Francs (CHF). In respect of the Group's transactions denominated in US Dollars (USD) the Group is not exposed to the currency risk as the AED is pegged to the USD.

Interest rate risk

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

Equity price risk

The Group does not have investments in securities and is not exposed to market price risk.

Other market price risk

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements.

(d) Capital 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.

6 Cost of sales

Includes the following:

	2008 AED'000	2007 AED'000
Raw materials*	**586,572**	400,149
Salaries and related expenses	**35,088**	22,117
Depreciation	**22,765**	21,307

* Cost of raw materials for flour and feed products is stated after the deduction of the Abu Dhabi Government grant amounting to AED 358.6 million *(2007: AED 44.9 million)*. The purpose of the subsidy was 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 Selling and distribution expenses

	2008 AED'000	2007 AED'000
Salaries and related expenses	**21,230**	12,229
Transportation charges	**17,781**	13,390
Depreciation	**1,424**	977
Marketing expenses	**11,523**	4,949
Other expenses	**6,594**	1,594
	58,552	33,139

8 General and administrative expenses

	2008 AED'000	2007 AED'000
Salaries and related expenses	**32,980**	28,700
Depreciation	**2,062**	918
Impairment losses on trade receivables	**1,372**	2,614
Consultancy	**2,036**	1,505
Deferred acquisition expense	**2,964**	-
Other expenses	**15,290**	8,221
	56,704	41,958

9 Net other income

	2008 AED'000	2007 AED'000
Other income		
Amounts due to related parties written back	33,308	-
Al Ain Vegetables, net assets received	35,207	-
Others	13,754	2,690
	82,269	2,690
Other expenses		
Write down of inventory	(49,329)	-
Refurbishment expenses	(12,160)	-
Impairment loss	(6,796)	-
Others	(948)	-
	(69,233)	-
Net other income	13,036	2,690

10 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2008 was based on the profit attributable to shareholders of AED 72,201 thousand *(2007: AED 38,148 thousand)* and the weighted average number of shares outstanding of 600,000 thousand *(2007: 600,000 thousand)*.

11 Goodwill

	2008 AED'000	2007 AED'000
At 1 January	82,181	82,181
Acquisition through business combination	10,805	-
At 31 December	92,986	82,181

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

11 Goodwill *(continued)*

	2008 AED'000	2007 AED'000
Flour and Animal Feed	**61,855**	61,855
Bottled Water	**31,131**	20,326
	92,986	82,181

The recoverable amounts of Flour and Animal Feed and Mineral Water 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 actual results and the five year business plan and were based on the following key assumptions:

	Flour and Animal Feed	Mineral Water
Anticipated annual revenue growth (%)	0.5 - 5	11 - 19
Discount rate (%)	13.78	13.78

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.

12 Property, plant and equipment

	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 2007	272,475	427,099	14,735	22,454	-	736,763
Additions	142	2,943	727	424	6,625	10,861
Disposals	(3,554)	(17,616)	(398)	(1,306)	-	(22,874)
Reclassification	-	(1,704)	1,704	-	-	-
At 31 December 2007	269,063	410,722	16,768	21,572	6,625	724,750
At 1 January 2008	269,063	410,722	16,768	21,572	6,625	724,750
Additions	5,657	25,958	4,572	1,200	47,469	84,856
Disposals	-	(6,256)	-	(1,073)	-	(7,329)
Transfer	17,846	13,846	341	4,261	(6,625)	29,669
At 31 December 2008	**292,566**	**444,270**	**21,681**	**25,960**	**47,469**	**831,946**
Depreciation						
At 1 January 2007	126,541	223,137	11,040	19,681	-	380,399
Charge for the year	6,519	14,512	1,100	1,071	-	23,202
Disposals	(3,554)	(9,698)	(83)	(781)	-	(14,116)
Reclassification	7,422	(8,938)	1,516	-	-	-
At 31 December 2007	136,928	219,013	13,573	19,971	-	389,485
At 1 January 2008	136,928	219,013	13,573	19,971	-	389,485
Charge for the year	6,915	16,083	1,470	1,783	-	26,251
Disposals	-	(1,772)	-	(1,000)	-	(2,772)
Transfer	462	620	-	2,704	-	3,786
At 31 December 2008	**144,305**	**233,944**	**15,043**	**23,458**	**-**	**416,750**
Impairment provision for the book value						
At 31 December 2007	-	1,348	-	-	-	1,348
Charge for the year	5,620	553	342	281	-	6,796
Disposal	-	(1,348)	-	-	-	(1,348)
At 31 December 2008	**5,620**	**553**	**342**	**281**	**-**	**6,796**
Net book value						
At 31 December 2008	**142,641**	**209,773**	**6,296**	**2,221**	**47,469**	**408,400**
At 31 December 2007	132,135	190,361	3,195	1,601	6,625	333,917

12 Property, plant and equipment *(continued)*

The subsidiaries' buildings have been constructed on plots of land granted by the Government of Abu Dhabi for no consideration.

13 Inventories

	2008	2007
	AED'000	AED'000
Finished goods	**16,121**	5,732
Raw materials	**94,843**	158,283
Spare parts and consumable materials	**21,983**	19,307
Work in progress	**20,954**	6,209
Goods in transit	**15,884**	773
	169,785	190,304
Provision for obsolescence	**(6,179)**	(6,728)
	163,606	183,576

14 Trade and other receivables

	2008	2007
	AED'000	AED'000
Trade receivables	**90,442**	101,353
Prepayments and other receivables	**46,839**	26,065
	137,281	127,418

Trade receivables are stated net of impairment losses of AED 16,749 thousand *(2007: AED 15,640 thousand)*.

15 Cash and cash equivalents

	2008 AED'000	2007 AED'000
Petty cash	**26**	-
Cash at banks		
Current account	**8,758**	29,994
Call deposits	**31,358**	62,242
Cash and bank balances	**40,142**	92,236
Bank overdraft	**(13,087)**	-
Cash and cash equivalents for the statement of cash flows	**27,055**	92,236

16 Trade and other payables

	2008 AED'000	2007 AED'000
Trade payables	**62,060**	33,584
Accruals	**72,340**	36,141
Other payables	**7,322**	4,368
	141,722	74,093

17 Bank loans

Bank loans represent two short term loans obtained from commercial banks as follows:

	Limits AED'000	Outstanding balance 2008 AED'000	Outstanding balance 2007 AED'000	Interest
Credit facilities	92,000	**82,000**	-	ADIBOR + margin*
Term loan	175,000	**26,402**	36,474	EIBOR + margin*
		108,402	36,474	

* Margins on the above loans vary from 0.75% - 1.00%

18 Share capital

	2008 AED'000	2007 AED'000
Authorised, issued and fully paid (600,000 thousand ordinary shares of AED 1 each)	**600,000**	600,000

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

19 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.

20 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:

Amounts due from related parties comprise:

	2008 AED'000	2007 AED'000
Anabeeb	-	12
	-	12

Amount due to related party comprises:

	2008 AED'000	2007 AED'000
General Holding Corporation	-	33,308
	-	33,308

Transactions during the year:

	2008 AED'000	2007 AED'000
General Holding Corporation	**(538)**	-
	(538)	-

The key management personnel compensations are as follows:

	2008 AED'000	2007 AED'000
Short term benefits	**12,319**	10,202
Long term benefits	**6,973**	3,571
	19,292	13,773

21 Government grant receivable

	2008 AED'000	2007 AED'000
Government grant	**217,895**	44,947

Included above is an amount for AED 207,895 thousand *(2007: AED 44,947 thousand)* representing the grant receivable from the Abu Dhabi Government. The purpose of the subsidy was to partially reduce the impact of increased and volatile global grain prices on food retail prices for the consumers in the Abu Dhabi Emirate.

22 Acquisition of Cold Stores

During 2008, the Group acquired the assets and liabilities of Cold Stores, whose principal activities are the provision of cold storage facilities. The assets, liabilities and results of the period for the business have not been included in the consolidated financial statements of the Group, as management are still in the process of assessing the fair values of the assets and liabilities that were acquired as the acquisition was from the Government of Abu Dhabi for no consideration; it is believed that the impact on consolidation would not be significant to the financial position of the Group.

Accordingly the results and operations of this business compared to the results of the Group for the trading period to 31 December 2008 are set out below:

AED'000	Financial position and performance	Revenue	General & Administrative and Selling & Distribution Expenses	Net profit
Cold Stores	1,649	1,345	803	542
Agthia Group	795,330	853,929	115,256	72,201

23 Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. The Group comprises three main business segments – Bottled Water, Flour and Animal Feed and Tomato paste and frozen vegetables. The Group reports its primary segment information as follows:

	Flour and Animal Feed		Bottled Water		Tomato Paste and frozen vegetables		Unallocated Amount		Total	
	2008 AED'000	2007 AED'000	**2008 AED'000**	2007 AED'000	**2008 AED'000**	2007 AED'000	**2008 AED'000**	2007 AED'000	**2008 AED'000**	2007 AED'000
Revenue	**672,597**	479,619	**138,554**	99,064	**42,778**	-	-	-	**853,929**	578,683
Cost of sales	**(563,344)**	(410,050)	**(80,317)**	(60,599)	**(29,719)**	-	**(2,051)**	(784)	**(675,431)**	(471,433)
Gross profit	**109,253**	69,569	**58,237**	38,465	**13,059**	-	**(2,051)**	(784)	**178,498**	107,250
Selling and distribution expenses									**(58,552)**	(33,139)
General and administrative expenses									**(56,704)**	(41,958)
Net other income									**13,036**	2,690
Results from operating activities									**76,278**	34,843
Net finance (expense) / income									**(4,077)**	3,305
Profit for the year									**72,201**	38,148

23 Segment Reporting *(continued)*

Non cash expenditure

	Flour and Animal Feed		Bottled Water		Tomato Paste and frozen vegetable		Unallocated Amount		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Depreciation	**15,859**	16,081	**7,480**	6,759	**1,770**	-	**1,142**	362	**26,251**	23,202
Impairment losses on trade receivables	**1,372**	2,600	**-**	14	**-**	-	**-**	-	**1,372**	2,614

Other information

	Flour and Animal Feed		Bottled Water		Tomato Paste and frozen vegetable		Unallocated Amount		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segment assets	**684,563**	591,883	**191,947**	197,003	**44,496**	-	**139,304**	78,365	**1,060,310**	867,251
Segment liabilities	**63,546**	91,965	**39,870**	23,727	**23,510**	-	**138,054**	28,183	**264,980**	143,875
Capital expenditure	**10,013**	1,087	**55,190**	7,106	**3,736**	-	**15,917**	2,668	**84,856**	10,861

24 Capital commitments and contingent liabilities

	2008 AED'000	2007 AED'000
Bank guarantees and letters of credit	**41,193**	12,628
Capital commitments	**36,261**	8,982

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

25 Financial instruments

(a) Credit risk

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

	Note	2008 AED'000	2007 AED'000
Trade receivables	*14*	**90,442**	101,353
Cash at banks	*15*	**40,116**	92,236
		130,558	193,589

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet 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:

	2008 AED'000	2007 AED'000
Current – 45 days	**67,539**	60,897
Past due 46 – 90 days	**8,945**	21,226
Past due 91 – 135 days	**2,642**	9,840
Past due 136 – 180 days	**3,308**	3,433
More than 180 days	**24,757**	21,597
Total	**107,191**	116,993

25 Financial instruments *(continued)*

(a) Credit risk (continued)

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

	2008 AED'000	2007 AED'000
At 1 January	**15,640**	13,467
Impairment loss recognised	**1,372**	2,614
Write offs	**(263)**	(441)
At 31 December	**16,749**	15,640

(b) Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2008

	Carrying value AED'000	**Contractual cash flows AED'000**	**1 year or less AED'000**
Trade and other payables	**141,722**	**141,722**	**141,722**
Bank overdraft	**13,087**	**13,087**	**13,087**
Bank loans	**108,402**	**108,402**	**108,402**
	263,211	**263,211**	**263,211**

31 December 2007

	Carrying value AED'000	Contractual cash flows AED'000	1 year or less AED'000
Trade and other payables	74,093	74,093	74,093
Bank loans	36,474	36,474	36,474
	110,567	110,567	110,567

25 Financial instruments *(continued)*

(c) Foreign currency risk

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

Figures in '000

	Euro	**GBP**	**CHF**	Euro	GBP	CHF
	31 December 2008			31 December 2007		
Purchases	**19**	**346**	**378**	321	-	16

The following exchange rates were applicable during the year:

	Average rate		**Reporting date rate**	
	2008	2007	**2008**	2007
Euro	**0.186**	0.199	**0.193**	0.185
GBP	**0.148**	0.136	**0.187**	0.136
CHF	**0.295**	0.327	**0.288**	0.307

(d) Fair value

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

(e) Interest rate risk

The Group has no significant exposure to interest rate risk. Refer to note 5(c).

26 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.

26 Accounting estimates and judgements *(continued)*

Impairment losses on receivables

The Group reviews its receivables to assess impairment at each reporting date. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group 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 Group 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 income statement, the Group 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.

27 Comparative figures

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in these consolidated financial statements.