Emirates Refreshments (P.S.C.)
(formerly Jeema Mineral Water (P.S.C.))

Financial statements
31 December 2012

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Independent auditors' report

The Shareholders
Emirates Refreshments (P.S.C.)

Report on the financial statements

We have audited the accompanying financial statements of Emirates Refreshments (P.S.C.) (formerly Jeema Mineral Water (P.S.C.)) ("the Company"), which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 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

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, a physical count of inventories was carried out by management in accordance with established principles, and the contents of the Directors' report which relate to these financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2012, which may have had a material adverse effect on the business of the Company or its financial position.

Vijendranath Malhotra
Registration No: 48 B
Dubai, United Arab Emirates
Date: 11 MAR 2013

الإمــارات للمرطبــات
Emirates Refreshments

Dear Shareholders,

It gives us great pleasure to share with you that despite difficult times and strategic changes that Emirates Refreshment (PJSC) has gone through, ERC has closed 2012 successfully. With the aid of all the board members, the company was able to face challenging issues and turn ERC into an efficient and profitable company.

2012 was a year for significant improvement for ERC and has allowed it to become a profit making organization. Key decisions made over the previous years which have been implemented and allowed ERC to produce these results; these changes include: new management, centralization of warehouses & offices, fleet outsourcing and distribution model for Abu Dhabi region. Some significant improvements are as follows:

Highest Sales Revenue since Inception

During 2012, ERC has achieved record sales of AED 55.67 million, which is the highest sale ever recorded in the history of the company. Looking forward, the company has been motivated by this accomplishment and will strive to take more market opportunities.

Sales Volume Growth

In year 2012, ERC has achieved Local Sales volume growth of 32% over the previous year. Substantial positive growth can be seen in various channels i.e. Traditional Trade by 39%, Modern Trade & Horeca by 17% and Abu Dhabi Distributor by 67%. This achievement was made possible by the great efforts of our sales team with support from all departments.

Profitability growth

In term of profitability, ERC has achieved a Net Profit of AED 0.767 million which is better than the budget of Year 2012. Consequently, the operating profit of the company has significantly increased by 103% over 2011 which reflects the resilience of its earnings power in challenging conditions.

This shows that the operations have contributed strongly to mitigate other external factors affecting our plan hence keeping our plan intact. This has been made possible by some positive & effective decisions taken by the management during the year. Some of the key decisions are:

- Timely market study of our key raw material 'Resin' and thereafter finalizing orders well in advance in order to compete with the upcoming price increase. As a result Gross Profit margin percentage has been increased by 7.5% as compared to 2011.

- New standard pricing strategy implemented by Traditional Trade Channel and captured more areas of the UAE territory which resulted in an increase of our market share.

ص.ب. ٥٥٦٧. دبي، إ.ع.م • هاتف: ٣٣٣٥٥٦٦ (٩٧١٤+) • فاكس: ٣٣٣٥٥٥٨ (٩٧١٤+)
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الإمـــارات للمرطبـــات
Emirates Refreshments

The company is looking forward to focusing on long term strategies which will support growth in the market and increase profitability. This year ERC has launched the package of PET 300 ml and Carbonated Beverages are going to be launched in Year 2013. This diversification shall certainly provide an advantage in terms of increased margins and focusing on high contribution products.

Finally, I would like to express our gratitude and appreciation to His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister of U.A.E. and Ruler of Dubai and His Highness Sheikh Hamdan Bin Rashid Al Maktoum, UAE Minister of Finance & Industry for providing us with a business environment and an infrastructure where we can grow and contribute to the UAE economy and for providing us with their continuous support.

In addition, I would like to thank all the people who supported and showed their commitment and dedication to help achieve our objectives. Our employees, shareholders, customers and suppliers are all equally important to us in all our endeavours. It is pertinent to mention here that the challenges ahead are enormous for the company and require a clear vision and expanded creative thinking. It is even more important in this challenging & competitive environment to grow our business and improve profitability. I hope that we shall meet all the future challenges with strength and vigour as always.

Thank you,

Chairman of the Board

Ali Humaid Ali Al Owais

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Emirates Refreshments (P.S.C.)
(formerly Jeema Mineral Water (P.S.C.))

Income statement
for the year ended 31 December 2012

	Note	**2012 AED**	2011 AED
Revenue		**55,667,920**	48,808,982
Cost of sales	*5*	**(37,721,683)**	(36,739,726)
Gross profit		**17,946,237**	12,069,256
Selling and distribution expenses	*6*	**(12,096,254)**	(12,710,806)
Administrative and general expenses	*7*	**(5,437,962)**	(13,018,935)
Operating profit/(loss)		**412,021**	(13,660,485)
Profit on disposal of available for sale investments	*12*	**1,168,582**	17,341,397
Loss on disposal of investment property	*11*	**(462,564)**	-
Finance cost	*8*	**(1,023,992)**	(1,364,836)
Finance income	*8*	**410,430**	630,146
Other income	*9*	**262,950**	883,577
Profit for the year		**767,427**	3,829,799
Earnings per share – basic and diluted	*25*	**0.026**	0.128

The notes set out on pages 9 to 32 are an integral part of these financial statements.

The independent auditors' report is set out on page 2.

Emirates Refreshments (P.S.C.)
(formerly Jeema Mineral Water (P.S.C.))

Statement of comprehensive income
for the year ended 31 December 2012

	Note	2012 AED	2011 AED
Profit for the year		**767,427**	3,829,799
Other comprehensive income:			
Net change in fair value of available for sale investments	*12*	**1,705,094**	1,577,989
Transfer of fair value reserve on investments sold during the year to profit or loss	*12*	**(1,168,582)**	(17,341,397)
Total other comprehensive income for the year		**536,512**	(15,763,408)
Total comprehensive income for the year		**1,303,939**	(11,933,609)

The notes set out on pages 9 to 32 are an integral part of these financial statements.

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Emirates Refreshments (P.S.C.)
(formerly Jeema Mineral Water (P.S.C.))

Statement of financial position
as at 31 December 2012

	Note	2012 AED	2011 AED
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**31,121,142**	35,245,515
Investment property	*11*	**-**	3,757,075
Available for sale investments	*12*	**3,235,449**	8,189,425
Long-term prepayment	*13*	**1,159,000**	1,220,000
Non-current portion of fixed deposits with banks	*17*	**3,000,000**	4,200,000
Total non-current assets		**38,515,591**	52,612,015
Current assets			
Inventories	*14*	**9,440,514**	7,681,248
Trade and other receivables	*15*	**8,596,188**	8,284,951
Due from a related party	*16*	**697,163**	1,336,674
Cash at bank and in hand	*17*	**18,000,279**	16,882,697
Total current assets		**36,734,144**	34,185,570
Total assets		**75,249,735**	86,797,585
EQUITY			
Share capital	*21*	**30,000,000**	30,000,000
Statutory reserve	*22*	**9,075,242**	8,998,499
Obligatory reserve	*23*	**1,500,000**	1,500,000
Fair value reserve	*24*	**1,497,098**	960,586
Accumulated losses		**(220,944)**	(911,628)
Total equity		**41,851,396**	40,547,457
LIABILITIES			
Non-current liabilities			
Provision for staff terminal benefits	*20*	**1,319,221**	1,229,605
Bank loans - non current portion	*19*	**7,000,000**	10,200,000
Total non-current liabilities		**8,319,221**	11,429,605
Current liabilities			
Trade and other payables	*18*	**12,005,149**	18,912,187
Short-term portion of long-term bank loans	*19*	**3,200,000**	3,200,000
Bank overdraft	*19*	**9,873,969**	12,708,336
Total current liabilities		**25,079,118**	34,820,523
Total liabilities		**33,398,339**	46,250,128
Total equity and liabilities		**75,249,735**	86,797,585

These financial statements were authorised for issue on behalf of the Board of Directors on 11 MAR 2013

Director

Director

The notes set out on pages 9 to 32 are an integral part of these financial statements.

The independent auditors' report is set out on page 2.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Statement of cash flows

for the year ended 31 December 2012

	2012 AED	2011 AED
Operating activities		
Profit for the year	767,427	3,829,799
Adjustments for:		
Depreciation	5,701,638	5,006,737
Profit on disposal of property, plant and equipment	(60,631)	(30,340)
Impairment loss on investment property	-	536,725
Loss on sale of investment property	462,564	-
Amortisation of long-term prepayment	61,000	61,000
Provision for staff terminal benefits	623,411	209,404
Interest expense	891,900	1,238,335
Interest income	(237,962)	(152,124)
Profit on disposal of available for sale investments	(1,168,582)	(17,341,397)
Gain on disposal of assets held for sale	-	(263,997)
Dividend income from available for sale investments	(172,468)	(478,022)
	6,868,297	(7,383,880)
Change in inventories	(1,759,266)	445,651
Change in trade and other receivables	(555,796)	1,860,079
Change in due from a related party	639,511	(373,605)
Change in trade and other payables	(6,907,038)	(1,422,199)
Staff terminal benefits paid	(533,795)	(159,008)
Net cash used in operating activities	(2,248,087)	(7,032,962)
Investing activities		
Purchase of property, plant and equipment	(1,583,732)	(3,438,960)
Proceeds from disposal of assets classified as held for sale	-	1,570,000
Proceeds from disposal of property, plant and equipment	67,098	30,340
Funds invested in fixed deposit with banks	-	(14,596,503)
Proceeds from disposal of available for sale investments	6,659,070	20,571,397
Proceeds from disposal of investments property	3,294,511	-
Dividend received	172,468	478,022
Interest income received	237,962	152,124
Net cash from investing activities	8,847,377	4,766,420
Financing activities		
Term loans obtained from a bank	-	6,000,000
Repayment of bank loans	(3,200,000)	(8,850,000)
Interest expense paid	(891,900)	(1,238,335)
Net cash used in financing activities	(4,091,900)	(4,088,335)
Net increase in cash and cash equivalents	2,507,390	(6,354,877)
Cash and cash equivalents at the beginning of the year	(6,222,142)	132,735
Cash and cash equivalents at the end of the year	(3,714,752)	(6,222,142)
Cash and cash equivalents comprise:		
Cash at bank and in hand	159,217	486,194
Fixed deposit (less than 3 months)	6,000,000	6,000,000
Bank overdraft	(9,873,969)	(12,708,336)
	(3,714,752)	(6,222,142)

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The independent auditors' report is set out on page 2.

Emirates Refreshments (P.S.C.)
(formerly Jeema Mineral Water (P.S.C.))

Statement of changes in equity
for the year ended 31 December 2012

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Accumulated losses AED	Total AED
At 1 January 2011	30,000,000	8,615,519	1,500,000	16,723,994	(4,358,447)	52,481,066
Total comprehensive income for the year						
Profit for the year	-	-	-	-	3,829,799	3,829,799
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	1,577,989	-	1,577,989
Transfer of fair value reserve on investments sold during the year to profit or loss	-	-	-	(17,341,397)	-	(17,341,397)
Total other comprehensive income	-	-	-	(15,763,408)	-	(15,763,408)
Total comprehensive income for the year	-	-	-	(15,763,408)	3,829,799	(11,933,609)
Transactions with owners, recorded directly in equity						
Transfer to statutory reserve	-	382,980	-	-	(382,980)	-
Total transactions with owners	-	382,980	-	-	(382,980)	-
At 31 December 2011	30,000,000	8,998,499	1,500,000	960,586	(911,628)	40,547,457

Emirates Refreshments (P.S.C.)
(formerly Jeema Mineral Water (P.S.C.))

Statement of changes in equity *(continued)*
for the year ended 31 December 2012

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Accumulated losses AED	Total AED
At 1 January 2012	30,000,000	8,998,499	1,500,000	960,586	(911,628)	40,547,457
Total comprehensive income for the year						
Profit for the year	-	-	-	-	767,427	767,427
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	1,705,094	-	1,705,094
Transfer of fair value reserve on investments sold during the year to profit or loss	-	-	-	(1,168,582)	-	(1,168,582)
Total other comprehensive income	-	-	-	536,512	-	536,512
Total comprehensive income for the year	-	-	-	536,512	767,427	1,303,939
Transactions with owners, recorded directly in equity						
Transfer to statutory reserve	-	76,743	-	-	(76,743)	-
Total transactions with owners	-	76,743	-	-	(76,743)	-
At 31 December 2012	**30,000,000**	**9,075,242**	**1,500,000**	**1,497,098**	**(220,944)**	**41,851,396**

The notes set out on pages 9 to 32 are an integral part of these financial statements.

1. Reporting entity

Emirates Refreshments (P.S.C.) ("the Company") is a Public Shareholding Company incorporated in the Emirates of Dubai, United Arab Emirates, under a decree issued by His Highness The Ruler of Dubai. The Company is listed on the Dubai Financial Market. The shareholders of the Company at an extraordinary general meeting held on 20 June 2010, resolved that the name of the Company be changed from Jeema Mineral Water (P.S.C.) to Emirates Refreshments (P.S.C.).

The principal activities of the Company are bottling and selling mineral water as well as manufacturing plastic bottles and containers. The Company has two plants, each located in Dibba and Hatta, UAE.

The registered address of the Company is P O Box 5567, Dubai, UAE.

2. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

Basis of measurement

These financial statements have been prepared on the historical cost basis, except for non-derivative financial instruments classified as available for sale which are measured at fair value.

Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Company's functional currency.

Use of estimates and judgments

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 30.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition 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, when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Capital work in progress

Capital work in progress is stated at cost less any impairment losses and not depreciated until such time the assets are ready for intended use and transferred to the respective category under property, plant and equipment.

Reclassification to investment property

When a use of a property changes from owner occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurment is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

3. Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Items of property plant, and equipment are depreciated on a straight line basis in profit or loss over the estimated useful lives of each component. Land is not depreciated. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the assets is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property plant and equipment are as follows:

Asset	Life (years)
Buildings and improvements	3-20
Plant, machinery and equipments	2-10
Furniture and fixtures	2-5
Vehicles	3-5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods (refer note 10).

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently using the 'cost model' in accordance with International Accounting Standard 40 - *Investment property* and is stated at cost less impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale property, plant and equipment is no longer depreciated.

3. Significant accounting policies *(continued)*

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

Raw materials
The cost of raw materials includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Valuation of the raw material is determined on a weighted average cost basis.

Finished goods and work-in-progress
The cost of finished goods and work-in-progress is arrived at on a weighted average cost basis and includes cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity.

Spares and consumables
Cost is determined on a weighted average cost basis and comprises the purchase cost of such materials.

Financial instruments

(i) Non derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivable are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and amount due from a related party.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

(i) Non derivative financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances including fixed deposits with maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Impairment losses on available for sale financial assets are recognised in profit and loss.

Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise loans from banks, bank overdraft and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3. Significant accounting policies *(continued)*

Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in equity security, a significant prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset 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. Losses are recognised in profit or loss. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3. Significant accounting policies *(continued)*

Impairment *(continued)*

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. All impairment losses are recognised in profit or loss.

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

Staff terminal benefits

The provision for staff terminal benefits, disclosed as a long-term liability, is calculated in accordance with the UAE Labour Law and is based on the liability that would arise if the employment of the Company's staff were terminated at the reporting date.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

3. Significant accounting policies *(continued)*

Finance income and finance cost

Finance income comprises interest income on fixed deposits with banks and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is reconised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance expenses comprise interest expense on bank borrowings and bank charges.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (if any). Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held (if any), for the effects of all dilutive potential ordinary shares.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. Of particular relevance to the Company are:

(a) IFRS 9 Financial instruments: Classification and measurement (issued in November 2010)

The International Accounting Standards Board issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset and subsequently measures the financial assets as either at amortised cost or fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2015.

2. Significant accounting policies *(continued)*

New standards and interpretations not yet adopted *(continued)*

(b) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Company is currently reviewing its methodologies in determining fair values. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(c) Improvements to IFRS

Improvements to IFRS comprises amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Company will continuously assess the impact of the amendments to IFRS in the Company's financial statements.

Based on management's current assessment none of these is expected to have a significant impact on the Company's financial statements.

4. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and principally from the Company's receivables from customers, due from a related party and cash with banks.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring of outstanding receivables. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Amount due from a related party

Amounts due from a related party are considered recoverable by management.

4. Financial risk management *(continued)*

Credit risk *(continued)*

Cash at banks

The Company's cash is placed with banks of good repute.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risks

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant transactions in any currency other than the functional currency.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk other than relating to its bank overdraft and bank loans which are obtained at market rates.

Equity price risk

Equity price risk arises from available-for sale equity securities. Investments within the portfolio are managed on an individual basis and buy and sell decisions are approved by the risk management committee. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of portfolio is done in accordance with the approval of the Board of Directors.

4. Financial risk management *(continued)*

Capital management

The Board'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. Capital consists of share capital, reserves and retained earnings. The Board of Directors monitors the return on capital as well as level of dividend to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Company's approach to capital management during the year.

5. Cost of sales

	2012 AED	2011 AED
These include:		
Raw materials consumed	**21,017,241**	20,380,173
Staff costs	**4,729,513**	4,863,506
Water and electricity charges	**4,990,412**	4,849,504
Depreciation (refer note 10(a))	**4,651,615**	4,402,303

6. Selling and distribution expenses

	2012 AED	2011 AED
These include:		
Staff costs	**4,571,310**	4,671,086
Rent	**3,361,869**	2,735,065
Truck hire charges	**1,416,481**	1,813,016
Fuel expense	**1,628,778**	1,693,238
Advertisement and marketing expenses	**171,107**	452,591
Depreciation (refer note 10(a))	**539,503**	333,031
Pallets for export	**135,371**	210,615

7. Administrative and general expenses

	2012 AED	2011 AED
These include:		
Staff costs	**3,148,522**	5,151,809
Professional and legal cost	**711,690**	5,459,166
Depreciation (refer note 10(a))	**510,520**	271,403
Impairment loss on investment property	**-**	536,725
Impairment loss on trade receivables	**-**	280,170

8. Finance cost and Income

	2012 AED	2011 AED
Finance cost		
Interest on long-term bank loans	**513,300**	902,724
Interest on bank overdraft	**378,600**	335,611
Bank charges and commission	**132,092**	126,501
	1,023,992	1,364,836
Finance income		
Dividend income from available for sale investments	**172,468**	478,022
Interest income	**237,962**	152,124
	410,430	630,146

9. Other income

	2012 AED	2011 AED
Miscellaneous income	**202,319**	589,240
Profit on disposal of property, plant and equipment	**60,631**	30,340
Gain on disposal of assets held for sale	**-**	263,997
	262,950	883,577

10. Property, plant and equipment

	Buildings and improvement AED	Plant, machinery, and equipments AED	Furniture and fixtures AED	Vehicles AED	Capital work in progress AED	Total AED
Cost						
At 1 January 2011	12,670,162	45,192,090	8,498,328	1,791,807	3,966,719	72,119,106
Additions	125,932	1,466,331	77,347	-	1,769,350	3,438,960
Transfers	4,078,876	-	357,991	-	(4,436,867)	-
Reclassifications	3,730,493	6,774	(3,745,260)	7,993	-	-
Disposals	-	(603,753)	-	-	-	(603,753)
Write off	-	-	-	(948,311)	-	(948,311)
At 31December 2011	20,605,463	46,061,442	5,188,406	851,489	1,299,202	74,006,002
At 1 January 2012	20,605,463	46,061,442	5,188,406	851,489	1,299,202	74,006,002
Additions	82,600	1,165,468	195,638	14,910	125,116	1,583,732
Transfers	-	843,432	-	-	(843,432)	-
Disposals	-	(749,629)	-	(128,000)	-	(877,629)
At 31December 2012	20,688,063	47,320,713	5,384,044	738,399	580,886	74,712,105
Depreciation						
At 1 January 2011	6,880,285	24,704,518	2,203,609	1,517,402	-	35,305,814
Charge for the year	792,024	3,202,195	886,484	126,034	-	5,006,737
On disposals		(603,753)	-	-	-	(603,753)
On reclassification/adjustments	38,977	10,447	(10,558)	(38,866)	-	-
On write off	-	-	-	(948,311)	-	(948,311)
At 31 December 2011	7,711,286	27,313,407	3,079,535	656,259	-	38,760,487
At 1 January 2012	7,711,286	27,313,407	3,079,535	656,259	-	38,760,487
Charge for the year	1,141,362	3,557,773	909,082	93,421	-	5,701,638
On disposals	-	(749,562)	-	(121,600)	-	(871,162)
At 31 December 2012	8,852,648	30,121,618	3,988,617	628,080	-	43,590,963
Net book value						
At 31 December 2012	**11,835,415**	**17,199,095**	**1,395,427**	**110,319**	**580,886**	**31,121,142**
At 31 December 2011	12,894,177	18,748,035	2,108,871	195,230	1,299,202	35,245,515

10. Property, plant and equipment *(continued)*

(a) Depreciation has been allocated as follows:

	2012 AED	2011 AED
Cost of sales (refer note 5)	**4,651,615**	4,402,303
Selling and distribution expenses (refer note 6)	**539,503**	333,031
Administrative and general expenses (refer note 7)	**510,520**	271,403
	5,701,638	5,006,737

(b) Capital work in progress at 31 December 2012 mainly comprises import of machineries amounting to AED 0.58 million *(2011: AED 0.58 million).*

(c) Plant and machinery with a purchase cost of AED 26.5 million have been mortgaged to a bank (unregistered chattel mortgage) including the insurance thereon against a loan obtained from a bank (refer note 19).

(d) Buildings are constructed on certain plots of land leased from the Government of Fujairah, UAE for a period of 15 years and 25 years. Upon its expiry, the leases can be renewed for a further term to be decided by the parties at that time and the management believes that it will be able to renew the lease for future periods.

During the current year, management has reassessed the estimated useful lives of property, plant and equipment. The revised useful lives of items of property, plant and equipment is as follows:

	Previous useful lives (years)	Current useful lives (years)
Buildings	20	3-20

In the opinion of the management the revision would result in a more accurate reflection of the depreciation charge of the related property, plant and equipment. This change has been accounted for prospectively, in accordance with the revised IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the effect of the change has been recognised in profit or loss. Had there been no change in the estimate, the depreciation charge for the year would have been lower by AED 0.3 million.

11. Investment property

Investment property comprised a plot of land which was held for undetermined use. During the year, the Company sold this land for a consideration of AED 3,327,789. The Company has also incurred a transaction cost of AED 33,278 in respect of this sale. The Company has recognised a loss on sale of investment property of AED 462,564 in the profit or loss.

12. Available for sale investments

	2012 AED	2011 AED
At 1 January	**8,189,425**	27,182,833
Change in fair value	**1,705,094**	1,577,989
Sale of investments	**(6,659,070)**	(20,571,397)
At 31 December	**3,235,449**	8,189,425

Significant investments in available for sale financial assets are held in equity securities listed on recognised stock exchanges.

During the current year, the Company sold certain investments in securities with original cost of AED 5,490,488 *(2011: AED 3,230,000)* for a consideration of AED 6,659,070 *(2011: AED 20,571,397)* resulting in a gain of AED 1,168,582 *(2011: AED 17,341,397)* which is recorded in profit or loss.

13. Long-term prepayment

This represents a payment made (net of cumulative amortisation) to obtain leasehold rights for a land located in Fujairah, UAE. The lease term is 25 years which is renewable on expiry at market rates prevailing at that time.

	2012 AED	2011 AED
Total payment	**1,525,000**	1,525,000
Less: Cumulative amortisation	**(305,000)**	(244,000)
Balance at 31 December	**1,220,000**	1,281,000
Less: Current portion of prepayment classified under trade and receivables	**(61,000)**	(61,000)
Non-current portion	**1,159,000**	1,220,000

14. Inventories

	2012 AED	2011 AED
Raw materials	**4,616,497**	2,402,735
Finished goods	**1,746,504**	1,851,837
Spare parts	**3,463,457**	3,805,798
Others	**164,079**	222,724
	9,990,537	8,283,094
Less: Provision for slow moving inventories	**(550,023)**	(601,846)
	9,440,514	7,681,248

15. Trade and other receivables

	2012 AED	2011 AED
Trade receivables	**6,908,362**	7,160,921
Less: Allowance for impairment	**(698,340)**	(790,183)
	6,210,022	6,370,738
Prepayments	**1,096,695**	721,530
Advances to suppliers	**65,511**	43,694
Other receivables	**1,223,960**	1,148,989
	8,596,188	8,284,951

16. Related party transactions and balances

The Company, in the normal course of business carries out transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard 24. These transactions are carried out at mutually agreed rates. The significant related party transactions during the year were as follows:

	2012 AED	2011 AED
Sales	**6,941,615**	6,368,346
Expenses paid to a related party	**80,000**	283,906

Compensation to key management personnel is as follows:

	2012 AED	2011 AED
Short term benefits	**1,470,988**	2,124,192
Provision towards employees' terminal benefits	**23,470**	20,066

	2012 AED	2011 AED
Due from a related party		
Dubai Refreshments (PSC)	**697,163**	1,336,674

16. Related party transactions and balances *(continued)*

In 2009, the Company had entered into a co-packing agreement ("the Co-Packing Agreement") with Dubai Refreshments (P.S.C.), a related party, to act as a bottler and co-packer of a beverage. As per the terms of the Co-Packing Agreement, the parties have undertaken to sell/purchase a minimum quantity of the beverage at a mutually agreed price. The agreement was valid until February 2012. The Company has entered into a new agreement with Dubai Refreshments (P.S.C.) on 22 February 2012 with a validity of 2 years. The amount receivable from Dubai Refreshments (P.S.C.) under the Co-Packing Agreement is assigned to banks against facilities obtained by the Company (refer note 19).

17. Cash and cash equivalents

	2012 AED	2011 AED
Cash in hand	**103,544**	133,386
Other cash equivalents	**53,268**	48,454
Cash at bank – current account	**2,406**	304,354
Cash at bank – fixed deposits	**20,841,061**	20,596,503
	21,000,279	21,082,697
Less: long-term portion of fixed deposits	**(3,000,000)**	(4,200,000)
	18,000,279	16,882,697

(i) Fixed deposits include AED 6 million *(2011: AED 6 million)* with a maturity of less than three months from the reporting date. Fixed deposits carry interest at normal commercial rates.

(ii) Fixed deposits with banks amounting to AED 18.75 million *(2011: AED 18.75 million)* are hypothecated against bank borrowings obtained comprising loans and overdraft (refer note 19). Fixed deposits of AED 3 million *(2011: AED 4.2 million)* corresponding to a long term loan are classified as non-current assets.

18. Trade and other payables

	2012 AED	2011 AED
Trade payables	**8,488,671**	8,932,282
Accrued expenses and other payables	**3,516,478**	9,979,905
	12,005,149	18,912,187

19. Bank borrowings

	2012 AED	2011 AED
Bank loans		
Balance at 1 January	**13,400,000**	16,250,000
Loans obtained during the year	**-**	6,000,000
Less: Repayments made during the year	**(3,200,000)**	(8,850,000)
Balance at 31 December	**10,200,000**	13,400,000
Less: Current portion of loans	**(3,200,000)**	(3,200,000)
Long term portion of loans	**7,000,000**	10,200,000
Overdraft	**9,873,969**	12,708,336

Bank loan comprises the following:

- AED 10 million loan obtained from a local bank in December 2010 repayable in 60 monthly installments until June 2016. This loan carries interest rate of 2.05% over 3 months EIBOR with a minimum rate of 6.5% per annum.
- AED 6 million loan obtained from a local bank in June 2011 repayable in equal quarterly installments over a period of five years starting September 2011and carries interest at 0.75% over the fixed deposit rate.

The loans and overdrafts obtained from banks are secured by the following:

- Chattel mortgage and assignment of insurance over the Company's bottling plant in Dibba, Fujairah (refer note 10(d)).
- Assignment of receivables from Dubai Refreshment Company under the Co Packing Agreement (valid till February 2014) duly acknowledged by Dubai Refreshment Company (refer note 16).
- An undertaking to re-assign the receivables from Dubai Refreshment Company upon renewal of the above Co-Packing Agreement.
- Hypothecation of time deposits amounting to AED 18.75 million *(2011: AED 18.75 million)* (refer note 17).

20. Staff terminal benefits

	2012 AED	2011 AED
Balance at 1 January	**1,229,605**	1,179,209
Provision made during the year	**623,411**	209,404
Payments made during the year	**(533,795)**	(159,008)
Balance at 31 December	**1,319,221**	1,229,605

21. Share capital

	2012 AED	2011 AED
Authorised, issued and fully paid up:		
30 million ordinary shares of AED 1 each	**30,000,000**	30,000,000

22. Statutory reserve

In accordance with the UAE Company Law No. 8 of 1984 (as amended), a minimum of 10% of the profit of the Company is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. During the current year, an amount of AED 82,743 *(2011: AED 382,980)* was transferred to the reserve, being 10% of the profit for the year.

23. Obligatory reserve

In accordance with the Articles of association of the Company, 10% of the annual profit is required to be transferred to the obligatory reserve until the Company's members pass a general resolution for the discontinuance of such transfer or such reserve equals 5% of the Company's paid up share capital. As the obligatory reserve has equalled 5% of the paid up share capital, no transfer has been made to the reserve during the current year *(2011: Nil)*.

This reserve can be utilised by the Company based on a board resolution which has to be approved by the shareholders.

24. Fair value reserve

The fair value reserve represents the unrealised gains and losses arising from changes in the fair value for available-for-sale financial assets which are recognised in fair value reserve in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in profit or loss. Also refer note 12.

25. Earnings per share

	2012	2011
Profit for the year (AED)	**767,427**	3,829,799
Weighted average number of shares outstanding	**30,000,000**	30,000,000
Earnings per share in AED – basic and diluted	**0.026**	0.128

26. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 AED	2011 AED
Less than 1 year	**2,108,084**	2,068,210
Later than 1 year and no later than 5 years	**2,102,372**	3,669,149
Later than 5 years	**3,482,920**	4,024,227
	7,693,376	9,761,586

27. Contingent liabilities and commitments

	2012 AED	2011 AED
Letters of guarantee	**1,065,000**	1,025,000
Letters of credits	**3,952,501**	-
Capital commitments	**206,855**	372,942

a) The Company has undertaken to sell a minimum quantity of beverage to a related party as per a co-packing agreement at a mutually agreed price.

b) The company has filed a case against old distributor in Oman for recovering assets carrying net book value of AED 125,112 as at December 31st 2012 and bank balance of AED 724,215. The company has fully provided these assets and the case hearing is going on in Oman courts.

28. Segment reporting

The Company operates in a single reporting segment of bottling, distribution and trading of mineral water. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, income statement, statement of comprehensive income and notes to the 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 Company's country of domicile (UAE) is AED 50 million *(year ended 31 December 2011: AED 41.6 million)* and revenue from customers outside the UAE (foreign customers) is AED 5.7 million *(year ended 31 December 2011: AED 7.2 million).*

b) Major customers

Revenue from Dubai Refreshments (P.S.C.), a related party, amounts to AED 6.9 million *(2011: AED 6.4 million)* of the Company's total revenues. Apart from this related party there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

29. Financial instruments

a) Credit risk

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

	2012 AED	2011 AED
Trade receivables	**6,210,022**	6,370,738
Other receivables	**1,223,960**	1,148,990
Due from a related party	**697,163**	1,336,674
Cash at bank – current accounts	**2,406**	304,354
Cash at bank – fixed deposits	**20,841,061**	20,596,502
	28,974,612	29,757,258

29. Financial instruments *(continued)*

a) Credit risk *(continued)*

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2012 AED	2011 AED
Domestic	5,824,651	5,865,454
Other GCC countries	348,724	279,857
Other regions	36,647	225,427
	6,210,022	6,370,738

The age of trade receivables at the reporting date was:

	2012 Gross AED	2012 Impairment AED	2011 Gross AED	2011 Impairment AED
0-90 days from invoice date	5,686,209	-	4,972,874	-
91-120 days from invoice date	215,331	-	462,748	-
121-180 days from invoice date	117,299	-	460,680	-
181 - 360 days from invoice date	238,342	47,159	481,765	7,329
More than one year from invoice date	651,181	651,181	782,854	782,854
	6,908,362	698,340	7,160,921	790,183

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

	2012 AED	2011 AED
Balance at 1 January	790,183	3,215,000
Allowance reversed/written off	(91,843)	(2,704,987)
Impairment loss recognised	-	280,170
Balance at 31 December	698,340	790,183

b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2012	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	Between 1 to 2 years AED	More than 2 years AED
Non-derivative financial liabilities					
Long-term bank loans	10,200,000	10,555,632	3,383,341	6,567,593	604,698
Trade and other payables	12,005,149	12,005,149	12,005,149	-	-
Bank overdraft	9,873,969	9,873,969	9,873,969	-	-
	32,079,118	32,434,750	25,262,459	6,567,593	604,698

29. Financial instruments *(continued)*

b) Liquidity risk *(continued)*

31 December 2011	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	Between 1 to 2 years AED	More than 2 years AED
Non-derivative financial liabilities					
Long-term bank loans	13,400,000	15,118,417	4,131,250	4,757,792	6,229,375
Trade and other payables	18,912,187	18,912,187	18,912,187	-	-
Bank overdraft	12,708,336	12,708,336	12,708,336	-	-
	45,020,523	46,738,940	35,751,773	4,757,792	6,229,375

The Company does not have any derivative financial liabilities at the end of the current year and previous year.

c) Market risk

Interest rate risk

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount 2012 AED	Carrying amount 2011 AED
Fixed rate instruments		
Financial liabilities	**4,200,000**	14,154,304
Financial assets	**20,841,000**	20,596,503
Variable rate instruments		
Financial liabilities	**15,873,969**	11,954,032

Fair value sensitivity analysis for fixed interest rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss 100 bp increase AED	Profit or loss 100 bp decrease AED
31 December 2012	**(158,740)**	**158,740**
31 December 2011	(119,540)	119,540

29. Financial instruments *(continued)*

d) Equity price risk

The Company is exposed to price risk on equity securities classified as available for sale in the statement of financial position. The Company's investments in equity securities are publicly traded and are listed in Muscat Securities Market, Abu Dhabi Securities Exchange and Dubai Financial Market.

Sensitivity analysis

The following table demonstrates the sensitivity of the Company's equity and profit or loss to a 10 percent change in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	Effect on profit or loss AED	Effect on equity AED
31 December 2012		
Effect of changes in quoted equity portfolio of the Company	-	323,545
31 December 2011		
Effect of changes in quoted equity portfolio of the Company	-	818,943

e) Fair values

The Company's management believes that fair value of its financial assets and liabilities are not materially different from the carrying amount at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2012

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale investments	3,235,449	-	-	3,235,449

31 December 2011

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale investments	8,189,425	-	-	8,189,425

30. Significant accounting estimates and judgements

Estimating useful lives of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and on the historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Provision for inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Company makes judgments 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. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the past movement of the inventory.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables and due from a related party. In determining whether impairment losses should be reported in profit or loss, the Company makes judgments 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.

Impairment losses on available for sale financial assets

The Company reviews its available for sale financial assets to assess impairment at least on an annual basis. In determining whether impairment losses should be reported in profit or loss, the Company makes judgments as to determine whether there is any significant and prolonged decline in the fair value of available for sale financial assets. If the decline in the fair value of any available for sale financial asset is considered by management as significant and prolonged, an impairment loss is recorded in profit or loss.