AGTHIA GROUP PJSC

Consolidated financial statements
for the year ended 31 December 2010

Principal business address:

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Abu Dhabi
United Arab Emirates

Agthia Group PJSC

Report and Consolidated financial statements for the year ended 31 December 2010

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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, 2010.

2010 saw a continuation of the well established trend of profitable growth, with the overall business performance being in line with our expectations. The year was characterized by Company's sales revenue crossing the one billion dirham mark. The Company is in its "sustainable growth" phase of its strategy and is successfully progressing with the execution of initiatives that are helping to drive sustainable growth; including expanding the Company product portfolio, further strengthening the distribution network, entering new margin enhancing categories and improving resource efficiencies. Additionally the investment in building and expanding our current brands and the growth of our brand portfolio are delivering results. All of these initiatives are designed with the underlying strategic goal in mind: to increase shareholder value and to become UAE's leading food and beverage group.

Group Highlights

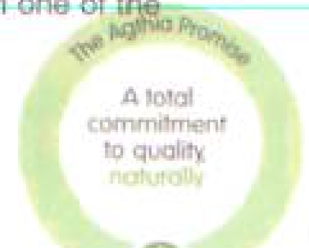
AED millions	*2010*	*2009*	*Change*
Net sales	1,006	921.4	+9.2%
Gross profit margin	25%	27%	-200bp
Operating profit	112.1	108.2	+3.6%
Profit for the year	115.7	105.7	+9.4%
Total assets	1,337	1,190	+12.3%
Shareholders' equity	984	899	+9.5%
Earnings per share (AED)	0.193	0.176	+9.7%
Return on capital	19.3%	17.6%	+170bp
Return on equity	11.8%	11.8%	

Sales

Net Sales for the Group crossed the one billion dirham mark reflecting a growth of 9.2% year on year while delivering a strong 19% growth quarter on quarter. Over a period of four years (2006-2010), the Group has achieved an impressive CAGR of 23% in Sales revenue.

The total year growth is attributable to solid performance of water & beverages business delivering an impressive 28.5% sales growth and Animal Feed business achieving 12% growth. This rise in sales was primarily driven by increased distribution and securing of new customers.

Overall Group revenue growth was softened as a result of 4.5% decline in flour volume partly due to an isolated instance of disruption to production in one of the



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flour mills (now fully operational), some supply shortage experienced in the outsourced flour volume and the non-recurring flour sales to Charity organization during the Ramadan season. Volume recovery initiatives are linked to capacity expansion planned in the second half of 2011.

Profitability

Net profit for the year grew 9.4% year on year reaching AED 115.7 million. Over a period of four years (2006-2010), the Group has delivered an impressive Net Profit CAGR of 41%.

The two percentage point decline in gross profit margin mainly resulted from animal feed business, attributed to higher grain cost, while market selling price and Government subsidy didn't fully offset the increased input cost. Profitability was also impacted by the non-supply of subsidized raw tomato from UAE farms this year. Excluding the impact of non supply of raw tomato from UAE farms, net profit grew by 19% year on year.

Corrective action has been initiated to restore feed business profitability, including a cost-reduction program, expansion of production capacity replacing the high outsourcing cost, and optimizing pricing opportunities where possible.

The Company also realised AED 14.2 million in other income. This includes AED 6 million in management fees for handling the procurement of wheat on behalf of the Abu Dhabi Government, which has made donations to neighbouring countries, AED 2 million gain on sales of raw material and the release of AED 2 million of provisions that were made in previous years.

Earnings per share for the year grew to AED 0.193 compared to AED 0.176 in 2009, matching the trend in profit growth.

Costs

Cost of Goods Sold at AED 753.8 million grew by 12% versus the sales growth of 9.2%. The cost increase is mainly attributed to the fact that the market selling price and Government subsidy on animal feed didn't fully offset the significant increase in feed grain input cost. In 2010, a subsidy of AED 152 million from the Abu Dhabi Government was recognized in the accounts as a reduction from cost of goods sold. The purpose of the subsidy was to reduce the impact of high grain prices on food retail prices for consumers in the Abu Dhabi Emirates. This social commitment by the Government is welcomed by Agthia.

Selling and General Administration Expenses (SG&A) at AED 154.4 million, represents an increase of 5.6% year on year. This increase is due to more aggressive marketing investment to support the brands, the full impact of Capri Sun related expenses (launched in March 2009), increased distribution expenses

related to higher volume & increased diesel cost, and other inflationary increases.

Balance sheet

The Group's balance sheet remains solid with a debt/equity ratio of 15% and a cash balance of AED 269 million. Despite the sales volume growth, inventory at AED 214 million declined by 8% versus last year reflecting strong working capital management.

Business Divisions

Flour & Animal Feed

Flour and animal feed brand, Grand Mills, maintained its leading brand position in both flour and animal feed in the UAE.

In line with strategy to gradually reduce Group's reliance on the flour and animal feed business by diversifying into higher margin businesses, the flour and animal feed business contribution to total group revenue was further reduced by five percentage points in 2010 to 68% (2006 contribution 83%).

Flour and animal feed net sales at AED 687.4 million in 2010 reflects a growth of 3% year on year and 16% quarter on quarter. The growth is attributed to the strong sales performance of animal feed business which grew by 12% year on year. On the other hand, flour sales year on year declined by 6% percent partly due to an instance of production disruption in one of the flour mills, a supply shortage experienced in the outsourced flour volume, and the non-recurring flour sales to charity organizations during the 2010 Ramadan season. Flour volume recovery initiatives are linked to capacity expansion planned in the second half of 2011. "Grand Mills" 10 kg flour retail pack is performing strong and has now secured number one position with a market share of 39%. To meet the increasing demand, additional new packaging line has commenced production.

Flour and animal feed business profit, despite overall increase in sales volume, declined slightly to AED 114 million versus AED 115 million in 2009. This is due to the sharp drop in gross profit margin of feed business by 7 percentage points due to the reasons explained above. Corrective action has been initiated to restore feed business profitability, including a cost-reduction program, expansion of production capacity, and optimizing pricing opportunities where possible. Management is optimistic that these actions will result in the improvement of animal feed business profitability during 2011.

Water & Beverages

Al Ain Water has maintained its leading brand position in Abu Dhabi Emirates and is the strong number two player in the UAE. In 2010, the contribution of the water and beverage business to total group revenues increased by four percentage points to 26 percent (2006 contribution 17%).

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The water and beverages division, despite a challenging and competitive market, has continued its strong performance with sales growing by 28.5% year on year to AED 264.8 million and profit reaching AED 45.8 million. Quarter on quarter, sales and profit for the water and beverage division grew by 23% and 14% respectively. The total year sales revenue growth was driven by a solid 30% increase in bottled water sales volume and a 56% increase in Capri Sun juice drink volume. The Company continues to expand its distribution both in domestic and export markets.

During the year a new Capri Sun and two bottled water production lines were installed to meet the increasing domestic and export markets demand. The new "hot fill" bottling line has also commenced production and will enable the Company to further expand its product portfolio. This new line is the first of its kind in the world and introduces a breakthrough technology in the hot fill industry. This revolutionized hot fill line will not only enable the Company to produce hot fill products using at least 30% less PET (Polyethylene Terephthalate) than the existing lines in the market, but will also deliver energy savings.

Processed Fruits & Vegetables

This division has maintained its leading position in the branded UAE tomato paste segment and is continuing to grow its presence in the increasingly important frozen vegetable segment. At the end of 2010, it contributed 5% to total Group sales.

The division's sales grew by 16% year on year while its domestic "branded" tomato paste products and frozen vegetables grew by 31%. All focus and investment has been diverted to build the "branded" business, and gradually move away from the low margin private label export business which accounted for 55% of last year's sales.

Non supply of subsidized fresh tomato from UAE farms, pest disease in Egypt's tomato crop, and the lower export price of tomato paste in the global market led to a loss of AED 12 million in this segment.

The Company has initiated a number of actions and has adjusted its strategy with the objective of returning to profitable growth in this business. These initiatives have already started delivering positive results with second half loss reduced significantly to AED 3 million versus first six months loss of AED 9.2 million.

2010 was the first full year of operation for our Egypt business and has performed in line with our expectation. Export volumes have picked up, with an increase in both tomato and chilli paste sales volume. Egypt's tomato crop was significantly impacted by a pest disease and unusual hot weather conditions

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destroying more than half of this year's summer crop. This has resulted in short supply of raw tomato at higher cost. These factors have prompted the Company to drive volumes of other products such as chilli paste, fruit puree and private label tomato and chilli paste in glass jars.

New Business Initiatives

During 2010, the Company announced its entry into three new segments. These key expansion and diversification initiatives are part of Company's sustainable profitable growth strategy and upholds Agthia promise of a "total commitment to quality, naturally".

A franchise agreement was signed with Sodima of France for exclusive rights to manufacture and distribute fresh dairy products under the "Yoplait" brand in the GCC. Yoplait is the number two global brand in the fresh dairy product segment. The factory is under construction and production, as planned, is expected to begin in Q3 2011.

Agthia will also enter the processed fresh fruit, juice, and vegetable segment, providing an opportunity to further expand its product portfolio in processed fruits and vegetables while servicing the UAE's expanding hospitality and catering industry needs. Production is expected to begin in Q3 2011.

Agthia's entry to the fast-growing and high-margin frozen baked segment will bring the latest frozen baked technology to the UAE while creating the potential for regional expansion. Production is expected to begin in Q2 2012.

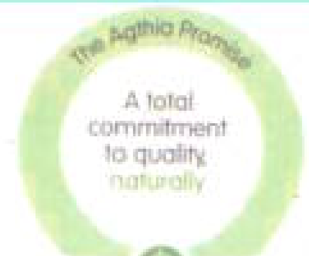
Future outlook

The Company is capturing opportunities in its different growth pillars, in a global and regional economic environment which remains challenging. The Company has adopted a sustainable business model as it pursues its strategy of product diversification, distribution expansion, high operating efficiencies, investment in brands and new manufacturing capabilities, we remain optimistic about the prospects for future revenue and profit growth.

However, from a macroeconomic and geopolitical perspective, the Company remains cautious of the prevailing uncertainties in the region and globally. The continued price surge in soft commodities and PET (Polyethylene Terephthalate) are a source of concern as the company may not be able to pass on the full input cost increase to its consumers and customers.

Subsequent Events

The first quarter of 2011 has seen no major events which may have significant impact on the Financial Statements of 2010.



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Directors

The office term of present Directors will expire on April 27, 2011. The retiring Directors are eligible to contest election.

Directors' fee of AED 1.2 million relating to 2009 was paid in 2010 to Board members. Remuneration for 2010 was AED 1.4 million.

Dividend

The Board of Directors is pleased to recommend 5% cash dividend for the year 2010.

Auditors

The present auditors M/s 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 compliments 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.

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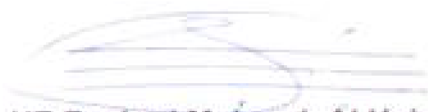
d. International Financial Reporting Standards (IFRS), as applicable in the UAE, have been followed in the preparation of these financial statements.

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 22, 2011

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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 2010 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 notes.

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.

PRICEWATERHOUSECOOPERS

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 2010 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 2010.

PricewaterhouseCoopers
22 March 2011

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 2010 AED'000	31 December 2009 AED'000
Revenue		**1,006,134**	921,382
Cost of sales	6	**(753,794)**	(671,097)
Gross profit		**252,340**	250,285
Other income, net	7	**14,186**	4,128
Selling and distribution expenses	8	**(89,476)**	(78,175)
General and administrative expenses	9	**(64,943)**	(68,007)
Operating Profit		**112,107**	108,231
Finance income		**7,743**	1,915
Finance expense		**(4,527)**	(3,745)
Profit before income tax		**115,323**	106,401
Income tax credit / (expense)	10	**340**	(688)
Profit for the year attributable to equity holders of the Group		**115,663**	105,713
Basic and diluted earnings per share (AED)	11	**0.193**	0.176

The notes on pages 8 to 40 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of comprehensive income

For the year ended

	31 December 2010 AED'000	31 December 2009 AED'000
Profit for the year attributable to equity holders of the Group	115,663	105,713
Other comprehensive income		
Foreign currency translation difference on foreign operations	**769**	(552)
Board of directors' remuneration	**(1,200)**	(1,500)
Other comprehensive income	**(431)**	(2,052)
Total comprehensive income for the year attributable to equity holders of the Group	**115,232**	103,661

The notes on pages 8 to 40 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of financial position

	Note	As at 31 December 2010 AED'000	2009 AED'000
Assets			
Non-current assets			
Property, plant and equipment	12	**479,853**	453,957
Advance for property, plant and equipment		**25,403**	-
Goodwill	13	**92,986**	92,986
Total non-current assets		**598,242**	546,943
Current assets			
Inventories	14	**214,228**	232,036
Trade and other receivables	15	**140,202**	133,532
Government compensation receivable	16	**114,998**	87,219
Cash and bank balances	17	**268,973**	190,224
Total current assets		**738,401**	643,011
Current liabilities			
Bank overdraft	17	**6,193**	5,070
Bank borrowings (*current portion*)	18	**128,955**	84,011
Trade and other payables	19	**185,095**	173,736
Due to related party	20	**306**	2,012
Total current liabilities		**320,549**	264,829
Net current assets		**417,852**	378,182
Provision for end of services benefits	21	**16,702**	12,843
Bank borrowings (*non current portion*)	18	**13,851**	11,522
Other liability		**1,318**	1,769
Total non-current liabilities		**31,871**	26,134
Net assets		**984,223**	898,991
Equity			
Share capital	22	**600,000**	600,000
Legal reserve	23	**41,845**	30,279
Translation reserve		**(30)**	(799)
Retained earnings		**342,408**	269,511
Total equity		**984,223**	898,991

The consolidated financial statements were approved and authorised by the Board of Directors on 22 March 2011 and were signed on their behalf by:

Chairman

Chief Executive Officer

Chief Financial Officer

The notes on pages 8 to 40 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 2009	600,000	19,708	175,869	(247)	795,330
Total comprehensive income for the year					
Profit for the year	-	-	105,713	-	105,713
Other comprehensive income:					
Foreign currency translation difference on foreign operations	-	-	-	(552)	(552)
Board of directors' remuneration	-	-	(1,500)	-	(1,500)
Total comprehensive income	-	-	104,213	(552)	103,661
Owners' changes directly in Equity					
Transfer to legal reserve	-	10,571	(10,571)	-	-
Balance at 31 December 2009	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' remuneration	-	-	**(1,200)**	-	**(1,200)**
Total comprehensive income	-	-	**114,463**	**769**	**115,232**
Transaction with Owners					
Dividend	-	-	**(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**

The notes on pages 8 to 40 form an integral part of these consolidated financial statement.

Agthia Group PJSC

Consolidated statement of cash flows

For the year ended 31 December

	Note	2010 AED'000	2009 AED'000
Cash flows from operating activities			
Profit for the year		115,663	105,713
Adjustments for:			
Depreciation	12	39,812	34,823
Finance expense		4,527	3,745
Finance income		(7,743)	(1,915)
Loss/ (gain) on sale of property, plant and equipment	12	192	605
Impairment of inventory		(2,393)	4,125
Provision for bad debts		3,470	-
Reversal of impairment loss		-	(182)
Fair value of property, plant and equipment received as grant		-	(586)
Provision for end of service benefits	21	5,132	2,817
Income tax (credit) / expense		(340)	688
Operating cash flows before payment for employees' end of service benefits and changes in working capital		158,320	149,833
Decrease/(Increase) in inventories		22,628	(72,841)
(Increase)/Decrease in trade and other receivables		(9,929)	8,741
(Increase)/Decrease in government compensation receivable		(27,779)	124,447
Increase in trade and other payables		5,801	42,260
(Decrease)/Increase in due to related parties		(1,706)	2,012
Payment of end of service benefits	21	(1,273)	(2,408)
Decrease in long term payable		(451)	-
Net cash generated from operating activities		145,611	252,044
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(68,565)	(78,934)
Advance for property, plant and equipment		(25,403)	-
Proceeds from sale of property, plant and equipment		618	240
Finance income received		7,535	1,915
Net cash used in investing activities		(85,815)	(76,779)
Cash flows from financing activities			
Bank borrowings, net	18	47,273	(12,869)
Dividend paid		(30,000)	-
Finance expense paid		(4,026)	(3,745)
Effect of exchange rate		769	(552)
Net cash from / (used in) financing activities		14,016	(17,166)
Increase in cash and cash equivalents		73,812	158,099
Cash and cash equivalents as at 1 January		185,154	27,055
Cash and cash equivalents as at 31 December	17	258,966	185,154

The notes on pages 8 to 40 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 2010 comprise the Company and it's below mentioned subsidiaries (collectively referred to as the "Group").

Subsidiary	Country of Incorporation and operation	Share of equity (%) 2010	2009	Principal Activity
Grand Mills for Flour and Feed Company PJSC (GMFF)	UAE	**100**	100	Production and sale of flour and animal feed
Al Ain Mineral Water Company PJSC (AAMW)	UAE	**100**	100	Production, bottling and sale of bottled water and beverages
Al Ain Vegetable processing and canning factory (AAV)	UAE	**100**	100	Processing and sale of tomato paste and frozen vegetables
Al Ain Food and Beverages (AAF&B)	Egypt	**100**	100	Processing and sale of tomato paste, chilli paste fruit concentrate, frozen vegetables and french fries

The Board of Directors has approved the transfer of assets and liabilities from AAV to AAMW. The management is in the process of obtaining required approvals from relevant authorities and executing the necessary deeds to effect this transaction.

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 Group has adopted the following new and amended IFRSs as of 1 January 2010:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

- IFRIC 17 (interpretation), 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009);

- IFRIC 18 (interpretation), 'Transfers of assets from customers' (effective for transfer of assets on or after 1 July 2009);

- IFRIC 9 (amendment), 'Reassessment of embedded derivatives' and IAS 39, 'Financial instruments: Recognition and measurement' – embedded derivatives (amendments)' (effective from 1 July 2009) and IAS 38 (amendment), 'Intangible assets',(effective 1 January 2010);

- IFRIC 16 (amendment), 'Hedges of a net investment in a foreign operation' (effective 1 July 2009);

- IAS 1 (amendment), 'Presentation of financial statements'-' (effective for periods beginning on or after 1 January 2010);

- IAS 36 (amendment), 'Impairment of assets' (effective 1 January 2010);

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

- IFRS 2 (amendments), 'Group cash-settled share-based payments transactions', In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 –Group and treasury share transactions' (effective from 1 January 2010);
- IFRS 5 (amendment), 'Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations' (effective for periods beginning on or after 1 January 2010);

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group

- IFRS 1 (amendment), 'First time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first time adopters' (effective from 1 July 2010);
- IFRS 9 (interpretation), 'Financial instruments' (effective from 1 January 2013);
- IAS 24 (revised), 'Related party disclosures' (effective periods beginning on or after 1 January 2011);
- IAS 32 (amendment), 'Classification of rights issues' (effective periods beginning on or after 1 February 2010), The Group will apply the standard from 1 January 2011;
- IFRIC 14 (amendment), 'The limit on a defined benefit assets, minimum funding requirement' (effective for reporting periods beginning 1 January 2011); and
- IFRIC 19 (interpretation), 'Extinguishing financial liabilities with equity instruments', (effective for period beginning on or after 1 July 2010),

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

IAS 36 (amendment) 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

Comparative information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements, and have been applied consistently by the Group entities

2 Summary of significant accounting policies (continued)

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 and unrealised gains on transactions between Group companies are eliminated. Unrealised gains or losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(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.

2.5 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.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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	10-20 years
Other Equipment (included in Plant and 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.

2.6 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 Summary of significant accounting policies (continued)

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 profit or loss 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 balance sheet (notes 2.12 and 2.13).

(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.

2 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

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 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

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.

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 2.21.

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

2 Summary of significant accounting policies (continued)

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 three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade payables

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

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

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

2 Summary of significant accounting policies (continued)

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 in the year the facility is availed.

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 a liability and an expense for bonuses and long-term incentives and as per the Group's policy a provision is recognised. The benefits are subject to board's approval and are linked to business performance.

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

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

2.19 Provisions

Provisions for restructuring costs and 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.

2 Summary of significant accounting policies (continued)

2.19 Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in 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. The increase in the provision due to passage of time is recognised as interest expense.

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.

2.21 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.

2 Summary of significant accounting policies (continued)

2.22 Leases (continued)

The Group leases certain properties and vehicles. Leases of properties and vehicles where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.23 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 at subsidized 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.

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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

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.

(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 24)

(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 and call deposits 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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.

Guarantees

At 31 December 2010 guarantees of AED 4,100 thousand were outstanding (2009: AED 1,680 thousand).

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group finance. 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 24) 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, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities are transferred to the Group treasury as per the Group's cash pooling arrangements with a bank. Group treasury invests surplus cash in time deposits, 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 244,849 thousand (2009: AED 166,825 thousand) that are expected to readily generate cash inflows for managing liquidity risk.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses 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 251,000 thousand facilities, which includes overdraft, guarantee line and import line. These facilities carry interest of EIBOR/ADIBOR /LIBOR+ 1.25% per annum.
- AED 92,000 thousand short term loan which carries interest rate of ADIBOR/LIBOR + 1.25% per annum.

(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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Operational risk (continued)

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

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

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

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

3 Financial risk management (continued)

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 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.

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. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary except in case of building of a subsidiary (Refer note 12).

4 Accounting estimates and judgements (continued)

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

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units 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 reviews internal management reports on at least a quarterly basis.

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

- Flour and animal feed, includes production and distribution of flour and animal feed.
- Bottled water, includes production and distribution of bottled water and beverages.
- Tomato paste and frozen vegetables, includes processing and distribution of tomato paste and frozen vegetables products.

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 that are 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:

	Flour and Animal Feed		**Bottled Water and Beverages**		**Tomato Paste and frozen vegetables**		**Total**	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009	**31 December 2010**	31 December 2009	**31 December 2010**	31 December 2009
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
External revenues	**687,422**	669,077	**264,806**	206,033	**53,906**	46,272	**1,006,134**	921,382
Inter segment revenue	**-**	-	**-**	-	**-**	-	**-**	-
Gross profit	**142,225**	153,467	**113,546**	89,019	**1,580**	10,545	**257,351**	253,031
Interest income	**20**	21	**33**	32	**2**	2	**55**	55
Interest expense	**-**	-	**-**	-	**(7)**	41	**(7)**	41
Depreciation expense	**18,282**	17,344	**15,792**	12,639	**3,907**	2,916	**37,981**	32,899
Income tax credit/ (expense)	**-**	-	**-**	-	**340**	(688)	**340**	(688)
Reportable segment profit/(loss) after tax	**113,935**	115,215	**45,766**	34,605	**(12,122)**	(5,557)	**147,579**	144,263
Material non cash items;								
Impairment losses on trade receivables (net)	**(9,369)**	1,214	**537**	23	**894**	-	**(7,938)**	1,237

5 Segment reporting (continued)

	Flour and Animal Feed		**Bottled Water and Beverages**		**Tomato Paste and frozen vegetables**		**Total**	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009	**31 December 2010**	31 December 2009	**31 December 2010**	31 December 2009
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Others:								
Segment assets	**594,059**	581,871	**294,034**	256,378	**88,192**	96,262	**976,285**	934,511
Segment liabilities	**130,574**	113,863	**36,633**	34,135	**12,888**	20,145	**180,095**	168,143
Capital expenditure	**11,699**	14,072	**44,951**	53,006	**10,651**	11,059	**67,301**	78,137

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

	Reportable segment totals 2010	**Un allocated 2010**	**Consolidated totals 2010**	Reportable segment totals 2009	Un allocated 2009	Consolidated totals 2009
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Gross profit	257,351	(5,011)	252,340	253,031	(2,746)	250,285
Interest income	55	7,688	7,743	55	1,860	1,915
Interest expense	(7)	(4,645)	(4,652)	41	3,704	3,745
Depreciation	37,981	1,831	39,812	32,899	1,924	34,823
Capital expenditure	67,301	1,264	68,565	78,137	1,383	79,520

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 2010 AED'000	31 December 2009 AED'000
Total profit for reportable segments	**147,579**	144,263
Other profit	**942**	1,290
Unallocated amounts	-	-
Other operating expenses	**(36,630)**	(37,224)
Net finance income/(expense)	**3,772**	(2,616)
Consolidated profit for the period after income tax	**115,663**	105,713
Assets		
Total assets for reportable segments	**976,286**	934,511
Other assets	**-**	1,340
Other unallocated amounts	**360,357**	254,103
Consolidated total assets	**1,336,643**	1,189,954
Liabilities		
Total liabilities for reportable segments	**180,095**	168,143
Other liabilities	**-**	133
Other unallocated amounts	**172,325**	122,687
Consolidated total liabilities	**352,420**	290,963

6 Cost of sales

	31 December 2010 AED'000	31 December 2009 AED'000
Raw materials	**604,524**	540,320
Salaries and benefits	**60,864**	51,964
Depreciation	**36,089**	31,098
Maintenance	**14,377**	12,685
Utilities	**15,880**	16,607
Others	**22,060**	18,423
	753,794	671,097

Cost of raw materials for flour and feed products is stated after the deduction of the Abu Dhabi Government compensation amounting to AED 152 million (2009: AED 153.9 million). The purpose of the compensation 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 Other income, net

	31 December 2010 AED'000	31 December 2009 AED'000
Other income		
Commission income	**6,289**	263
Income from filling/storage etc	**3,014**	2,172
Gain / (Loss) on sale of raw material	**2,125**	(723)
(Loss) / Gain on sale of fixed assets	**(192)**	76
Others	**2,950**	2,340
	14,186	4,128

8 Selling and distribution expenses

	31 December 2010 AED'000	31 December 2009 AED'000
Marketing Expenses	**14,890**	13,262
Salaries & Benefits	**37,739**	31,699
Maintenance	**2,887**	2,921
Depreciation	**826**	980
Transportation	**25,189**	23,672
Royalty Fees	**1,653**	1,433
Others	6,292	4,208
	89,476	78,175

9 General and administrative expenses

	31 December 2010 AED'000	31 December 2009 AED'000
Salaries & Benefits	**36,733**	36,269
Maintenance	**4,577**	3,035
Depreciation	**2,897**	2,750
Legal, consulting and audit fees	**7,648**	12,226
Provision for Doubtful Debts	**3,470**	1,237
Others	**9,618**	12,490
	64,943	68,007

10 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.

11 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2010 was based on the profit attributable to shareholders of AED 115,663 thousand (2009: AED 105,713 thousand) and the weighted average number of shares outstanding of 600,000 thousand (2009: 600,000 thousand).

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

12 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 2009	292,566	445,696	21,681	25,960	47,469	833,372
Additions	14,687	35,835	9,277	889	17,059	77,747
Disposals	-	(26)	(94)	(252)	-	(372)
Transfers	18,527	30,715	-	-	(47,469)	1,773
At 31 December 2009	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**	**576,196**	**20,721**	**32,296**	**12,600**	**972,696**
Depreciation						
At 1 January 2009	144,305	234,452	15,043	23,458	-	417,258
Charge for the year	7,918	21,370	4,047	1,103	-	34,438
Disposals	-	-	(56)	(76)	-	(132)
Transfers	-	385	-	-	-	385
At 31 December 2009	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**

12 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 2009	5,620	553	342	281	-	6,796
Charge for the year	-	-	-	-	-	-
Disposals	-	(26)	-	(156)	-	(182)
At 31 December 2009	5,620	527	342	125	-	6,614
Charge for the year	-	-	-	-	-	-
Disposals	-	**(47)**	**(249)**	**(87)**	-	**(383)**
At 31 December 2010	**5,620**	**480**	**93**	**38**	-	**6,231**
Net book amount						
31 December 2010	**165,150**	**289,002**	**6,441**	**6,661**	**12,600**	**479,853**
31 December 2009	167,937	255,486	11,488	1,987	17,059	453,957

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.

Prior to January 2010, buildings in AAMW were depreciated on a straight line basis over a period of 20 years from the date placed in service. As a result of a comprehensive review of the residual values and useful lives of the major assets, effective January 1, 2010 the company increased the estimated useful lives of all buildings of AAMW (that were not already fully depreciated) on straight line basis over a period of 30 years from the date placed in service. The effect of this change was AED 1,042 thousand decrease in depreciation for the year ended 31 December 2010.

Non-Returnable packing material (Drums) of AED 2,427 thousand was reclassified as Inventory from Plant and Machinery during the year.

13 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:

	2010	2009
	AED'000	AED'000
Flour and Animal Feed	**61,855**	61,855
Water and Beverages	**31,131**	31,131
	92,986	92,986

The recoverable amounts of Flour and Animal Feed and Water and Beverages 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:

	Flour and Animal Feed	**Water and Beverages**
Anticipated annual revenue growth (%)	3% - 5%	10% - 15%
Discount rate (%)	13.8%	13.8%

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.

14 Inventories

	31 December 2010	31 December 2009
	AED'000	AED'000
Raw materials	**78,014**	107,872
Work in progress	**10,818**	10,947
Finished goods	**23,031**	23,823
Goods in transit	**84,014**	79,253
Spare parts and consumable materials	**26,517**	19,813
	222,394	241,708
Provision for obsolescence	**(8,166)**	(9,672)
	214,228	232,036

15 Trade and other receivables

	31 December 2010 AED'000	31 December 2009 AED'000
Trade receivable	**102,870**	90,610
Prepayments	**19,490**	9,330
Other receivables	**17,842**	33,592
	140,202	133,532

Trade receivables are stated net of provision for doubtful debts of AED 10,049 thousand (2009: AED 17,986 thousand).

The Group's exposure to credit and currency risk, and impairment loss related to trade and other receivables is disclosed in note 24.

16 Government compensation receivable

	2010 AED'000	2009 AED'000
Receivable at beginning of the year from Abu Dhabi government	**87,219**	207,895
Compensation for the year	**152,032**	153,889
Received during the year	**(124,253)**	(274,565)
Balance as at 31 December	**114,998**	87,219

17 Cash and bank balances

	31 December 2010 AED'000	31 December 2009 AED'000
Cash in hand	**76**	486
Cash at banks:		
Current & savings account	**24,048**	22,913
Fixed deposits	**244,849**	166,825
Cash and bank balances	**268,973**	190,224
Bank overdraft	**(6,193)**	(5,070)
Escrow account	**(3,814)**	-
Cash and cash equivalents in the statement of cash flows	**258,966**	185,154

Fixed deposit are for period up to 3 months carrying interest rates varying from 3.25%-4.00% (2009: 3.25%-3.5%).

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.

18 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 2010 AED'000	31 December 2009 AED'000
Current liabilities		
Short term loan	**105,662**	45,005
Credit facility	**18,150**	35,717
Term loan	**5,143**	3,289
	128,955	84,011
Non Current liabilities		
Term loan	**13,851**	11,522

Terms and repayment schedule

Amounts in AED'000				31 December 2010		31 December 2009	
	Currency	Nominal interest rate	Year of maturity	Face value / limit	Carrying amount	Face value / limit	Carrying amount
Short term loan	AED/USD	LIBOR/ ADIBOR+ margin*	2011	**110,000**	**105,662**	92,000	45,005
Credit facility	AED	EIBOR+ margin*	2011	**175,000**	**18,150**	175,000	35,717
Term loan	EUR	EURIBOR+margin*	2014	**27,339**	**18,994**	16,446	14,811
Total				**312,339**	**142,806**	283,446	95,533

*Margin on the above loans and facilities varies from 1.25% - 1.45%. (2009: 1.25% to 1.35%)

Credit facility is secured against following:

- Floating charge on the current assets of the Group in favour of the bank for the working capital facilities;
- 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.

19 Trade and other payables

	31 December 2010 AED'000	31 December 2009 AED'000
Trade payables	**130,950**	115,217
Accruals	**47,843**	54,345
Other payables	**6,302**	4,174
	185,095	173,736

20 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 related party comprises:

	31 December 2010 AED'000	31 December 2009 AED'000
General Holding Corporation	**306**	2,012

Transactions with related parties during the year

	2010 AED'000	2009 AED'000
Directors' fees paid (last year)	**1,200**	1,254
Others	**(310)**	758
Reimbursement of Consulting Fees	**(975)**	-

A net accrual of AED 1,200 thousand is made for the directors' fee for the year 2010 (2009:AED 1,500 thousand).

Key management personnel compensation are as follows:

	2010 AED'000	2009 AED'000
Short term benefits	**14,142**	15,877
Long term benefits	**3,973**	4,597
	18,115	20,474

21 Provision for end of service benefits

	31 December 2010 AED'000	31 December 2009 AED'000
Balance at 1 January	12,843	12,434
Charge for the year	5,132	2,817
Paid during the year	(1,273)	(2,408)
	16,702	12,843

22 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 2010 AED'000	31 December 2009 AED'000
Authorised, issued and fully paid (600,000 thousand ordinary shares of AED 1 each)	600,000	600,000

23 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.

24 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 2010 AED'000	31 December 2009 AED'000
Trade receivables	102,870	90,610
Other receivables	17,842	33,592
Cash at banks	268,897	189,738
	389,609	313,940

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.

24 Financial instruments (continued)

Impairment losses

The ageing of trade receivables at the reporting date was:

	31 December 2010 AED'000	31 December 2009 AED'000
Trade receivables not impaired:		
Not Due	**76,148**	66,370
Past due 0 – 60 days	**19,308**	13,858
Past due 61 – 120 days	**2,321**	3,609
Past due 121 – 180 days	**1,174**	1,169
Past due 181 – 240 days	**936**	199
Past due 241 – 300 days	**577**	522
301 days and above	**1,943**	910
Trade receivable past due and provided for impairment:		
Past due 181 – 240 days	**1,353**	419
Past due 241 – 300 days	**435**	1,357
301 days and above	**8,724**	20,182
	112,919	108,595

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

	31 December 2010 AED'000	31 December 2009 AED'000
Balance at 1 January	**17,986**	16,749
Impairment loss recognised	**3,470**	4,125
Write offs	**(11,407)**	(2,888)
	10,049	17,986

24 Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities:

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	185,095	(185,095)	(185,095)	-	-	-
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)

31 December 2009

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	173,736	(173,736)	(173,736)	-	-	-
Bank overdraft	5,070	(5,076)	(5,076)	-	-	-
Bank loans	95,533	(96,924)	(84,641)	(3,567)	(8,716)	-
Long term liability	1,769	(1,769)		(65)	(861)	(843)

Foreign currency risk

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

	2010		2009	
Amounts in '000	**Euro**	**CHF**	Euro	CHF
Forecast purchases	1,843	151	2,723	551
Long term loan	3,943	-	2,814	-

The following exchange rates were applicable during the year:

	Average rate		Reporting date rate	
	2010	2009	**2010**	2009
Euro	4.878	5.119	4.867	5.263
GBP	-	5.747	-	5.848
CHF	3.532	3.389	3.903	3.538
EGP	0.658	0.667	0.637	0.670

24 Financial instruments (continued)

Foreign currency risk (continued)

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 2009, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

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)**

31 December 2009	Equity AED'000	profit/(loss) AED'000
Euro (weakening by 5%)	-	1,457
CHF (weakening by 4%)	-	78
EGP (strengthening by 1.5%)	312	-
	312	1,535

The above analysis is based on currency fluctuations during January and February 2011.

Interest rate risk

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

Fixed rates instruments	**2010 AED'000**	2009 AED'000
Financial assets	**244,849**	166,825
Financial liabilities	**(1,318)**	(1,769)
	243,531	165,056
Variable rates instruments		
Financial liabilities	**148,998**	100,603

Fair value

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

25 Contingent liabilities and capital commitments

	31 December 2010 AED'000	31 December 2009 AED'000
Bank guarantees and letters of credit	**30,798**	111,062
Capital commitments	**153,990**	31,282

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

Non cancellable operating lease rentals are payable as follows;

	2010 AED'000	2009 AED'000
Less than one year	**4,760**	3,971
Between one and five years	**7,075**	6,993
More than five years	**44**	48
	11,879	11,012

The Group has leasehold land and leased 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 4,330 thousand (2009: AED 3,127 thousand).