Dubai Refreshments (P.J.S.C.)
and its Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012

ERNST & YOUNG

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUBAI REFRESHMENTS (P.J.S.C.) AND ITS SUBSIDIARY

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Dubai Refreshments (P.J.S.C.) (the "Company") and its Subsidiary (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 and the applicable provisions of the Articles of Association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

ERNST & YOUNG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUBAI REFRESHMENTS (P.J.S.C.) AND ITS SUBSIDIARY (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2012 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

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the Articles of Association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out; and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Ali Issa
Partner
Registration No. 488
29 January 2013
Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	*2012* *AED '000*	*2011* *AED '000*
Sales		**1,004,122**	986,995
Cost of sales	4	**(690,138)**	(709,715)
GROSS PROFIT		**313,984**	277,280
Other operating income	7	**12,150**	9,913
Selling and distribution expenses	5	**(119,132)**	(116,685)
General and administrative expenses	6	**(52,551)**	(41,219)
Amortisation of intangible assets	9	**(3,120)**	(3,120)
OPERATING INCOME		**151,331**	126,169
Finance income		**2,037**	2,646
Finance expense		**(517)**	(1,381)
Dividend income		**4,398**	3,889
Other income		**1,977**	850
Gain on sale of available-for-sale investments		**3,336**	-
PROFIT FOR THE YEAR		**162,562**	132,173
Earnings per share in AED	21	**1.77**	1.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	*2012* *AED '000*	*2011* *AED '000*
Profit for the year		**162,562**	132,173
Other comprehensive income			
Change in fair value of available-for-sale investments	18	**50,870**	48,848
Gain on sale of available-for-sale investments recognised in income statement		**(3,336)**	-
Change in fair value of cash flow hedges		**(347)**	(779)
Other comprehensive income for the year		**47,187**	48,069
Total comprehensive income for the year		**209,749**	180,242

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	*2012* *AED '000*	*2011* *AED '000*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**255,271**	135,999
Intangible assets	9	**31,974**	35,094
Available-for-sale investments	10	**184,816**	116,359
		472,061	287,452
Current assets			
Inventories	11	**60,743**	55,810
Trade and other receivables	12	**73,849**	68,398
Advances to Greenfield contractors and suppliers		**49,511**	-
Bank balances and cash	13	**292,396**	280,400
		476,499	404,608
TOTAL ASSETS		**948,560**	692,060
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**90,000**	90,000
Statutory reserve	16	**45,000**	43,217
General reserve	17	**226,403**	149,241
Fair value reserve	18	**144,655**	97,121
Cash flow hedge reserve		**(1,126)**	(779)
Retained earnings		**160,779**	116,662
Total equity		**665,711**	495,462
Non-current liabilities			
Employees' end of service benefits	20	**15,671**	13,387
Non-current portion of term loans	23	**58,085**	7,472
Non-current portion of amount payable for land conversion to freehold		**11,548**	-
		85,304	20,859
Current liabilities			
Trade and other payables	14	**174,130**	170,490
Current portion of term loans	23	**12,265**	5,249
Bank overdraft	13	**11,150**	-
		197,545	175,739
Total liabilities		**282,849**	196,598
TOTAL EQUITY AND LIABILITIES		**948,560**	692,060

The consolidated financial statements have been approved by the Board of Directors on 29 January 2013, and signed on their behalf by:

Director
29 January 2013

Director
29 January 2013

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve AED'000*	*Cash flow hedge reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance as of 1 January 2012	90,000	43,217	149,241	97,121	(779)	116,662	495,462
Profit for the year	-	-	-	-	-	162,562	162,562
Other comprehensive income for the year	-	-	-	47,534	(347)	-	47,187
Total comprehensive income for the year	-	-	-	47,534	(347)	162,562	209,749
Transfer to statutory reserve	-	1,783	-	-	-	(1,783)	-
Dividends paid (Note 19)	-	-	-	-	-	(36,000)	(36,000)
Transfer to general reserve	-	-	77,162	-	-	(77,162)	-
Directors' fees	-	-	-	-	-	(3,500)	(3,500)
Balance as of 31 December 2012	**90,000**	**45,000**	**226,403**	**144,655**	**(1,126)**	**160,779**	**665,711**

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve AED'000*	*Cash flow hedge reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance as of 1 January 2011	60,000	30,000	149,241	48,273	-	61,206	348,720
Profit for the year	-	-	-	-	-	132,173	132,173
Other comprehensive income for the year	-	-	-	48,848	(779)	-	48,069
Total comprehensive income for the year	-	-	-	48,848	(779)	132,173	180,242
Transfer to statutory reserve	-	13,217	-	-	-	(13,217)	-
Dividends paid (Note 19)	-	-	-	-	-	(30,000)	(30,000)
Directors' fees	-	-	-	-	-	(3,500)	(3,500)
Bonus share issue (Note 15)	30,000	-	-	-	-	(30,000)	-
Balance as of 31 December 2011	90,000	43,217	149,241	97,121	(779)	116,662	495,462

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	*2012* *AED '000*	*2011* *AED '000*
OPERATING ACTIVITIES			
Profit for the year		**162,562**	132,173
Adjustments for:			
Depreciation	8	**19,204**	20,180
Amortisation of intangible assets	9	**3,120**	3,120
(Profit) / loss on disposal of property, plant and equipment		**(213)**	155
Finance expense		**517**	1,381
Finance income		**(2,037)**	(2,646)
Dividend income		**(4,398)**	(3,889)
Gain on sale of available-for-sale investments		**(3,336)**	-
Provision for employees' end of service benefits	20	**3,445**	2,891
		178,864	153,365
Working capital changes:			
Inventories		**(4,933)**	(21,644)
Trade and other receivables		**(5,451)**	(6,825)
Trade and other payables		**(21,729)**	61,651
		146,751	186,547
Employees' end of service benefits paid	20	**(1,161)**	(1,049)
Finance income received		**2,037**	2,646
Net cash from operating activities		**147,627**	188,144
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	8	**(101,931)**	(19,235)
Proceeds from disposal of property, plant and equipment		**238**	194
Advances to Greenfield contractors and suppliers		**(49,511)**	-
Purchase of available for sale investments	10	**(21,750)**	(7,368)
Proceeds from sale of available-for-sale investment		**4,163**	-
Dividend income received		**4,398**	3,889
Net cash used in investing activities		**(164,393)**	(22,520)
FINANCING ACTIVITIES			
Proceeds from term loans		**62,683**	-
Repayment of term loans		**(5,054)**	(7,013)
Dividends paid	19	**(36,000)**	(30,000)
Directors' fees		**(3,500)**	(3,500)
Finance expense paid		**(517)**	(1,381)
Net cash from / (used in) financing activities		**17,612**	(41,894)
INCREASE IN CASH AND CASH EQUIVALENTS		**846**	123,730
Cash and cash equivalents at 1 January	13	**280,400**	156,670
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**281,246**	280,400

The attached notes 1 to 30 form part of these financial statements.

1 ACTIVITIES

Dubai Refreshments (P.J.S.C) (the "Company") was incorporated in Dubai in 1959 by a Decree issued by His Highness The Ruler of Dubai. The registered address of the Company is P. O. Box 420, Dubai, United Arab Emirates.

The Company is engaged in bottling and selling Pepsi Cola International products in Dubai, Sharjah and the other Northern emirates of UAE. The Company also exports Pepsi Cola International products from time to time to foreign countries after obtaining authorization from Pepsi Cola International. The Company holds 7Up and Aquafina bottling and selling rights for the whole of the UAE.

During the year, the Company formed a new subsidiary, Emirates International Food Holdings Inc. (the "Subsidiary"), a limited liability company registered in the British Virgin Islands. During the year, the Subsidiary did not carry out any operations. The Company and its Subsidiary together are referred to as the "Group".

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been presented in U.A.E. Dirhams, which is the functional and reporting currency of the Group, rounded to the nearest thousands (AED '000), except as otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments and derivative financial instruments.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2012.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC Interpretations effective as of 1 January 2012:

New and revised Accounting Standards and Interpretations

(a) Standards, amendments and interpretations effective from 1 January 2012 which are adopted by the Group during 2012 are as follows:

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements: The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the disclosures in its consolidated financial statements.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) Standards, amendments and interpretations effective in 2012 but not relevant to the Group's operations are as follows:

The following interpretations of published standards are mandatory for accounting periods beginning on or after 1 January 2012 but are not relevant to the Group's operations:

IAS 12	Income Taxes - Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012); and
IFRS 1	First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective for annual periods beginning on or after 1 July 2011).

(c) Standards, amendments and Interpretations in issue but not yet effective:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1	Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
IAS 19	Employee Benefits (Revised) (effective for annual periods beginning on or after 1 January 2013);
IAS 28	Investments in Associates and Joint Ventures (as revised in 2011) (effective for annual periods beginning on or after 1 January 2013);
IAS 32	Financial Instruments: Presentation (Amendment) — Guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);
IFRS 1	First-time Adoption of International Financial Reporting Standards — Government Loans (Amendments) (effective for annual periods beginning on or after 1 January 2013);
IFRS 7	Financial Instruments: Disclosures — Enhanced Disclosure Requirements about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013);
IFRS 9	Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2015);
IFRS 10	Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013);
IFRS 11	Joint Arrangements (effective for annual periods beginning on or after 1 January 2013);
IFRS 12	Disclosure of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013);
IFRS 13	Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013); and
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013).

The management anticipates that all of the above Standards and Interpretations will be adopted by the Group to the extent applicable to them from their effective dates. The adoption of these Standards, amendments and interpretations is not expected to have any material impact on the consolidated financial statements of the Group in the period of their initial application.

(d) Improvements to IFRSs:

In May 2012, the IASB issued its fourth omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IAS 1 Presentation of Financial Statements: This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

(d) Improvements to IFRSs (continued):

The following interpretations and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 1 First-time Adoption of International Financial Reporting Standards;
IAS 32 Financial Instruments, Presentation; and
IAS 34 Interim Financial Reporting.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Sale incentives
The Group receives sale incentives on its export sales based on volumes sold and agreed rates. These incentives are recognised when related export sales are recognised.

Interest income
Interest income is recognised as the interest accrues.

Dividend income
Dividend income is recognised when the Group's right to receive the dividend payment is established.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	3 to 20 years
Plant, machinery and equipment	2 to 15 years
Motor vehicles	3 to 5 years
Coolers	5 years
Furniture and fixtures	2 years

Land and capital work-in-progress are not depreciated.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the period the asset is derecognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

During the year, the Group capitalised borrowing costs amounting to AED 1,461 thousand (2011: AED Nil).

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated on a straight line basis over the estimated useful life of 20 years.

Impairment of non-financial assets
At each reporting date the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

Available-for-sale investments
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "fair value reserve" within equity is included in the consolidated income statement for the year.

Impairment and uncollectibility of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is an objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those incurred in bringing each product to its present location and condition, as follows:

Raw materials – purchase cost on weighted average basis;
Spares and consumables – purchase cost on weighted average basis;
Finished goods – cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity and is determined on weighted average basis.

Net realisable value is based on the estimated selling price less any further costs expected to be incurred on disposal. Damaged and obsolete inventories are written off.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdraft.

Government and other grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Group receives a non-monetary grant, the asset and the grant are recorded at a nominal amount of AED 1.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Operating leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments
The Group uses derivative financial instruments, such as forward currency contracts and forward commodity contracts, to hedge its foreign currency risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the consolidated income statement in cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods in which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges
The change in the fair value of a hedging derivative is recognised in consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in consolidated income statement.

For fair value hedges related to items carried at amortised cost, the adjustment to the carrying value is amortised through the consolidated income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortised through the consolidated income statement.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement. The changes in the fair value of the hedging instrument are also recognised in the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated income statement in finance costs.

Amounts recognised as other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant impact on the amounts recognised in the consolidated financial statements.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Group has the intention and ability to hold these to maturity.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss.

All other investments are classified as available-for-sale.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Classification of properties

Management decides at the time of acquisition of a property whether it should be classified as held for sale, property, plant and equipment or an investment property. The Group classifies properties as properties held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group also classifies properties as property, plant and equipment when the properties are held for use by, or in the operations, of the Group. Properties are classified as investment properties when the intention is to hold them for capital appreciation, for rental or for undetermined use. The Group changes the classification when the intention changes.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 56.41 million (2011: AED 49.54 million), and the provision for doubtful debts was AED 3.2 million (2011: AED 3 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory were AED 62.27 million (2011: AED 57.34 million) with provisions for slow moving inventories of AED 1.53 million (2011: AED 1.53 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Useful lives and depreciation of property, plant and equipment

The management periodically reviews the estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Useful lives and amortisation of intangible assets

The management periodically reviews the estimated useful lives and amortisation method to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from these assets.

Derivatives

The fair values are obtained from quoted market prices available from the counter party bank, discounted cash flow models and valuation models as appropriate. The Group uses widely recognised valuation models for determining the fair value of forward currency contracts and forward commodity contracts. For these financial instruments, inputs into models are market observable.

4 COST OF SALES

	2012 *AED'000*	*2011* *AED'000*
Raw material consumption	**636,603**	652,975
Staff costs	**18,819**	19,917
Depreciation (Note 8)	**7,876**	7,829
Others	**26,840**	28,994
	690,138	709,715

5 SELLING AND DISTRIBUTION EXPENSES

	2012 *AED'000*	*2011* *AED'000*
Staff costs	**39,409**	42,045
Advertisement and marketing expenses	**40,567**	35,726
Rental charges	**19,915**	17,798
Depreciation (Note 8)	**8,685**	9,805
Fleet expenses	**7,177**	6,146
Allowance for doubtful debts (Note 12)	**166**	2,000
Export related expenses	**1,968**	1,625
Others	**1,245**	1,540
	119,132	116,685

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 *AED'000*	*2011* *AED'000*
Staff costs	**28,466**	19,205
Office expenses	**9,800**	9,234
Depreciation (Note 8)	**2,643**	2,546
Building maintenance expenses	**2,495**	2,430
Rental charges	**3,994**	1,752
Bank charges	**748**	1,037
Professional charges	**383**	985
Others	**4,022**	4,030
	52,551	41,219

7 OTHER OPERATING INCOME

Other operating income represents performance incentives given to the Group by Pepsi Cola International.

8 PROPERTY, PLANT AND EQUIPMENT

	Land AED'000	*Buildings AED'000*	*Plant machinery and equipment AED'000*	*Coolers AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2012	-	55,870	152,439	94,288	5,471	20,319	328,387
Additions	38,041	160	2,741	2,398	1,165	93,996	138,501
Transfer	-	18	67	-	66	(151)	-
Disposals	-	-	(2,118)	(2,411)	(964)	-	(5,493)
At 31 December 2012	**38,041**	**56,048**	**153,129**	**94,275**	**5,738**	**114,164**	**461,395**
Accumulated depreciation:							
At 1 January 2012	-	28,030	76,901	82,554	4,903	-	192,388
Charge for the year	-	3,508	10,565	4,108	1,023	-	19,204
Disposal	-		(2,108)	(2,399)	(961)	-	(5,468)
At 31 December 2012	-	**31,538**	**85,358**	**84,263**	**4,965**	-	**206,124**
Net book value:							
At 31 December 2012	**38,041**	**24,510**	**67,771**	**10,012**	773	**114,164**	**255,271**

Until 31 December 2011, the factory buildings have been constructed on land granted by H.H. The Ruler of Dubai. During the year, the land was converted from granted status to freehold status.

The staff quarters have been constructed on land leased to the Group on an annual basis. In the opinion of management, the lease will be renewed for a period at least equivalent to the useful life of the staff quarters.

Capital work in progress mainly pertains to the construction of new office building and production facility.

Plant and machinery with a carrying value of AED 4.62 million (2011: AED 4.99 million) has been assigned in favour of a bank (Note 23).

8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings AED'000	*Plant machinery and equipment AED'000*	*Coolers AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2011	49,764	151,178	92,481	4,880	14,813	313,116
Additions	103	1,463	4,391	760	12,518	19,235
Transfer	6,003	1,009	-	-	(7,012)	-
Disposals	-	(1,211)	(2,584)	(169)	-	(3,964)
At 31 December 2011	55,870	152,439	94,288	5,471	20,319	328,387
Accumulated depreciation:						
At 1 January 2011	24,711	66,689	79,963	4,460	-	175,823
Charge for the year	3,319	11,216	5,033	612	-	20,180
Disposal	-	(1,004)	(2,442)	(169)	-	(3,615)
At 31 December 2011	28,030	76,901	82,554	4,903	-	192,388
Net book value:						
At 31 December 2011	27,840	75,538	11,734	568	20,319	135,999

8 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge of the year has been allocated as follows:

	2012 *AED'000*	*2011* *AED'000*
Cost of sales (Note 4)	**7,876**	7,829
Selling and distribution expenses (Note 5)	**8,685**	9,805
Administrative and general expenses (Note 6)	**2,643**	2,546
	19,204	20,180

9 INTANGIBLE ASSETS

	2012 *AED'000*	*2011* *AED'000*
As at 1 January	**35,094**	38,214
Less: amortisation expense	**(3,120)**	(3,120)
	31,974	35,094

Intangible assets include franchise and bottling rights acquired in 2003. Expenditures to acquire franchise and bottling rights are capitalised and amortised using the straight line method over their estimated useful life of 20 years.

10 AVAILABLE-FOR-SALE INVESTMENTS

	2012 *AED'000*	*2011* *AED'000*
Opening balance	**116,359**	60,143
Additions during the year	**21,750**	7,368
Change in market fair value	**50,870**	48,848
Disposals during the year	**(4,163)**	-
Closing balance	**184,816**	116,359

The Group's available-for-sale investments are held in equity securities listed on stock exchanges. Included in the above are investments in 47,916 shares of Etisalat with a carrying amount of AED 435 thousands, which were held in the name of the late Mr. Humaid Al Owais in trust and for the benefit of the Group. These shares are in the process of being transferred in the name of a Director of the Group who will hold them in trust for the beneficial interest of the Group.

11 INVENTORIES

	2012 AED'000	2011 AED'000
Raw material and consumable	**34,798**	35,774
Finished goods	**22,347**	17,229
Spare part and supplies	**5,123**	4,332
	62,268	57,335
Less: provision for slow moving inventory	**(1,525)**	(1,525)
	60,743	55,810

12 TRADE AND OTHER RECEIVABLES

	2012 AED'000	2011 AED'000
Trade receivables	**56,413**	49,542
Less: provision for doubtful debts	**(3,167)**	(3,001)
	53,246	46,541
Prepaid expenses	**10,388**	6,989
Due from a related party (Note 22)	**648**	323
Other receivables	**9,567**	14,545
	73,849	68,398

As at 31 December 2012, trade accounts receivable with a nominal value of AED 3,167 thousand (2011: AED 3,001 thousand) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2012 AED'000	2011 AED'000
At 1 January	**3,001**	3,226
Charge for the year (Note 5)	**166**	2,000
Amounts written off	**-**	(2,225)
At 31 December	**3,167**	3,001

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired				
	Total AED'000	Neither past due nor impaired AED'000	<30 days AED'000	30-60 days AED'000	60-90 days AED'000	90-120 days AED'000	>120 days AED'000
2012	**53,246**	**48,876**	**4,370**	-	-	-	-
2011	46,541	43,437	3,104	-	-	-	-

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

13 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2012 AED'000	*2011 AED'000*
Cash at banks and on hand	**105,641**	125,586
Short-term deposits	**186,755**	154,814
Bank balances and cash	**292,396**	280,400
Bank overdraft	**(11,150)**	-
	281,246	280,400

Short-term deposits are made for varying periods between one day and three months and earn interest at the respective short-term deposits rates.

14 TRADE AND OTHER PAYABLES

	2012 AED'000	*2011 AED'000*
Trade payable	**87,864**	100,439
Amount payable for land conversion to freehold	**11,547**	-
Accrued expenses	**25,313**	33,233
Accrual for staff costs	**15,281**	14,541
Accrual for project costs	**13,475**	-
Advances from customers	**6,638**	12,057
Retentions payable	**3,515**	-
Deferred income	**4,222**	2,908
Due to a related party (Note 22)	**697**	1,337
Financial instruments at fair value through profit or loss (Note 28)	**269**	1,037
Financial instruments at fair value through other comprehensive income (Note 28)	**779**	779
Other payables	**4,530**	4,159
	174,130	170,490

15 SHARE CAPITAL

	2012 AED'000	*2011 AED'000*
Authorised issued and fully paid up: 90 million shares of AED 1 each (2011: 90 million shares of AED 1 each)	**90,000**	90,000

In their Annual General Meeting dated 8 March 2011, the shareholders approved a bonus issue of 0.5 shares for every share held, thereby increasing the number of shares from 60 million to 90 million.

16 STATUTORY RESERVE

In accordance with UAE Commercial Companies Law of 1984 (as amended), and the Company's articles of association, 10% of the annual profit of the Company is required to be transferred to a statutory reserve till the reserve equals 50% of the share capital. The transfer to statutory reserve in 2012 has been limited to AED 1,783 thousands as the reserve has already reached 50% of the share capital. This reserve is not available for distribution except as stipulated by the law.

17 GENERAL RESERVE

In accordance with Article 193 of the U.A.E. Commercial Companies Law of 1984 (as amended) and the Company's articles of association, 10% of the Company's net profit may be transferred to a general reserve to be used only for the purposes stated in the Company's article.

In accordance with Clause 66 of the Company's article of association, 10% of the net profit for each year should be transferred to this reserve and such transfers may cease when the reserve equals 5% of the paid up share capital of the Company.

During the Board of Directors' meeting held on 14 January 2013, the Directors has approved to transfer AED 77,162 thousand from retained earnings to general reserve.

18 FAIR VALUE RESERVE

Changes in fair value of available for sale investments are recognised in other comprehensive income and reported as fair value reserve within equity. Upon impairment loss or upon derecognition, any loss or gain previously reported as fair value reserve within equity is included in the consolidated income statement for the year.

During the year an unrealized gain of AED 50.87 million was credited to other comprehensive income (2011: AED 48.8 million).

19 DIVIDENDS

During the Annual General Meeting held on 26 February 2012, the shareholders approved a cash dividend of AED 0.40 per share totaling to AED 36 million relating to 2011 (2011: AED 0.5 per share totaling to AED 30 million relating to 2010).

During the Board of Directors' meeting held on 14 January 2013, the Directors proposed a cash dividend of AED 0.5 per share totaling to AED 45 million relating to 2012.

20 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision recognised in the consolidated statement of financial position is as follows:

	2012 ***AED'000***	*2011* *AED'000*
Provision as at 1 January	**13,387**	11,545
Provided during the year	**3,445**	2,891
End of service benefits paid	**(1,161)**	(1,049)
Provision as at 31 December	**15,671**	13,387

21 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Company, net of directors fees, amounting to AED 159.06 million (2011: AED 128.67 million) by the weighted average number of shares outstanding during the year of 90 million (2011: 90 million).

The Group has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

22 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

a Significant transactions with related parties:

Significant transactions with related parties included in the consolidated income statement are as follows:

	2012 ***AED'000***	*2011* *AED'000*
Sales to a related party	**8,398**	8,470
Purchases from related parties	**5,614**	7,683

Compensation of key management personnel
The remuneration of directors and other key members of management during the year was as follows:

	2012 ***AED'000***	*2011* *AED'000*
Short-term benefits	**12,796**	11,014
Employees' end of service benefits	**150**	459
Board of Directors' sitting fees	**700**	780
	13,646	12,253

b Due from related parties (Note 12):

	2012 ***AED'000***	*2011* *AED'000*
Other related party		
Oman Refreshments Company Limited	**648**	323

c Due to related parties (Note 14):

	2012 ***AED'000***	*2011* *AED'000*
Other related party		
Emirates Refreshments Company	**697**	1,337

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2012, the Group has not recorded any impairment of amounts owed by related parties (2011: AED Nil).

23 TERM LOANS

	2012 *AED'000*	*2011* *AED'000*
Term loans availed	**70,350**	12,721
Less: current portion of term loans	**(12,265)**	(5,249)
Non-current portion	**58,085**	7,472

In 2010, the Group obtained three term loans denominated in Euro to finance the purchasing and installation of new plant and machinery. These loans will be repaid over the term of 3-5 years and carry interest at 6 months EURIBOR plus 1.85% per annum. An economic hedge has been created through a series of forward foreign exchange contracts matching the repayment dates.

Plant and machinery having a carrying value of AED 4.62 million (2011: 4.99 million) has been assigned in favour of the banks against these term loans denominated in Euro.

During the period, the Group availed a term loan from a local bank amounting to AED 62,683 thousands to finance the construction of an office and plant facility (Greenfield Project) at the Dubai Investment Park out of a total AED 250 million approved facility. The term loan is repayable in 14 half yearly installments starting on June 2013 and ending on December 2019 and carries interest at 6 months EIBOR plus 2.5% per annum with a minimum of 4% per annum.

24 OPERATING LEASE COMMITMENTS

The Group leases land, staff accommodations, office and warehouse premises and vehicles under operating lease agreements. The leases typically run for a period of 1 year to 30 years with an option to renew the lease after that date. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 *AED'000*	*2011* *AED'000*
Within 1 year	**14,870**	12,917
After one year but not more than five years	**27,973**	31,122
More than 5 years	**140,654**	145,683
Total operating lease expenditure contracted for at the reporting date	**183,497**	189,722

25 CONTINGENCIES AND CAPITAL COMMITMENTS

	2012 *AED'000*	*2011* *AED'000*
Bank guarantees	**103**	103
Letter of credit	**869**	604
Capital commitments - contracted	**331,134**	251,937
Capital commitments - uncontracted	**231,921**	250,688

The Group's capital commitments mainly pertain to approved expenditure of AED 658.3 million (31 December 2011: AED 515.8 million) on office and plant facility (Greenfield Project) at the Dubai Investment Park.

26 SEGMENT REPORTING

The Group operates in a single reporting segment of canning, bottling, distribution and trading of soft drinks and related beverages products. All the relevant information relating to this reporting/operating segment is disclosed in the consolidated statement of financial position, consolidated income statement and notes to the consolidated financial statements.

Additional information required by IFRS 8 *Segment Reporting*, is disclosed below:

a) Information about geographical segments

During the year ended 31 December 2012, revenue from customers located in the Group's country of domicile (UAE) is AED 712 million (year ended 31 December 2011: AED 667 million) and revenue from customers outside UAE (foreign customers) is AED 292 million (year ended 31 December 2011: AED 320 million).

b) Major customer

During the year ended 31 December 2012, there were no customers of the Group with revenues greater than 10% of the total revenue of the Group.

27 RISK MANAGEMENT

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and term loans).

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

There is no impact on the Group's equity.

	Increase/ decrease in basis points	*Effect on profit for the year AED'000*
2012		
AED	**+50**	**(408)**
AED	**-50**	**408**
2011		
AED	+50	(64)
AED	- 50	64

Credit risk
The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

With respect to credit risk arising from other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

27 RISK MANAGEMENT (continued)

Liquidity risk
The Group limits its liquidity risk by ensuring that adequate internally generated funds, bank facilities and funds from the shareholders are available, if required. The Group's terms of sales require amounts to be paid within 30 to 60 days from the date of sale. Trade payables are normally settled within 30 to 90 days from the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2012

	Less than 6 months AED'000	***6 to 12 months AED'000***	***1 to 5 years AED'000***	***>5 years AED'000***	***Total AED'000***
Accounts payable and other payables	**153,982**	**9,288**	**11,548**	**-**	**174,818**
Term loans	**7,306**	**7,274**	**46,685**	**18,816**	**80,081**
Total	**161,288**	**16,562**	**58,233**	**18,816**	**254,899**

At 31 December 2011

	Less than 6 months AED'000	*6 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Accounts payable and other payables	155,525	-	-	-	155,525
Term loans	3,197	3,205	8,684	-	15,086
Total	158,722	3,205	8,684	-	170,611

Currency risk
The Group had the following significant net exposures denominated in foreign currencies in the form of bank balances and term loans.

	2012 AED'000 equivalent	*2011 AED'000 equivalent*
Net assets (liabilities):		
Euro	**70,048**	(4,140)

The below analysis calculates the effect of a reasonably possible movement of the AED currency rate against the above mentioned currency, with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/ decrease in exchange rate to the AED	*Effect on profit for the year increase/ (decrease) AED'000*	*Effect on other comprehensive income for the year increase/ (decrease) AED'000*
2012	**+5%**	**3,755**	**-**
	- 5%	**(3,755)**	**-**
2011	+5%	326	1,895
	- 5%	(326)	(1,895)

27 RISK MANAGEMENT (continued)

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011. Capital comprises share capital, reserves and retained earnings and is measured at AED 666 million as at 31 December 2012 (2011: AED 495 million).

28 FAIR VALUE OF DERIVATIVES

Derivatives not designated as hedging instruments
The Group uses forward currency contracts to manage some of its financing transaction exposures. Foreign currency forward contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally 3 to 36 months. Derivatives where no hedging relationship is established or which are contracted for general purposes are not considered as cash flow or fair value hedges.

Cash flow hedges
The Group also uses forward commodity contracts and forward currency contracts to manage some of its financing transaction exposures, highly probable transactions and commitment. The hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transaction is accounted for as a cash flow hedge.

The cash flow hedges were assessed to be highly effective and as at 31 December 2012, and a net unrealized loss of AED 347 thousands (2011: AED 779 thousands) was included in other comprehensive income in respect of these contracts.

The table below shows the positive and negative fair values of derivative financial instruments including cash flow hedges, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

			Notional amounts by term to maturity		
	Positive fair value AED'000	***Negative fair value AED'000***	***Notional amount AED'000***	***Within 1 year AED'000***	***1-5 years AED'000***
Derivatives					
Designated as cash flow hedges	-	(779)	42,968	42,968	-
Not designated for hedging	-	(269)	5,053	3,397	1,645
31 December 2012	-	**(1,048)**	**48,021**	**46,365**	**1,645**

			Notional amounts by term to maturity		
	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amount AED'000*	*Within 1 year AED'000*	*1-5 years AED'000*
Derivatives					
Designated as cash flow hedges	-	(779)	37,898	37,898	-
Not designated for hedging	-	(1,037)	10,668	5,690	4,978
31 December 2011	-	(1,816)	48,566	43,588	4,978

28 FAIR VALUE OF DERIVATIVES (continued)

The fair value of derivatives is presented in the consolidated statement of financial position as:

	2012 *AED'000*	*2011* *AED'000*
Current liabilities (Note 14)	**1,048**	1,816

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, receivables and available-for-sale investments. Financial liabilities consist of bank borrowings, payables and derivatives.

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

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2012, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	*31 Dec 2012* *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
Available-for-sale investments	**184,816**	**184,816**	-	-

Liabilities measured at fair value	*31 Dec 2012* *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
Financial instruments at fair value through profit or loss	**269**	-	**269**	-
Financial instruments at fair value through other comprehensive income	**779**	-	**779**	-

As at 31 December 2011, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	*31 Dec 2011* *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
Available-for-sale investments	116,359	116,359	-	-

29 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued)

	31 Dec 2011 AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Financial instruments at fair value through profit or loss	1,037	-	1,037	-
Financial instruments at fair value through other comprehensive income	779	-	779	-

During the years ended 31 December 2012 and 31 December 2011, there were no transfers between the various levels of fair value measurements.

30 NON-CASH TRANSACTION

The following non-cash transaction has been excluded from the statement of cash flows:

	Notes	***2012 AED'000***	*2011 AED'000*
Amounts payable for the conversion of land to freehold			
Current portion	14	**11,547**	-
Non-current portion		**11,548**	-
Accrual for project costs	14	**13,475**	-
Total additions to property, plant and equipment		**36,570**	-