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

Financial statements
31 December 2013

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Emirates Refreshments

Dear Shareholders,

It gives us great pleasure to share with you that in 2013, Emirates Refreshments PJSC continued to build on the successful turnaround achieved in 2012. Strategic changes were also brought into place throughout the year, both in management and product diversification and with the valuable input of all Board members the company is now in a position to springboard a more profitable future.

2013 saw higher Operating Profit than 2012, reflecting the increasing financial health of the company and the decision to move to outsourced distribution in the Abu Dhabi region was fully justified in substantial sales improvement in that area. In Dubai and the Northern Emirates we continued to grow distribution through fleet expansion and greater trade penetration. Over the course of the year we invested in the upgrade of machinery in both manufacturing locations which will enable higher production capacity to be maintained in the future through better productivity. Some of the highlights of our 2013 results are as follows:

Record Sales Revenues achieved

In 2013, ERC sales reached AED 68.76 million, an overall growth of 24% or AED 13.09 million on 2012, reflecting the impact of the higher value carbonated soft drinks which were launched in May. We are confident of achieving the same year on year growth in 2014, which will also be enhanced by further product diversification.

Sales Volume Growth

2013 also saw significant case sales growth of 12% on the previous year, with particular success in the domestic market which grew by 23% in volume. By channel, this was reflected as follows: Traditional Trade surged 27%; Modern Trade and Horeca by 19% and our case sales in Abu Dhabi were up by 22%. I take this opportunity to congratulate the Sales team for their efforts in reaching this achievement, ably helped by the logistics and operations departments.

Growing Profitability

In terms of Operating Profit, ERC achieved a figure of AED 0.653 million, reflecting the continued increasing health of the company, and some AED 0.24 million higher than in 2012.

This was driven by improving gross margins in water manufacturing as the impact of machinery upgrades and full overhauls carried out in Quarters 2 and 4 started to reflect lower overhead costs due to higher productivity. Further, manufacturing margins were helped by successful forward purchasing of key packaging raw materials.

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الإمـــارات للمرطبــات
Emirates Refreshments

Against this, however, the lower margins on the 'O' range of soft drinks which we launched in May 2013, and is currently co-packed by a third party on our behalf, meant the overall company gross margin increase year on year remained less the 1% .

We will continue to monitor closely market pricing of key packaging raw materials in order to take advantage of low prices well in advance. Packaging is a key cost component and we will continue to explore ways of minimizing such cost to improve our margins.

I look forward to another successful year in 2014, with further focus on our long term strategy of expanding our brand portfolio and creating higher value product which will help drive greater profitability. We will continue the roll-out of new carbonated soft drink flavours and focus on generating greater consumer demand at home while establishing stronger export partnerships, both in the water business and soft drinks. We will also look at developing partnerships with strategic partners by capitalizing on our distribution capabilities domestically.

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.

I would also take this opportunity to thank all those people who have supported ERC and showed their commitment and dedication in helping us achieve our objectives. ERC's most valuable asset is its people and my thanks to them, our shareholders, customers and suppliers in their continuous support. Challenges still remain in a competitive environment but our vision remains resolute to grow and expand the business and improve our profitability.

Thank you,

Chairman of the Board

Abdulla Al Qubaisi

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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 2013, and the statements of profit or loss, 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 the 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 2013, 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; the financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law No. 8 of 1984 (as amended) and the Articles of Association of the Company; that proper financial records have been kept by the Company; a physical count of inventories was carried out by the 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 2013, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG
Date: 05 MAR 2014
Vijendra Nath Malhotra
Registration No: 48 B

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

Statement of profit or loss
for the year ended 31 December 2013

	Note	2013 AED	2012 AED
Revenue		**68,756,237**	55,667,920
Cost of sales	5	**(46,486,215)**	(37,721,683)
Gross profit		**22,270,022**	17,946,237
Selling and distribution expenses	6	**(14,791,680)**	(12,096,254)
Administrative and general expenses	7	**(6,825,027)**	(5,437,962)
Operating profit		**653,315**	412,021
Profit on disposal of available for sale investments	11	**193,436**	1,168,582
Loss on disposal of investment property		**-**	(462,564)
Finance cost	8	**(653,143)**	(1,023,992)
Finance income	8	**209,975**	410,430
Other income	9	**141,818**	262,950
Profit for the year		**545,401**	767,427
Earnings per share – basic and diluted	24	**0.018**	0.026

The notes set out on pages 9 to 31 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 2013

	Note	**2013 AED**	2012 AED
Profit for the year		**545,401**	767,427
Other comprehensive income:			
Items that will be or may be reclassified subsequently to profit or loss			
Net change in fair value of available for sale investments	*11*	**1,053,942**	1,705,094
Transfer of fair value reserve on investments sold during the year to profit or loss	*11*	**(193,436)**	(1,168,582)
Total other comprehensive income for the year		**860,506**	536,512
Total comprehensive income for the year		**1,405,907**	1,303,939

The notes set out on pages 9 to 31 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 financial position
as at 31 December 2013

	Note	2013 AED	2012 AED
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**29,429,701**	31,121,142
Available for sale investments	*11*	**2,984,438**	3,235,449
Long-term prepayment	*12*	**1,098,000**	1,159,000
Non-current portion of fixed deposits with banks	*16*	**-**	3,000,000
Total non-current assets		**33,512,139**	38,515,591
Current assets			
Inventories	*13*	**9,978,370**	9,440,514
Trade and other receivables	*14*	**10,797,946**	8,596,188
Due from a related party	*15*	**-**	697,163
Cash at bank and in hand	*16*	**10,636,959**	18,000,279
Total current assets		**31,413,275**	36,734,144
Total assets		**64,925,414**	75,249,735
EQUITY			
Share capital	*20*	**30,000,000**	30,000,000
Statutory reserve	*21*	**9,129,782**	9,075,242
Obligatory reserve	*22*	**1,500,000**	1,500,000
Fair value reserve	*23*	**2,357,604**	1,497,098
Retained earnings/(Accumulated losses)		**269,917**	(220,944)
Total equity		**43,257,303**	41,851,396
LIABILITIES			
Non-current liabilities			
Provision for staff terminal benefits	*19*	**1,679,392**	1,319,221
Bank loans - non current portion	*18*	**-**	7,000,000
Total non-current liabilities		**1,679,392**	8,319,221
Current liabilities			
Trade and other payables	*17*	**14,378,399**	12,005,149
Short-term portion of long-term bank loans	*18*	**-**	3,200,000
Bank overdraft	*18*	**5,610,320**	9,873,969
Total current liabilities		**19,988,719**	25,079,118
Total liabilities		**21,668,111**	33,398,339
Total equity and liabilities		**64,925,414**	75,249,735

These financial statements were authorised for issue on behalf of the Board of Directors on 05 MAR 2014

Director

Director

The notes set out on pages 9 to 31 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 2013

	2013 AED	2012 AED
Operating activities		
Profit for the year	545,401	767,427
Adjustments for:		
Depreciation	6,019,575	5,701,638
Profit on disposal of property, plant and equipment	(29,461)	(60,631)
Loss on sale of investment property	-	462,564
Amortisation of long-term prepayment	61,000	61,000
Provision for staff terminal benefits	553,974	623,411
Interest expense	302,243	891,900
Interest income	(110,425)	(237,962)
Profit on disposal of available for sale investments	(193,436)	(1,168,582)
Dividend income from available for sale investments	(99,550)	(172,468)
	7,049,321	6,868,297
Change in inventories	(537,856)	(1,759,266)
Change in trade and other receivables	(2,201,758)	(555,796)
Change in due from a related party	697,163	639,511
Change in trade and other payables	2,373,250	(6,907,038)
Staff terminal benefits paid	(193,803)	(533,795)
Net cash from/(used in) operating activities	7,186,317	(2,248,087)
Investing activities		
Purchase of property, plant and equipment	(4,329,686)	(1,583,732)
Proceeds from disposal of property, plant and equipment	31,014	67,098
Funds withdrawn from fixed deposit with banks	10,888,445	-
Proceeds from disposal of available for sale investments	1,304,953	6,659,070
Proceeds from disposal of investments property	-	3,294,511
Dividend received	99,550	172,468
Interest income received	110,425	237,962
Net cash from investing activities	8,104,701	8,847,377
Financing activities		
Repayment of bank loans	(10,200,000)	(3,200,000)
Interest expense paid	(302,243)	(891,900)
Net cash used in financing activities	(10,502,243)	(4,091,900)
Net increase in cash and cash equivalents	4,788,775	2,507,390
Cash and cash equivalents at the beginning of the year	(3,714,752)	(6,222,142)
Cash and cash equivalents at the end of the year	1,074,023	(3,714,752)
Cash and cash equivalents comprise:		
Cash at bank and in hand	589,088	159,217
Fixed deposit (less than 3 months)	6,095,255	6,000,000
Bank overdraft	(5,610,320)	(9,873,969)
	1,074,023	(3,714,752)

The notes set out on pages 9 to 31 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 changes in equity
for the year ended 31 December 2013

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings/ (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 to profit or loss of reserve on available for sale investments sold during the year	-	-	-	(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

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

Statement of changes in equity *(continued)*
for the year ended 31 December 2013

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings/ (Accumulated losses) AED	Total AED
At 1 January 2013	30,000,000	9,075,242	1,500,000	1,497,098	(220,944)	41,851,396
Total comprehensive income for the year						
Profit for the year	-	-	-	-	545,401	545,401
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	1,053,942	-	1,053,942
Transfer to profit or loss of reserve on available for sale investments sold during the year	-	-	-	(193,436)	-	(193,436)
Total other comprehensive income	-	-	-	860,506	-	860,506
Total comprehensive income for the year	-	-	-	860,506	545,401	1,405,907
Transactions with owners, recorded directly in equity						
Transfer to statutory reserve	-	54,540	-	-	(54,540)	-
Total transactions with owners	-	54,540	-	-	(54,540)	-
At 31 December 2013	**30,000,000**	**9,129,782**	**1,500,000**	**2,357,604**	**269,917**	**43,257,303**

The notes set out on pages 9 to 31 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 on 1 January 1980. 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 and carbonated soft drinks as well as manufacturing plastic bottles and containers. Bottling of carbonated soft drinks has been commenced in the current period under a co-packing agreement. The Company has two plants located in Dibba and Hatta, UAE. The Company markets, distributes and sells its products across the Middle East and Africa countries mainly in 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 estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed in note 29.

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 any accumulated impairment losses, if any.

If significant 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 gains or losses on disposal of an item of property, plant and equipment 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.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using straight-line method over their estimated useful lives, and is generally recognised in profit and loss. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the leased term.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and improvement	3-20 years
Plant, machinery, and equipments	2-10 years
Furniture and fixtures	2-5 years
Vehicles	2-5 years

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).

3. Significant accounting policies *(continued)*

Investment property

Investment property is measured at cost and subsequently using the 'cost model' in accordance with International Accounting Standard 40 - *Investment property* and is stated at cost less accumulated depreciation 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. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in revaluation reserve is transferred to retained earnings.

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
The cost of finished goods 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

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

(i) Non-derivative financial assets and liabilities – recognition and derecognition

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.

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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

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

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 has the following non-derivative financial assets.

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances and deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Available-for-sale financial assets

These assets are initially recognised 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 debt instruments, are recognised in other comprehensive income and accumulated in the fair value reserves. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised 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.

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

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.

(iv) Share capital

Ordinary shares

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

Financial asset not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

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, adverse changes in the payment status of borrowers or issuers, the disappearance of active market for a security or observable data indicating that there is measureable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant ot prolong decline in its fair value below its cost.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historic trends.

An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of assets, the relevant amounts are written off. If the amount of impairment loss subsequently decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and 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 to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss recognised previously in profit or loss. If 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, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

3. Significant accounting policies *(continued)*

Impairment *(continued)*

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, other than inventories, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash generated unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. 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

Provision for staff terminal benefit, disclosed as a long term liability, is based on the liability that would arise if the employment of all the staff were terminated at the reporting date. The provision is calculated in accordance with the minimum amount prescribed by UAE Labour Law.

Provisions

Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Operating lease payments - as lessee

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. 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 ("AED") at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to AED at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

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 recognised 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 standard and interpretations adopted

Effective 1 January 2013, International Financial Reporting Standards (IFRS) 13: Fair Value Measurement has become effective and has been applied in preparing these financial statements.

Presentation of Items of Other Comprehensive Income

As a result of the amendments to IAS 1, the Company has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. In accordance with the transitional provisions, IFRS 13 has been applied prospectively from the effective date of 1 January 2013. The application of IFRS 13 has no significant impact on the fair value measurements carried out by the Company.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. Of particular relevance to the Company is:

4. Significant accounting policies *(continued)*

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

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

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The International Accounting Standards Board ("IASB") currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015.

Based on management's current assessment above amendments are not 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.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management framework is a combination of formally documented policies in certain areas and informal approach to risk management in others. The Company's senior management is responsible for developing and monitoring the Company's approach to risk management. The Company's senior management reports to the Board of Directors on its activities.

The Company's approach to risk management is established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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.

4. Financial risk management *(continued)*

Credit risk *(continued)*

Amount due from a related party

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

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 obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

Liquidity risk mainly relates to trade and other payables and bank overdraft. 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 which is 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.

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

	2013 AED	2012 AED
Raw materials consumed	**25,733,544**	21,017,241
Co-packing charges	**1,240,455**	-
Staff costs	**5,718,208**	4,729,513
Water and electricity charges	**5,267,258**	4,990,412
Depreciation (refer note 10(a))	**5,078,064**	4,651,615
Others	**3,448,686**	2,332,902
	46,486,215	37,721,683

6. Selling and distribution expenses

	2013 AED	2012 AED
Staff costs	**6,120,623**	4,571,310
Rent	**3,476,380**	3,361,869
Truck hire charges	**1,561,522**	1,416,481
Fuel expense	**1,615,763**	1,628,778
Advertisement and marketing expenses	**433,201**	171,107
Depreciation (refer note 10(a))	**516,227**	539,503
Pallets for export	**115,710**	135,371
Others	**952,254**	271,835
	14,791,680	12,096,254

7. Administrative and general expenses

	2013 AED	2012 AED
Staff costs	**4,134,336**	3,148,522
Professional and legal cost	**711,558**	711,690
Depreciation (refer note 10(a))	**425,284**	510,520
Impairment loss / (reversal of impairment loss) on trade receivables	**86,662**	(91,843)
Others	**1,467,187**	1,159,073
	6,825,027	5,437,962

8. Finance cost and Income

	2013 AED	2012 AED
Finance cost		
Interest on long-term bank loans	**58,808**	513,300
Interest on bank overdraft	**243,435**	378,600
Bank charges and commission	**350,900**	132,092
	653,143	1,023,992
Finance income		
Dividend income from available for sale investments	**99,550**	172,468
Interest income	**110,425**	237,962
	209,975	410,430

9. Other income

	2013 AED	2012 AED
Profit on disposal of property, plant and equipment	**29,461**	60,631
Miscellaneous income	**112,357**	202,319
	141,818	262,950

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

Notes *(continued)*

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 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
At 1 January 2013	20,688,063	47,320,713	5,384,044	738,399	580,886	74,712,105
Additions	255,442	3,842,537	227,857	3,850	-	4,329,686
Transfers	-	580,886	-	-	(580,886)	-
Disposals	(3,500)	(15,631)	(25,635)	-	-	(44,766)
At 31December 2013	20,940,005	51,728,505	5,586,266	742,249	-	78,997,025
Depreciation						
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
At 1 January 2013	8,852,648	30,121,618	3,988,617	628,080	-	43,590,963
Charge for the year	983,416	4,049,150	921,115	65,894	-	6,019,575
On disposals	(1,576)	(16,038)	(25,600)	-	-	(43,214)
At 31 December 2013	9,834,488	34,154,730	4,884,132	693,974	-	49,567,324
Net book value						
At 31 December 2013	**11,105,517**	**17,573,775**	**702,134**	**48,275**	**-**	**29,429,701**
At 31 December 2012	11,835,415	17,199,095	1,395,427	110,319	580,886	31,121,142

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

(a) Depreciation has been allocated as follows:

	2013 **AED**	2012 AED
Cost of sales (refer note 5)	**5,078,064**	4,651,615
Selling and distribution expenses (refer note 6)	**516,227**	539,503
Administrative and general expenses (refer note 7)	**425,284**	510,520
	6,019,575	5,701,638

(b) 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.

In 2012, management has reassessed the estimated useful lives of certain property, plant and equipment within the category of building and improvements. The revised useful lives of items of buildings and improvement is as follows:

	Previous useful lives (years)	Useful lives since 2012 (years)
Building and improvements	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 had 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 had been recognised in profit or loss. Had there been no change in the estimate, the depreciation charge for the previous year would have been lower by AED 0.3 million.

11. Available for sale investments

	2013 AED	2012 AED
At 1 January	**3,235,449**	8,189,425
Change in fair value	**1,053,942**	1,705,094
Sale of investments	**(1,304,953)**	(6,659,070)
At 31 December	**2,984,438**	3,235,449

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 1,111,517 *(2012: AED 5,490,488)* for a consideration of AED 1,304,953 *(2012: AED 6,659,070)* resulting in a gain of AED 193,436 *(2012: AED 1,168,582)* which is recorded in profit or loss.

12. 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 for 25 years which is renewable on expiry at market rates prevailing at that time.

	2013 AED	2012 AED
Total payment	**1,525,000**	1,525,000
Less: Cumulative amortisation	**(366,000)**	(305,000)
Balance at 31 December	**1,159,000**	1,220,000
Less: Current portion of prepayment classified under trade and receivables	**(61,000)**	(61,000)
Non-current portion	**1,098,000**	1,159,000

13. Inventories

	2013 AED	2012 AED
Raw materials	**5,461,721**	4,616,497
Finished goods	**2,373,444**	1,746,504
Spare parts	**3,053,998**	3,463,457
Others	**208,954**	164,079
	11,098,117	9,990,537
Less: Provision for slow moving inventories	**(1,119,747)**	(550,023)
	9,978,370	9,440,514

14. Trade and other receivables

	2013 AED	2012 AED
Trade receivables	**8,871,623**	6,908,362
Less: Allowance for impairment	**(759,995)**	(698,340)
	8,111,628	6,210,022
Prepayments	**1,297,765**	1;096,695
Advances to suppliers	**212,427**	65,511
Other receivables	**1,176,126**	1,223,960
	10,797,946	8,596,188

15. 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:

	2013 AED	2012 AED
Sales	**1,526,708**	6,941,615
Expenses paid to a related party	-	80,000

Compensation to key management personnel is as follows:

Short term benefits	**2,363,244**	1,470,988
Provision towards employees' terminal benefits	**169,436**	23,470

	2012 AED	2012 AED
Due from a related party		
Dubai Refreshments (PSC)	-	697,163

15. 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.), 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.

During the year, Dubai Refreshment (P.S.C) has sold its entire shareholding in the Company and therefore has not been disclosed as a related party.

16. Cash at bank and in hand

	2013 AED	2012 AED
Cash in hand	**99,474**	103,544
Other cash equivalents	**37,316**	53,268
Cash at bank – current account	**452,298**	2,406
Cash at bank – fixed deposits	**10,047,871**	20,841,061
	10,636,959	21,000,279
Less: long-term portion of fixed deposits	**-**	(3,000,000)
	10,636,959	18,000,279

(i) Fixed deposits include AED 6.1 million *(2012: AED 6 million)* with a maturity of less than three months from the reporting date. Fixed deposits carry interest at normal commercial rates.

(ii) Non-current portion of fixed deposits represented the amount corresponding to the non-current portion of term loans against which deposits were hypothecated and were classified as non-current assets. During the current year, the Company has liquidated fixed deposits of AED 10.9 million and utilized the proceeds to settle the entire amount of outstanding term loans of AED 10.2 million and the remaining amount for working capital requirements (refer note 18).

17. Trade and other payables

	2013 AED	2012 AED
Trade payables	**11,466,334**	8,488,671
Accrued expenses and other payables	**2,912,065**	3,516,478
	14,378,399	12,005,149

18. Bank borrowings

	2013 AED	2012 AED
Bank loans		
Balance at 1 January	**10,200,000**	13,400,000
Less: Repayments made during the year	**(10,200,000)**	(3,200,000)
Balance at 31 December	**-**	10,200,000
Less: Current portion of loans	**-**	(3,200,000)
Long term portion of loans	**-**	7,000,000
Overdraft	**5,610,320**	9,873,969

The above borrowings are obtained at prevailing market interest rate and are secured by fixed deposit of AED 10 million (refer note 16).

19. Staff terminal benefits

	2013 AED	2012 AED
Balance at 1 January	**1,319,221**	1,229,605
Provision made during the year	**553,974**	623,411
Payments made during the year	**(193,803)**	(533,795)
Balance at 31 December	**1,679,392**	1,319,221

20. Share capital

	2013 AED	2012 AED
Authorised, issued and fully paid up:		
30 million ordinary shares of AED 1 each	**30,000,000**	30,000,000

21. 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 54,540 *(2012: AED 76,743)* was transferred to the reserve, being 10% of the profit for the year.

22. 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 shareholders' 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 *(2012: Nil)*.

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

23. 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 11.

24. Earnings per share

	2013	2012
Profit for the year (AED)	**545,401**	767,427
Weighted average number of shares outstanding	**30,000,000**	30,000,000
Earnings per share in AED – basic and diluted	**0.018**	0.026

25. Operating lease commitments

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

	2013 AED	2012 AED
Less than 1 year	**2,576,715**	2,108,084
Later than 1 year and no later than 5 years	**6,321,982**	2,102,372
Later than 5 years	**2,508,406**	3,482,920
	11,407,103	7,693,376

26. Contingent liabilities and commitments

	2013 AED	2012 AED
Letters of guarantee	**770,000**	1,065,000
Letters of credits	**1,569,612**	3,952,501
Capital commitments	**1,462,650**	206,855

a) The Company has undertaken to sell a minimum quantity of beverage to a customer 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 53,685 as at 31 December 2013 and cash and bank balance of AED 735,832. The company has fully provided for these assets and the case hearing is going on in Oman courts.

27. Segment reporting

The Company operates in a single reporting segment of bottling, distribution and trading of mineral water and carbonated soft drinks. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, statement of profit or loss, 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 2013, revenue from customers located in the Company's country of domicile (UAE) is AED 60 million *(year ended 31 December 2012: AED 50 million)* and revenue from customers outside the UAE (foreign customers) is AED 8.8 million *(year ended 31 December 2012: AED 5.7 million).*

b) Major customers

Revenue from a customer amounts to AED 6.4 million *(2012: AED 6.9 million)* of the Company's total revenues. Apart from this, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

28. 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:

	2013 AED	2012 AED
Trade receivables	**8,111,628**	6,210,022
Other receivables	**1,176,125**	1,223,960
Due from a related party	**-**	697,163
Cash at bank – current accounts	**452,298**	2,406
Cash at bank – fixed deposits	**10,047,871**	20,841,061
	19,787,922	28,974,612

28. Financial instruments *(continued)*

a) Credit risk *(continued)*

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

	2013 AED	2012 AED
Domestic	**7,984,956**	5,824,651
Other GCC countries	**124,786**	348,724
Other regions	**1,886**	36,647
	8,111,628	6,210,022

The age of trade receivables at the reporting date was:

	2013 Gross AED	2013 Impairment AED	2012 Gross AED	2012 Impairment AED
0-90 days from invoice date	**7,763,887**	**-**	5,686,209	-
91-120 days from invoice date	**214,114**	**-**	215,331	-
121-180 days from invoice date	**99,937**	**-**	117,299	-
181 - 360 days from invoice date	**67,379**	**33,689**	238,342	47,159
More than one year from invoice date	**726,306**	**726,306**	651,181	651,181
	8,871,623	**759,995**	6,908,362	698,340

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

	2013 AED	2012 AED
Balance at 1 January	**698,340**	790,183
Allowance reversed/written off	**(25,007)**	(91,843)
Impairment loss recognised	**86,662**	-
Balance at 31 December	**759,995**	698,340

b) Liquidity risk

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

31 December 2013	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					
Trade and other payables	**14,378,399**	**14,378,399**	**14,378,399**	**-**	**-**
Bank overdraft	**5,610,320**	**5,610,320**	**5,610,320**	**-**	**-**
	19,988,719	**19,988,719**	**19,988,719**	**-**	**-**

28. Financial instruments *(continued)*

b) Liquidity risk *(continued)*

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

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	
	2013 AED	2012 AED
Fixed rate instruments		
Financial liabilities	**-**	4,200,000
Financial assets	**10,047,871**	20,841,000
Variable rate instruments		
Financial liabilities	**5,610,320**	15,873,969

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 2012.

	Profit or loss	
	100 bp increase AED	**100 bp decrease AED**
31 December 2013	**(56,103)**	**56,103**
31 December 2012	(158,740)	158,740

28. 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 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 2013		
Effect of changes in quoted equity portfolio of the Company	**-**	**298,444**
31 December 2012		
Effect of changes in quoted equity portfolio of the Company	-	323,545

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 2013

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale investments	**2,984,438**	**-**	**-**	**2,984,438**

31 December 2012

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

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the year.

29. 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.