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

Financial statements
31 December 2014

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Contents

	Page
Directors' report	1-2
Independent auditors' report	3
Statement of profit or loss	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of cash flows	7
Statement of changes in equity	8 - 9
Notes to the financial statements	10 - 33

الإمــارات للمرطبــات
Emirates Refreshments

Dear Shareholders,

It gives me much pleasure to share with you that in 2014, Emirates Refreshments PJSC continued to build on 2013 results, and with the guidance and valuable input of all Board members the company is now looking to improve profitability further in 2015.

2014 saw higher Operating Profit than 2013, reflecting increased volumes and revenue, together with higher gross margin as a result of closer control of production costs. From a sales point of view, Abu Dhabi continued to show substantial improvement. In Dubai and the Northern Emirates we continued to grow distribution and gain new accounts with our flagship brand Jeema. Over the course of the year we invested further in new and upgraded machinery in both manufacturing locations, delivering higher productivity than in 2013. From a corporate responsibility point of view, we take pride in having initiated during the year participation in some charitable causes in the UAE, supporting the Emirates Thalassemia Society, Bait al Khair and Breast Cancer awareness, which we will continue to support going forward.

Some highlights of our 2014 results are as follows:

<u>Record Sales Revenues achieved</u>

ERC sales reached AED 73.22 million, an overall growth of 6.5% or AED 4.5 million on 2013, and we are confident of achieving similar levels of growth in 2015, which will reflect the introduction of new packaging across the portfolio.

<u>Sales Volume Growth</u>

2014 also saw overall case sales growth of 7% on the previous year, with particular success in the domestic market which grew by 12% in volume, outstripping the annual growth of the UAE bottled water market of around 10%. By channel, this was reflected as follows: Traditional Trade continued a strong performance with growth of 14% over the previous year; Modern Trade and Horeca grew more slowly at 3%, mainly due to tough competitive pricing in the hotel segment, and our case sales in Abu Dhabi were up by 29% as we expanded both grocery and supermarket distribution. I take this opportunity to pass on my thanks to the Sales team for their efforts in helping grow our market share.

<u>Growing Profitability</u>

In terms of Operating Profit, ERC achieved a figure of AED 0.769 million, a growth of 18% on 2013, and better control of cash flow helped ensure a net profit over AED 1.0 million, AED 0.46 million better than the 2013 figure. In general, we continued to show higher margins through taking timely advantage of raw material prices to minimize cost of goods sold.

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Margins on carbonated soft drinks, still co-packed by a third party on our behalf, remained below expectations due to increases in aluminium costs towards the end of the year and very aggressive competitive pricing. Total company gross margin improved by 1.6% on 2013 levels.

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 remains the key cost component in the mix and we will continue to explore ways of minimizing such costs to improve our margins.

I look forward to another successful year in 2015, with further focus on our long term strategy of expanding our brand portfolio and creating higher value product to help drive greater profitability. We are looking to increase the carbonated drink flavours on offer and focus on growing distribution domestically while establishing stronger and more reliable export partnerships, both in the water business and soft drinks. We are also exploring growth internationally through different business models than simple finished product exports.

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 move toward achieving our long term objectives. ERC's most valuable asset has always been its people and my thanks to them, our shareholders, customers and suppliers in their continuous support. Challenges still remain in a competitive environment, particularly with the arrival of numerous imported brands into the market as well as the launch of new major domestic brands, but our vision to grow the portfolio and improve profitability for our shareholders remains as strong as ever.

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 2014, 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 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 2014, 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 (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 2014, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No.793
Dubai

16 FEB 2015

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

Statement of profit or loss
for the year ended 31 December 2014

	Note	**2014 AED**	2013 AED
Revenue		**73,219,659**	68,756,237
Cost of sales	*5*	**(48,343,047)**	(46,486,215)
Gross profit		**24,876,612**	22,270,022
Selling and distribution expenses	*6*	**(16,752,681)**	(14,791,680)
Administrative and general expenses	*7*	**(7,354,516)**	(6,825,027)
Operating profit		**769,415**	653,315
Profit on disposal of available for sale investments	*12*	**-**	193,436
Finance cost	*8*	**(326,621)**	(653,143)
Finance income	*8*	**151,184**	209,975
Other income	*9*	**407,851**	141,818
Profit for the year		**1,001,829**	545,401
Earnings per share – basic and diluted	*25*	**0.033**	0.018

The notes set out on pages 10 to 33 are an integral part of these financial statements.

The independent auditors' report is set out on page 3.

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

Statement of comprehensive income
for the year ended 31 December 2014

	Note	**2014 AED**	2013 AED
Profit for the year		**1,001,829**	545,401
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Net change in fair value of available for sale investments	*12*	**(84,687)**	1,053,942
Transfer of fair value reserve on investments sold during the year to profit or loss	*12*	**-**	(193,436)
Total other comprehensive income for the year		**(84,687)**	860,506
Total comprehensive income for the year		**917,142**	1,405,907

The notes set out on pages 10 to 33 are an integral part of these financial statements.

The independent auditors' report is set out on page 3.

Emirates Refreshments (P.S.C.)

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

Statement of financial position

as at 31 December 2014

	Note	2014 AED	2013 AED
ASSETS			
Non-current assets			
Property, plant and equipment	10	26,086,415	29,429,701
Capital advances	10.1	3,883,861	-
Investment properties	11	2,055,358	-
Available for sale investments	12	2,899,751	2,984,438
Long-term prepayment	13	1,037,000	1,098,000
Total non-current assets		35,962,385	33,512,139
Current assets			
Inventories	14	8,933,179	9,978,370
Trade and other receivables	15	11,652,927	10,797,946
Cash and cash equivalents	17	11,532,297	10,636,959
Total current assets		32,118,403	31,413,275
Total assets		68,080,788	64,925,414
EQUITY			
Share capital	21	30,000,000	30,000,000
Statutory reserve	22	9,229,965	9,129,782
Obligatory reserve	23	1,500,000	1,500,000
Fair value reserve	24	2,272,917	2,357,604
Retained earnings		1,171,563	269,917
Total equity		44,174,445	43,257,303
LIABILITIES			
Non-current liabilities			
Provision for staff terminal benefits	20	2,008,758	1,679,392
Total non-current liabilities		2,008,758	1,679,392
Current liabilities			
Trade and other payables	18	16,248,034	14,378,399
Bank borrowings	19	5,649,551	5,610,320
Total current liabilities		21,897,585	19,988,719
Total liabilities		23,906,343	21,668,111
Total equity and liabilities		68,080,788	64,925,414

These financial statements were authorised for issue on behalf of the Board of Directors on 16 FEB 2015

Chairman

Director

The notes set out on pages 10 to 33 are an integral part of these financial statements.

The independent auditors' report is set out on page 3.

Emirates Refreshments (P.S.C.)

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

Statement of cash flows

for the year ended 31 December 2014

	2014 AED	2013 AED
Operating activities		
Profit for the year	1,001,829	545,401
Adjustments for:		
Depreciation (including investment properties)	5,991,687	6,019,575
Profit on disposal of property, plant and equipment	(15,340)	(29,461)
Amortisation of long-term prepayment	61,000	61,000
Provision for staff terminal benefits	526,916	553,974
Interest expense	150,106	302,243
Interest income	(51,634)	(110,425)
Profit on disposal of available for sale investments	-	(193,436)
Dividend income from available for sale investments	(99,550)	(99,550)
	7,565,014	7,049,321
Change in inventories	1,045,191	(537,856)
Change in trade and other receivables	(854,981)	(2,201,758)
Change in due from a related party	-	697,163
Change in trade and other payables	1,869,635	2,373,250
Staff terminal benefits paid	(197,550)	(193,803)
Net cash from operating activities	9,427,309	7,186,317
Investing activities		
Purchase of property, plant and equipment	(4,703,759)	(4,329,686)
Capital advances paid	(3,883,861)	-
Proceeds from disposal of property, plant and equipment	15,340	31,014
Funds (invested in)/ withdrawn from fixed deposit with banks	(35,371)	10,888,445
Proceeds from disposal of available for sale investments	-	1,304,953
Dividend received	99,550	99,550
Interest income received	51,634	110,425
Net cash (used in)/from investing activities	(8,456,467)	8,104,701
Financing activities		
Repayment of bank loans	-	(10,200,000)
Interest expense paid	(150,106)	(302,243)
Net cash used in financing activities	(150,106)	(10,502,243)
Net increase in cash and cash equivalents	820,736	4,788,775
Cash and cash equivalents at the beginning of the year	1,074,023	(3,714,752)
Cash and cash equivalents at the end of the year	1,894,759	1,074,023
Cash and cash equivalents comprise:		
Cash at bank and in hand	1,427,405	589,088
Fixed deposit (less than 3 months)	6,116,905	6,095,255
Bank overdraft	(5,649,551)	(5,610,320)
	1,894,759	1,074,023

The notes set out on pages 10 to 33 are an integral part of these financial statements.

The independent auditors' report is set out on page 3.

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

Statement of changes in equity
for the year ended 31 December 2014

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	(Accumulated losses)/retained earnings 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 of fair value reserve on investments sold during the year to profit or loss	-	-	-	(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

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

Statement of changes in equity *(continued)*
for the year ended 31 December 2014

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
At 1 January 2014	30,000,000	9,129,782	1,500,000	2,357,604	269,917	43,257,303
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,001,829	1,001,829
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	(84,687)	-	(84,687)
Total other comprehensive income	-	-	-	(84,687)	-	(84,687)
Total comprehensive income for the year	-	-	-	(84,687)	1,001,829	917,142
Transactions with owners, recorded directly in equity						
Transfer to statutory reserve	-	100,183	-	-	(100,183)	-
Total transactions with owners	-	100,183	-	-	(100,183)	-
At 31 December 2014	**30,000,000**	**9,229,965**	**1,500,000**	**2,272,917**	**1,171,563**	**44,174,445**

The notes set out on pages 10 to 33 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 sellmg mineral water and carbonated soft drinks as well as manufacturing plastic bottles and containers. Bottling of carbonated soft drinks commenced in 2013 under a co-packing agreement. The Company has two plants, each 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 30.

3. Significant accounting policies

The accounting policies set out below, which comply with IFRSs, 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 and depreciation

Recognition and measurement

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

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.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is this remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement 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 in profit or loss.

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.

3. Significant accounting policies *(continued)*

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

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).

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 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.

3. Significant accounting policies *(continued)*

Inventories *(continued)*

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.

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 and trade and other receivables.

Cash and cash equivalents

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

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

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.

(iv) Share capital

Ordinary shares

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

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 or prolong decline in its fair value below its cost.

3. Significant accounting policies *(continued)*

Impairment *(continued)*

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.

(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.

3. Significant accounting policies *(continued)*

Impairment *(continued)*

(ii) Non-financial assets (continued)

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

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the year in which they arise.

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.

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 and commission.

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.

3. Significant accounting policies *(continued)*

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 are effective for annual periods beginning after 1 January 2014, however the Company has not applied the followings new standards and amended standards in preparing these financial statements. Of particular relevance to the Company are:

IFRS 9 Financial instruments

IFRS 9 published in July 2014, replaces the existing guidance in *IAS 39 Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guideline on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption is permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption is permitted.

The Company management is in process of evaluating impact of above new standards 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 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.

Cash at banks

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

4. Financial risk management *(continued)*

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.

Notes *(continued)*

5. Cost of sales

	2014 AED	2013 AED
Raw materials consumed	**26,683,282**	25,733,544
Toll manufacturing charges	**1,076,539**	1,240,455
Staff costs	**6,039,560**	5,718,208
Water and electricity charges	**5,703,975**	5,267,258
Depreciation (refer note 10(a))	**5,298,942**	5,078,064
Provision for slow moving inventories	**544,559**	517,901
Others	**2,996,190**	2,930,785
	48,343,047	46,486,215

6. Selling and distribution expenses

	2014 AED	2013 AED
Staff costs	**6,514,384**	6,120,623
Rent	**4,424,944**	3,476,380
Truck hire charges	**1,493,522**	1,561,522
Fuel expense	**1,745,156**	1,615,763
Advertisement and marketing expenses	**936,281**	433,201
Depreciation (refer note 10(a))	**324,069**	516,227
Pallets for export	**118,849**	115,710
Others	**1,195,476**	952,254
	16,752,681	14,791,680

7. Administrative and general expenses

	2014 AED	2013 AED
Staff costs	**4,902,891**	4,134,336
Professional and legal cost	**643,532**	711,558
Depreciation (refer notes 10(a) and 11)	**368,676**	425,284
Impairment loss on trade receivables	**17,701**	86,662
Others	**1,421,716**	1,467,187
	7,354,516	6,825,027

8. Finance cost and Income

	2014 AED	2013 AED
Finance cost		
Interest on long-term bank loans	-	58,808
Interest on bank overdraft	**150,106**	243,435
Bank charges and commission	**176,515**	350,900
	326,621	653,143
Finance income		
Dividend income from available for sale investments	**99,550**	99,550
Interest income	**51,634**	110,425
	151,184	209,975

9. Other income

	2014 AED	2013 AED
Miscellaneous income	**212,511**	112,357
Rental income	**180,000**	-
Profit on disposal of property, plant and equipment	**15,340**	29,461
	407,851	141,818

10. Property, plant and equipment

	Buildings and improvement AED	Plant, machinery, and equipment AED	Furniture and fixtures AED	Vehicles AED	Capital work in progress AED	Total AED
Cost						
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
At 1 January 2014	20,940,005	51,728,505	5,586,266	742,249	-	78,997,025
Additions	184,575	4,304,916	180,677	21,700	11,891	4,703,759
Transfer to Investment properties (refer note 11)	(2,578,377)	-	-	-	-	(2,578,377)
Disposals	-	(1,139,889)	-	-	-	(1,139,889)
At 31December 2014	18,546,203	54,893,532	5,766,943	763,949	11,891	79,982,518
Depreciation						
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
At 1 January 2014	9,834,488	34,154,730	4,884,132	693,974	-	49,567,324
Charge for the year	678,167	4,758,746	366,695	49,718	-	5,853,326
Transfer to Investment properties (refer note 11)	(384,658)	-	-	-	-	(384,658)
On disposals	-	(1,139,889)	-	-	-	(1,139,889)
At 31 December 2014	10,127,997	37,773,587	5,250,827	743,692	-	53,896,103
Net book value						
At 31 December 2014	**8,418,206**	**17,119,944**	**516,116**	**20,257**	**11,891**	**26,086,415**
At 31 December 2013	11,105,517	17,573,775	702,134	48,275	-	29,429,701

(a) Depreciation has been allocated as follows:

	2014 AED	2013 AED
Cost of sales (refer note 5)	**5,298,942**	5,078,064
Selling and distribution expenses (refer note 6)	**324,069**	516,227
Administrative and general expenses (refer note 7)	**230,315**	425,284
	5,853,326	6,019,575

(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.

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

(c) *Transfer to investment property*

During the current year, the Company has entered into a lease agreement dated 30 March 2014 with a third party to lease a portion of a warehouse building constructed in Fujairah. Accordingly, the Company has transferred the portion of warehouse building (75% i.e. 6 sheds out of 8 sheds) from property, plant and equipment to investment property amounting to AED 2.05 million.

10.1. Capital advances

	2014 AED	2013 AED
Capital advances	**3,883,861**	-

Advances represent payments made to various third party suppliers towards acquisition of plant and machineries.

11. Investment properties

	2014 AED	2013 AED
Cost		
Transfer from property, plant and equipment (refer note 10(c))	**2,578,377**	-
At 31December 2014	**2,578,377**	-
Depreciation		
Transfer from property, plant and equipment (refer note 10(c))	**384,658**	-
Charge for the year(refer note 7)	**138,361**	-
At 31December 2014	**523,019**	-
Net book value	**2,055,358**	-

Investment properties include warehouse building (6 sheds) transferred from the property, plant and equipment during the year. The warehouse buildings were valued on an open market basis by a professional firm independent property valuers. In their assessment report dated 5 February 2015, they placed a total value of AED 2.9 million to the warehouse buildings (6 sheds). Valuation of properties was carried out using sales comparative valuation approach taking into account transactional evidence, prevailing market conditions.

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.

12. Available for sale investments

	2014 AED	2013 AED
At 1 January	**2,984,438**	3,235,449
Change in fair value	**(84,687)**	1,053,942
Sale of investments	**-**	(1,304,953)
At 31 December	**2,899,751**	2,984,438

Significant investments in available for sale financial assets are held in equity securities listed on recognised stock exchanges. During the previous year, the Company sold investments in securities with original cost of AED 1,111,517 for a consideration of AED 1,304,953 resulting in gain of AED 193,436 which was recognized 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.

	2014 AED	2013 AED
Total payment	**1,525,000**	1,525,000
Less: Cumulative amortisation	**(427,000)**	(366,000)
Balance at 31 December	**1,098,000**	1,159,000
Less: Current portion of prepayment classified under trade and receivables	**(61,000)**	(61,000)
Non-current portion	**1,037,000**	1,098,000

14. Inventories

	2014 AED	2013 AED
Raw materials	**5,088,211**	5,461,721
Finished goods	**2,333,313**	2,373,444
Spare parts	**2,991,876**	3,053,998
Others	**184,085**	208,954
	10,597,485	11,098,117
Less: Provision for slow moving inventories	**(1,664,306)**	(1,119,747)
	8,933,179	9,978,370

15. Trade and other receivables

	2014 AED	2013 AED
Trade receivables	**9,396,771**	8,871,623
Less: Allowance for impairment	**(777,696)**	(759,995)
	8,619,075	8,111,628
Prepayments	**1,091,846**	1,297,765
Advances to suppliers (refer note (a) below)	**706,303**	212,427
Other receivables	**1,235,703**	1,176,126
	11,652,927	10,797,946

(a) Advances to supplier include payments made to a third party towards co-packaging arrangement.

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. The significant related party transactions during the year were as follows:

	2014 AED	2013 AED
Compensation to key management personnel is as follows:		
Short term benefits	**2,546,911**	2,363,244
Provision towards employees' terminal benefits	**285,647**	169,436

17. Cash and cash equivalents

	2014 AED	2013 AED
Cash in hand	**105,374**	99,474
Other cash equivalents	**36,679**	37,316
Cash at bank – current account	**1,285,352**	452,298
Cash at bank – fixed deposits	**10,104,892**	10,047,871
	11,532,297	10,636,959

(i) Fixed deposits include AED 6.1 million *(2013: AED 6.1 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 are hypothecated against bank overdraft (refer note 19).

18. Trade and other payables

	2014 AED	2013 AED
Trade payables	**12,125,598**	11,466,334
Accrued expenses and other payables	**4,122,436**	2,912,065
	16,248,034	14,378,399

19. Bank borrowings

	2014 AED	2013 AED
Bank overdraft	**5,649,551**	5,610,320

Bank overdrafts carry interest at prevailing market interest rate and are secured against fixed deposit with banks amounting to AED 10 million (refer note 17).

20. Provision for staff terminal benefits

	2014 AED	2013 AED
Balance at 1 January	**1,679,392**	1,319,221
Provision made during the year	**526,916**	553,974
Payments made during the year	**(197,550)**	(193,803)
Balance at 31 December	**2,008,758**	1,679,392

21. Share capital

	2014	2013
	AED	AED
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 100,183 *(2013:AED 54,540)* 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 equaled 5% of the paid up share capital, no transfer has been made to the reserve during the current year and the previous year.

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

	2014	2013
Profit for the year (AED)	**1,001,829**	545,401
Weighted average number of shares outstanding	**30,000,000**	30,000,000
Earnings per share in AED – basic and diluted	**0.033**	0.018

26. Operating lease commitments

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

	2014	2013
	AED	AED
Less than 1 year	**1,541,662**	2,576,715
Later than 1 year and no later than 5 years	**4,254,213**	6,321,982
Later than 5 years	**2,367,611**	2,508,406
	8,163,486	11,407,103

27. Contingent liabilities and commitments

	2014	2013
	AED	AED
Letters of guarantee	**450,000**	770,000
Letters of credits	**6,912,197**	1,569,612
Capital commitments	**625,546**	1,462,650

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 500 as at 31 December 2014 and cash and bank balance of AED 735,832. 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 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 2014, revenue from customers located in the Company's country of domicile (UAE) is AED 66.8 million *(year ended 31 December 2013: AED 60 million)* and revenue from customers outside the UAE (foreign customers) is AED 6.4 million *(year ended 31 December 2013: AED 8.5 million).*

b) Major customers

Revenue from Dubai Refreshments (P.S.C.) amounts to AED 6.4 million *(2013: AED 6.4 million)* and Royal House Food Catering LLC (Abu Dhabi distributor) amounts to AED 8.8 million *(2013: AED 6.7 million)* of the Company's total revenues. Apart from this, there were no customers of the Company with significant revenues.

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:

	2014 AED	2013 AED
Trade receivables	**8,619,075**	8,111,628
Other receivables	**1,235,703**	1,176,125
Cash at bank – current accounts	**1,285,352**	452,298
Cash at bank – fixed deposits	**10,104,892**	10,047,871
	21,245,022	19,787,922

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

	2014 AED	2013 AED
Domestic	**8,309,940**	7,984,956
Other GCC countries	**309,135**	124,786
Other regions	-	1,886
	8,619,075	8,111,628

The age of trade receivables at the reporting date was:

	2014 Gross AED	2014 Impairment AED	2013 Gross AED	2013 Impairment AED
0-90 days from invoice date	**8,315,005**	-	7,763,887	-
91-120 days from invoice date	**274,100**	-	214,114	-
121-180 days from invoice date	**14,443**	-	99,937	-
181 - 360 days from invoice date	**31,055**	**15,528**	67,379	33,689
More than one year from invoice date	**762,168**	**762,168**	726,306	726,306
	9,396,771	**777,696**	8,871,623	759,995

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

	2014 AED	2013 AED
Balance at 1 January	**759,995**	698,340
Debts written off	-	(25,007)
Impairment loss recognised	**17,701**	86,662
Balance at 31 December	**777,696**	759,995

29. Financial instruments *(continued)*

b) Liquidity risk

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

31 December 2014	**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	**16,248,034**	**16,248,034**	**16,248,034**	-	-
Bank overdraft	**5,649,551**	**5,649,551**	**5,649,551**	-	-
	21,897,585	**21,897,585**	**21,897,585**	-	-

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	-	-

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	
	2014 AED	2013 AED
Fixed rate instruments		
Financial assets	**10,104,892**	10,047,871
Variable rate instruments		
Financial liabilities	**5,649,551**	5,610,320

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.

29. Financial instruments *(continued)*

c) Market risk *(continued)*

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 2013.

	Profit or loss	
	100 bp increase AED	**100 bp decrease AED**
31 December 2014	**(56,496)**	**56,496**
31 December 2013	(56,103)	56,103

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 2014		
Effect of changes in quoted equity portfolio of the Company	**289,975**	**289,975**
31 December 2013		
Effect of changes in quoted equity portfolio of the Company	298,444	298,444

29. Financial instruments *(continued)*

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 2014	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
Available for sale investments	**2,899,752**	**-**	**-**	**2,899,752**

31 December 2013	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale investments	2,984,438	-	-	2,984,438

30. Significant accounting estimates and judgements

Estimating useful lives of property, plant and equipment and investment properties

The Company estimates the useful lives of property, plant and equipment and investment properties 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.

30. Significant accounting estimates and judgements *(continued)*

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. 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.

Impairment of property, plant and equipment

Since, certain parts of the Company's property, plant and equipment are being replaced, the Company's management has reviewed the carrying amount of the Company's property plant and equipment's at the reporting date and assessed recoverable amount was higher than the carrying value of those parts based on their intended use, hence no impairment provision was considered necessary as at 31 December 2014.