UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

Consolidated financial statements and reports

Year ended 31 December 2014

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Year ended 31 December 2014

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UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

BOARD OF DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

Dear Shareholders,

The Board of Directors have the pleasure in placing before you consolidated statement of financial position of the Group as at 31 December 2014, the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the year then ended together with the Independent Auditor's Report. We approve the financial statements and confirm that we are responsible for these, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

Results and dividends

The turnover for the current year is AED 310.36 million as compared to AED 310.05 million in the previous year.

The loss after tax for the year amounted to AED 65.82 million. In the view of the losses, the Board of Directors does not recommend any dividend for the year.

On behalf of Board of Directors

MR. MANA MOHAMMED SAEED ALMULLA
CHAIRMAN
2 March 2015

INDEPENDENT AUDITOR'S REPORT

The Shareholders
UNITED KAIPARA DAIRIES COMPANY (PSC)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **UNITED KAIPARA DAIRIES COMPANY (PSC) (the "Company") and its subsidiary UNIKAI AND COMPANY LLC (the "Subsidiary") (collectively referred to as the "Group")**, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 to 34.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give true and fair view 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 consolidated financial statements.

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

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INDEPENDENT AUDITOR'S REPORT
(continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphases of matter

Without qualifying our audit opinion, we draw attention to:

- Note 4(b) to the consolidated financial statements, which states that as at the reporting date, the Group has accumulated losses of AED 127.86 million and its current liabilities exceed its current assets by AED 24.85 million. However in accordance with Article 285 of the UAE Commercial Companies Law No. 8 of 1984, the shareholders have, at an extraordinary general meeting on 22 July 2014, agreed to continue the operations of the Group and are initiating steps as stated in Note 3 to the consolidated financial statements including seeking additional finance from banks, to remedy the situation. Accordingly, these financial statements have been prepared on a going concern basis.

- Note 22 to the consolidated financial statements, which states that the bank borrowings are subject to certain financial covenants. However, as at the reporting date, the Group has not complied with certain financial covenants as specified in the bank.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that the consolidated financial statements comply with the applicable provisions of the said law and the Company's articles of association; we have obtained all the information and explanations necessary for our audit, proper books of account have been kept by the Company, an inventory was duly carried out and the contents of the report of the Board of Directors' report relating to these consolidated financial statements are in agreement with the books of account. To the best of our knowledge and belief, due to the steps initiated as referred to above, no violations of the UAE Federal Law No. 8 of 1984 (as amended) or the articles of association of the Company have occurred during the year, which would have had a material effect on the business of the Company or on its consolidated financial position.

S.D. Pereira
Partner
Registration No. 552
Dubai, United Arab Emirates
2 March 2015

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 AED'000	2013 AED'000
Revenue		**310,358**	310,048
Cost of sales	8	**(247,085)**	(239,277)
Gross profit		**63,273**	70,771
Administrative and distribution expenses	9	**(130,722)**	(108,223)
Finance costs		**(1,411)**	(468)
Other income	12	**3,272**	3,677
LOSS FOR THE YEAR BEFORE TAX		**(65,588)**	(34,243)
Provision for tax	25	**(228)**	(228)
LOSS FOR THE YEAR AFTER TAX		**(65,816)**	(34,471)
Earnings per share			
BASIC EARNINGS PER SHARE IN AED	27	**(218)**	(114)

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 AED'000	2013 AED'000
LOSS FOR THE YEAR AFTER TAX		**(65,816)**	(34,471)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale investments	15	**(113)**	367
Other comprehensive income for the year		**(113)**	367
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(65,929)**	(34,104)

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 AED'000	2013 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	41,056	55,659
Intangible assets	14	1,011	1,562
Available-for-sale investments	15	6,095	6,208
		48,162	63,429
Current assets			
Inventories	16	34,668	56,479
Trade and other receivables	17	29,884	47,778
Cash and cash equivalents	18	1,638	1,682
		66,190	105,939
Non-current assets held for sale	19	1,720	--
		67,910	105,939
Total assets		116,072	169,368
EQUITY AND LIABILITIES			
Equity funds			
Share capital	20	30,250	30,250
Legal reserve		13,965	13,965
Restricted reserve		576	576
General reserve		83,300	83,300
Fixed assets replacement reserve		15,000	15,000
Accumulated losses		(127,857)	(62,041)
Fair value reserve		249	362
		15,483	81,412
Non-current liabilities			
Staff end-of-service benefits	21	7,829	8,340
Current liabilities			
Short-term borrowings	22	47,910	38,079
Trade and other payables	23	44,115	41,030
Provision for taxation	25	735	507
		92,760	79,616
Total liabilities		100,589	87,956
Total equity and liabilities		116,072	169,368

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

Authorised for issue on behalf of the Board of Directors on 2 March 2015.

MR. MANA MOHAMMED SAEED ALMULLA	**MR. VIKAS MITTAL**
Chairman	**Chief Executive Officer**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

		Share capital	Legal reserve	Restricted reserve	General reserve	Fixed assets replacement reserve	Accumulated losses	Fair value reserve[a]	Total
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2013		30,250	13,965	576	83,300	15,000	(27,570)	(5)	115,516
Comprehensive income									
- Loss	(a)	–	–	–	–	–	(34,471)	–	(34,471)
Other comprehensive income									
- Net change in fair value of available-for-sale investments	(b)	–	–	–	–	–	–	367	367
Total comprehensive income for the year	(a+b)	–	–	–	–	–	(34,471)	367	(34,104)
Balance at 31 December 2013		30,250	13,965	576	83,300	15,000	(62,041)	362	81,412
Comprehensive income									
- Loss	(c)	–	–	–	–	–	(65,816)	–	(65,816)
Other comprehensive income									
- Net change in fair value of available-for-sale investments	(d)	–	–	–	–	–	–	(113)	(113)
Total comprehensive income for the year	(c+d)	–	–	–	–	–	(65,816)	(113)	(65,929)
Balance at 31 December 2014		**30,250**	**13,965**	**576**	**83,300**	**15,000**	**(127,857)**	**249**	**15,483**

a) This represents fair value reserve on revaluation of available-for-sale investments which will be reclassified to profit or loss on disposal in the subsequent period.

No allocation has been made to the legal reserve, restricted reserve, general reserve and fixed assets replacement reserve for the year ended 31 December 2014 due to losses.

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 AED'000	2013 AED'000
Cash flows from operating activities		
Loss for the year before tax	(65,588)	(34,243)
Adjustments for:		
Depreciation of property, plant and equipment	10,859	12,493
Amortisation of intangible assets	551	551
Impairment losses on assets held for sale	1,605	--
Finance costs	1,411	468
Dividend income	(341)	(329)
Credit balances written back	(229)	(373)
Other receivables written off	759	373
Provision for impairment of property, plant and equipment	3,285	--
Provision for impairment of trade receivables	3,014	390
Provision for staff end-of-service benefits	1,587	1,437
Write back of staff end-of-service benefits	--	(893)
Provision against obsolete inventories	12,734	--
Write back of inventory provisions	--	(448)
Profit on disposal of property, plant and equipment (net)	(951)	(768)
	(31,304)	(21,342)
Decrease in inventories	9,077	9,305
Decrease/(increase) in trade and other receivables	14,121	(3,796)
Increase in trade and other payables	3,329	2,759
Staff end-of-service benefits paid	(2,103)	(1,007)
Cash used in operations	(6,880)	(14,081)
Interest paid	(1,411)	(468)
Net cash used in operating activities	(8,291)	(14,549)
Cash flows from investing activities		
Proceeds on disposal of property, plant and equipment	1,062	1,151
Payment for property, plant and equipment	(2,977)	(5,610)
Dividends received	341	329
Net cash used in investing activities	(1,574)	(4,130)
Cash flows from financing activities		
Receipts from trust receipts (net)	13,932	11,487
Payment of acceptances (net)	--	(1,684)
Dividend paid	(10)	--
Net cash from financing activities	13,922	9,803
Net increase/(decrease) in cash and cash equivalents	4,057	(8,876)
Cash and cash equivalents at beginning of year	(21,881)	(13,005)
Cash and cash equivalents at end of year	(17,824)	(21,881)
Cash and cash equivalents comprise		
Cash and cash equivalents (note 18)	1,638	1,682
Bank overdraft (note 22)	(19,462)	(23,563)
	(17,824)	(21,881)

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

1. LEGAL STATUS AND BUSINESS ACTIVITY

a) **UNITED KAIPARA DAIRIES COMPANY (PSC) (the "Company")** is a Public Shareholding Company, incorporated on 11 April 1977 by a Decree from His Highness, The Ruler of Dubai. On 8 June 1994, the Company amended its status to a Public Shareholding Company to comply with the provisions of the UAE Federal Law No. 8 of 1984 (as amended). The Company holds 100% equity in Unikai and Company LLC (the "Subsidiary"), registered as a limited liability company in the Sultanate of Oman under the Oman Commercial Register Law No. 3/74. The company and its subsidiary are collectively referred to as the "Group".

b) The Group is engaged in the manufacture of dairy, juice and ice cream products and import of various kinds of food products for distribution throughout the Gulf and other countries. The trading activities of the Group are carried on in the name of "Unikai International". The registered address of the Company is P.O. Box 6424, Dubai, UAE.

2. BASIS OF CONSOLIDATION

These consolidated financial statements include the assets, liabilities and results of operations of United Kaipara Dairies Company PSC and its controlled subsidiary Unikai and Company LLC registered as a limited liability company in the Sultanate of Oman under the Oman Commercial Register Law No. 3/74. The subsidiary is engaged in trading in dairy, juice, ice-cream and other food products.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed off during the year are included in the statement of profit or loss and the statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. BUSINESS REORGANISATION

During the year, the Group has commenced a business reorganisation exercise and a numerous steps have been initiated. The significant measures adopted by the Group are as follows:

a) In certain non-key activities where the prospects of achieving acceptable financial returns were not evident, the Group has announced its intentions to restructure the operations or withdraw its involvement.

As a part of its strategy, the Group has identified its manufacturing operations in Sohar Oman as non-profitable. The operations have been temporarily closed effective 30 October 2014.

The Group has provided for an impairment loss of AED 3.24 million in these consolidated financial statements against buildings, plant and equipment and furniture, fixtures and office equipment of its manufacturing operations in Sohar Oman.

b) The Group has also planned to rationalise its fleet of transport and distribution equipment and accordingly has planned to disposed of its fleet of transportation and distribution equipment relating to manufacturing operations in Sohar Oman. Consequent to the decision, these have been classified as non-current assets held for sale and carried at lower of carrying value and fair value less cost to sell.

The Group has recognised an impairment loss of AED 1.61 million in these consolidated financial statements which is expected to arise on disposal of its fleet of transportation and distribution equipment.

c) In light of the accumulated losses, the Group has also sought to amend the Articles of Association and subject to regulatory approvals and approval at AGM and/or EGM, transfer the legal reserve, general reserve and fixed asset replacement reserve to accumulated losses. The amendment is sought to reduce the accumulated losses.

d) In order to provide a greater marketability to the equity shares, the Group has sought regulatory approval for a split of its share capital and will also seek approval from shareholders at its AGM and/or EGM. It is proposed that each share of AED 100 each be split in 100 shares of AED 1 each. Further it is also proposed to allow GCC nationals to invest upto 49% in the share capital of the company and foreign nationals to invest upto 20% in share capital of the Company.

e) The name of the Company is proposed to be changed to "UNIKAI FOODS" subject to regulatory approvals and approval from shareholders at its AGM and/or EGM as it more closely represents the food products that the Group trades in.

4. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2014, and the requirements of UAE Federal law No.8 of 1984 (as amended).

b) **Basis of measurement**

The consolidated financial statements are prepared using historical cost, except for certain financial assets carried at fair value.

Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At the reporting date, the Group has accumulated losses of AED 127.86 million and its current liabilities exceed its current assets by AED 24.85 million. However, in accordance with Article 285 of the UAE Commercial Companies Law No. 8 of 1984, the shareholders have, at an extraordinary general meeting on 22 July 2014, agreed to continue the operations of the Group and have initiated steps set out in Note 3 including seeking additional finance from banks, to remedy the situation. Accordingly, these financial statements have been prepared on a going concern basis.

c) **Adoption of new International Financial Reporting Standards**

Standards and interpretations effective for the current year

The International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the Group are as follows:

- Amendments to IAS 32: Offsetting Financial Assets and financial Liabilities
  The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and liabilities.

- Amendments to IAS 36 Impairment of Assets: Recoverable amount disclosure for Non-financial Assets.
  The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS13 Fair Value Measurements.

New and revised IFRSs in issue but not yet effective

The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by management as likely to have an impact on the consolidated financial statements have been issued by the IASB prior to the date the consolidated financial statements were authorised for issue but have not been applied in these consolidated financial statements as their effective dates of adoption are for future accounting periods.

- Annual Improvements 2010–2012 Cycle (1 July 2014)
  - IFRS 8: Operating Segments:

    Aggregation of operating segments:

    Requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments.

    Reconciliation of the total of the reportable segments' assets to the entity's assets:

    Clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

  - IFRS 13: Fair value measurement: Short-term receivables and payables

    The amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

  - IAS 24: Related Party Disclosures: Key management personnel

    Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

- IFRS 9: Financial Instruments: (1 January 2018)

  IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

- IFRS 15: Revenue from Contracts with Customers (1 January 2017)

  The International Accounting Standard Board (IASB) has published its new revenue Standard, IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

d) **Functional and presentation currency**

Although the functional currency of subsidiary is based on the primary economic environment in which it operates, the consolidated financial statements of the Group are presented in UAE Dirhams ("AED") which is the Company's functional currency, rounded to nearest thousand.

5. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, and which have been consistently applied by the Group, are as follows:

a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 years
Plant and equipment	5-10 years
Transport and distribution equipment	3- 6 years
Furniture, fixtures and office equipment	4 years

Freehold land is not depreciated.

Capital work-in-progress is stated at cost less any impairment losses and is not depreciated. This will be depreciated from the date the relevant assets are ready for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the expenditure will flow to the Group and such cost can be measured reliably. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. The carrying amount of replaced parts is derecognised.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing proceeds with the carrying amount. These are recognised within 'other income' in profit or loss.

b) **Intangible assets**

Intangible assets represent computer software, are stated at cost less accumulated amortisation, and impairment losses and amortised over four years.

An assessment of amortisation method and useful lives are undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the amortisation charge.

c) **Impairment of tangible and intangible assets**

At each reporting date, the management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the acquirer estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

d) **Non-current assets held for sale**

Non-current assets are classified as held for sale when their carrying value is to be recovered principally through sale as opposed to continuing use. The sale must be considered to be highly probable and to be enacted within 12 months. Held for sale assets are carried at the lower of carrying value and fair value les costs to sale.

e) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is arrived at using the Weighted Average Cost (WAC) method and comprises invoice value plus applicable landing charges less discounts. Net realisable value is based on estimated selling price less any estimated cost of completion and disposal.

Finished goods are stated at lower of cost and net realizable value. Cost comprises of direct materials, labor and other attributable overheads based on normal level of activity. Semi-finished goods are stated at cost.

Goods-in-transit represents the inventory over which the Group has legal title based on terms of purchase, but which are physically not received at the Group's warehouse.

f) **Staff end-of-service benefits**

Provision is made for end-of-service benefits payable to UAE and non-UAE employees at the reporting date in accordance with the UAE Federal Labour Law applicable to the Company and the relevant local laws applicable to the Subsidiary. The Group contributes to the Public Authority of Pensions and Social Securities in accordance with the Pension and Social Securities Law, Federal Law, No. (7) of 1999 in respect of UAE nationals and to the Oman Social Insurance Scheme in respect of Omani Nationals employed and the pension amount is recognised as expense when incurred.

g) **Legal reserve**

Legal reserve is created by appropriating a minimum of 10% of net profit of the Company as required by the UAE Federal Law No. 8 of 1984, as amended. The Company can discontinue such annual transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except as provided in the Federal Law.

h) **Restricted reserve**

Restricted reserve is created by appropriating a minimum of 10% of the net profit of the Subsidiary as required by the Oman Commercial Register Law No. 3/74. The Subsidiary can discontinue such annual transfers when the reserve totals one-third of the paid up share capital.

i) **General reserve**

General reserve is created by appropriating a minimum of 10% of the net profit of the Company as required by the company's articles of association. The Company can discontinue much annual transfers when the reserve total 50% of the paid up share capital. The reserve is to be used for purposes as recommended by the Board of Directors and approved by shareholders in the Annual General Meeting.

j) **Fixed assets replacement reserve**

Fixed assets replacement reserve is created by appropriating a certain percentage of the net profit decided by the Board of Directors. This reserve is earmarked for replacement of property, plant and equipment in future years.

k) **Revenue**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, returns and other similar allowances.

Sale of goods

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement that significant risks and rewards of ownership have been transferred to the buyer.

Dividend income

Dividend income is accounted when the right to receive dividend is established.

Rental income

Rent received from renting of properties during the year is based on contractual agreements and is accounted on accrual basis. Rent received in advance for future periods is carried forward and included in current liabilities.

l) **Leases**

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

m) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

Assets/liabilities of foreign operations are translated to presentation currency at the year end rates and transactions are translated at actual/average rates.

n) **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred except those that are attributable to the acquisition and construction of an asset that necessarily takes a substantial period to get ready for its intended use ("qualifying asset"). Such borrowing costs are capitalised as part of the related qualifying asset upto the date the qualifying asset is ready for use.

o) **Provisions**

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

p) **Taxation**

The company is not subject to any taxation in the UAE.

The Group accounts for provision for income tax for the profit earned by the Subsidiary on its operations in Sultanate of Oman each year. Income tax for the year comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except that it relates to a business, combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount deferred tax provided is based on expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised for deferred tax losses, tax credits and deductable temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realised

q) **Financial instruments**

Financial assets and financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Investments in quoted equity shares are recognised on the trade date.

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

Financial assets

Available-for-sale financial assets

Investments in quoted equity shares in which the Group does not actively trade are classified as available-for-sale and are stated at fair value by reference to quoted market prices. Changes in fair value are recognised in a fair value reserve in equity, which the management does not consider to be distributable. If it is determined that such assets are impaired, the amount of impairment is removed from the fair value reserve and recognised in profit or loss. On disposal of such assets, any related amount remaining in the fair value reserve is transferred to profit or loss.

Investments in unquoted equity shares for which there is no active market and for which fair values cannot be reliably determined due to significant variations in valuation parameters are classified as available-for-sale and stated at cost less any write down for impairment. Impairment losses are recognised in profit or loss.

Loans and receivables

Trade and other receivables

Trade and other receivables are classified as loans and receivables and stated at cost, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. These are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue balances is recognised as it accrues.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank current accounts, bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value net of temporary bank overdrafts.

Financial liabilities

At amortised cost

Trade and other payables

Trade and other payables are stated at cost, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

Interest-bearing liabilities
Interest-bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequently these are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Equity
Share capital is recorded at the value of proceeds received towards interest in share capital of the Company.

Impairment of financial assets
All financial assets are assessed for indicators of impairment at each reporting date. Impairment losses and reversals thereof are recognised in profit or loss.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

r) **Earnings per share**
The Group presents basic earnings per share (EPS) data for its shares calculated by dividing the profit or loss attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Weighted average number of shares outstanding is retrospectively adjusted to include any increase in number of shares without a corresponding change in resources.

s) **Fair value measurement**
The Group measures financial instruments, such as available for sale financial assets and non-financial assets such as non-current assets held for sale, at fair value at each reporting date. The Group also discloses the fair value of financial instruments measured at amortised cost.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

The fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In addition, the fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held-for-trading or as available-for-sale or as held-to-maturity based on management's intentions relating to those investments. The management classifies investments as held for trading if they are acquired primarily for the purpose of making short term gains through trading. Investments are designated as available-for-sale if management has the positive intention and ability to hold them to gain from capital appreciation and to earn dividend income. Investments are designated as held-to-maturity, if management has the positive intention and ability to hold them till their maturity.

Investments in quoted equity shares

Investments in quoted equity shares are recognised on the trade date, as this is the date on which an asset and a liability to pay arise.

Investments in unquoted equity shares

Investments in unquoted equity shares are stated at cost less impairment losses as the management is of the opinion that the use of valuation techniques would yield a significant range of value estimates and the probability of estimates within the range cannot be reasonably assessed.

Impairment

At each reporting date, management conducts an assessment of property, plant, equipment, intangible assets, and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to profit or loss or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

7. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Income taxes

The Group has exposure to income taxes. Significant judgement is involved in determining the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current income tax and deferred the provision in the period in which such determination is made.

Carrying value of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Inventory provisions

Management regularly undertakes a review of the Group's inventory, stated at AED 52.18 million (previous year AED 61.89 million) in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, technological changes, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment of loans and receivables

Management regularly undertakes a review of the amounts of loans and receivables owed to the Group either from third parties, (see note 17) or from related parties and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of property, plant, equipment, intangible assets, and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

Staff end-of-service benefits

The Group computes the provision for the liability towards staff end-of-service benefits stated at AED 7.83 million (previous year AED 8.34 million), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

		2014 AED'000	2013 AED'000
8. COST OF SALES			
Manufacturing			
Raw material and packing materials consumed		161,905	160,658
Depreciation (note 10)		6,659	7,114
Utilities		10,455	11,741
Staff salaries and benefits		10,671	10,821
End-of-service benefits (note 11)		299	188
Other direct costs		8,106	9,121
		198,095	199,643
Changes in inventories of semi-finished and finished goods		190	(430)
	(A)	198,285	199,213
Trading			
Inventories, beginning of the year		5,880	7,482
Purchases (including direct expenses)		50,792	38,462
Inventories, end of the year		(7,872)	(5,880)
	(B)	48,800	40,064
	(A) + (B)	247,085	239,277

The average purchase price increase of major commodities included in the cost of sales over the last year is as follows:

Raw materials	**% of increase**
AMF	9%
Skimmed Milk Powder	17%
Skimmed Milk Powder UHT grade	13%
Whole Milk Powder	14%
Trading goods	
Basmati Rice	6%

		2014 AED'000	2013 AED'000
9.	**ADMINISTRATIVE AND DISTRIBUTION EXPENSES**		
	Staff salaries and benefits[(a)]	46,858	48,552
	End-of-service benefits (note 11)	1,288	1,249
	Commercial vehicle expenses	19,512	15,913
	Utilities	1,026	941
	Operating lease expenses	3,622	3,384
	Depreciation (note 10)	4,200	5,379
	Amortisation of intangible assets	551	551
	Advertising and promotion expenses[(b)]	11,628	15,174
	Inventory provision	12,734	--
	Cost on cancellation of purchase contracts	3,241	--
	Other receivables written off	759	373
	Provision for impairment of trade receivables	3,014	390
	Provision for impairment of property plant and equipment	3,285	--
	Impairment of assets held for sale (note 19)	1,605	--
	Other expenses	17,399	16,317
		130,722	108,223

(a) Staff salaries and benefits include salaries to key management personnel of AED 1.6 million (previous year AED 1.2 million).

(b) Include display rentals of AED 3.12 million (previous year AED 5.18 million).

		2014	2013
10.	**DEPRECIATION**		
	Allocated to cost of sales (note 8)	6,659	7,114
	Allocated to administrative and distribution expenses (note 9)	4,200	5,379
		10,859	12,493

		2014 AED'000	2013 AED'000
11.	**END OF SERVICE BENIFITS**		
	Allocated to cost of sales (note 8)	299	188
	Allocated to administrative and distribution expenses (note 9)	1,288	1,249
		1,587	1,437
12.	**OTHER INCOME**		
	Sale of scrap	273	598
	Profit on disposal of property, plant and equipment (net)	951	768
	Net exchange gains	162	148
	Dividend income	341	329
	Write back of provision for staff end-of-service benefits	--	893
	Credit balances written back	229	373
	Write back of inventory provisions	--	448
	Miscellaneous income	1,316	120
		3,272	3,677

13. PROPERTY, PLANT AND EQUIPMENT

	Capital work-in-progress AED'000	Land and buildings AED'000	Plant and equipment AED'000	Transport and distribution equipment AED'000	Furniture, fixtures and office equipment AED'000	Total AED'000
Cost						
At 1 January 2013	7,225	52,898	85,124	69,239	9,355	223,841
Additions	1,364	808	603	1,270	1,565	5,610
Transfers	(7,787)	5,345	1,018	1,424	--	--
Disposals	--	--	(48)	(9,382)	--	(9,430)
At 31 December 2013	802	59,051	86,697	62,551	10,920	220,021
Additions	900	130	510	1,194	243	2,977
Transfers	(1,702)	--	1,687	--	15	--
Disposals	--	--	(587)	(11,034)	(433)	(12,054)
Reclassification to assets held for sale (note 19)	--	--	--	(4,883)	--	(4,883)
At 31 December 2014	--	59,181	88,307	47,828	10,745	206,061
Accumulated depreciation and impairment losses						
At 1 January 2013	--	32,294	62,376	60,839	5,407	160,916
Depreciation	--	2,045	5,148	3,777	1,523	12,493
Adjustment on disposals	--	--	(36)	(9,011)	--	(9,047)
At 31 December 2013	--	34,339	67,488	55,605	6,930	164,362
Depreciation	--	2,086	4,573	2,658	1,542	10,859
Adjustment on disposals	--	--	(581)	(10,937)	(425)	(11,943)
Impairment losses [note 3(a)]	--	2,830	273	--	182	3,285
Reclassification to assets held for sale (note 19)	--	--	--	(1,558)	--	(1,558)
At 31 December 2014	--	39,255	71,753	45,768	8,229	165,005
Carrying amount						
At 1 January 2013	7,225	20,604	22,748	8,400	3,948	62,925
At 31 December 2013	802	24,712	19,209	6,946	3,990	55,659
At 31 December 2014	--	19,926	16,554	2,060	2,516	41,056

a) The Government of Dubai granted land to the Group for setting up manufacturing facilities that has been recorded at a nominal value.

b) Land and buildings comprise of certain buildings constructed on land leased to the Group. The lease is renewable every year and management believes that the lease would be available to the Group on an on-going basis in the foreseeable future.

c) Accumulated depreciation and impairment losses on buildings, plant and equipment and furniture, fixtures and office equipment includes provision of AED 3.29 million created in the current year.

d) Plant and equipment provide security for bank borrowings (note 22).

14. INTANGIBLE ASSETS

	Computer software AED'000
Cost	
At 1 January 2013, 31 December 2013 and 31 December 2014	**2,205**
Accumulated amortisation	
At 1 January 2013	92
Amortisation	551
At 31 December 2013	643
Amortisation	551
At 31 December 2014	**1,194**
Carrying amount	
At 1 January 2013	2,113
At 31 December 2013	1,562
At 31 December 2014	**1,011**

15. AVAILABLE-FOR-SALE INVESTMENTS

	2014 AED'000	2013 AED'000
At 1 January	**6,208**	5,841
Change in fair value	**(113)**	367
At 31 December	**6,095**	6,208

These include investment amounting to AED 5.6 million made in unquoted equity shares of Rawabi Emirates PJSC (previous year: AED 5.6 million). Since the investment in Rawabi Emirates PJSC does not have a quoted market price in any active market, the fair value cannot be reliably measured and are stated at cost less impairment losses, if any. The balance represents investments in quoted shares of Dubai Financial Market PJSC and DP World amounting to AED 0.5 million, and are disclosed at their fair values.

16. INVENTORIES

	2014 AED'000	2013 AED'000
Raw materials and packing materials	26,716	30,975
Semi-finished goods	935	2,412
Finished goods	7,558	6,270
Trading stocks	7,872	5,880
Consumable stores and spare parts	7,971	9,036
	51,052	54,573
Less: provision for obsolete inventories	(17,515)	(5,407)
	33,537	49,166
Goods-in-transit	1,131	7,313
	34,668	56,479

A reconciliation of the movements in the provision for obsolete inventories is as follows:

	2014	2013
At 1 January	5,407	6,265
Provisions made during the year	12,734	--
Inventory written off	(626)	(410)
Provision written back	--	(448)
At 31 January	17,515	5,407

Inventories have been hypothecated with bank for security against bank borrowings (note 22).

17. TRADE AND OTHER RECEIVABLES

	2014	2013
Trade receivables	31,999	48,244
Less: Provision for impairment of trade receivables	(7,587)	(4,589)
	24,412	43,655
Advances	2,759	1,239
Prepayments	1,678	2,224
Deposits	918	315
Other receivables	117	345
	29,884	47,778

A reconciliation of the movements in the provision for impairment of trade receivables account is as follows:

	2014 AED'000	2013 AED'000
At 1 January	4,589	4,691
Provisions made during the year	3,014	390
Amount written off	(16)	(492)
At 31 January	7,587	4,589

An age analysis of trade receivables that are past due but not impaired is as follows:

0 to 30 days	5,520	9,925
30 to 60 days	1,890	5,064
Over 60 days	430	5,451

An analysis of trade receivables considered to be impaired due to non-recovery or perceived difficulty in recovery is as follows:

Gross value	7,587	4,589
Provision	(7,587)	(4,589)
Carrying value	--	--
Trade receivables not past due and not impaired	16,572	23,215

The Group holds post-dated cheques amounting to AED 1.44 million (previous year AED 3.95 million) as security against trade receivables.

The trade receivables are assigned as security for bank borrowings (note 22).

18. CASH AND CASH EQUIVALENTS

Cash on hand	497	490
Bank balance in current accounts	1,141	1,192
	1,638	1,682

19. NON-CURRENT ASSETS HELD FOR SALE

Cost	4,883	--
Accumulated depreciation	(1,558)	--
Impairment loss	(1,605)	--
	1,720	--

During the year, the directors have resolved to dispose off the transportation and distribution equipment of the Sohar operations ("disposal group"). The efforts to sell the disposal group have commenced and sale is expected to be complete within 12 months.

An impairment loss of AED 1.61 million on the re-measurement of the disposal group to the lower of its carrying amount and fair value less cost to sell has been included in administration and distribution expenses in consolidated statement of profit or loss.

		2014 AED'000	2013 AED'000
20.	**SHARE CAPITAL**		
	Authorised:		
	302,500 shares of AED 100 each	30,250	30,250
	Issued and paid up:		
	302,500 shares of AED 100 each	30,250	30,250
21.	**STAFF END-OF-SERVICE BENEFITS**		
	At 1 January	8,340	8,751
	Provision for the year	1,587	1,437
	Transfer to a related party	5	52
	Provision no longer required	--	(893)
	Paid during the year	(2,103)	(1,007)
	At 31 December	7,829	8,340
22.	**SHORT-TERM BORROWINGS**		
	Bank overdraft	19,462	23,563
	Trust receipts	28,448	14,516
		47,910	38,079

An analysis by bank of amounts outstanding is as follows:

Emirates National Bank of Dubai	39,119	37,473
Commercial Bank of Dubai	399	--
Emirates Islamic Bank	8,136	--
Bank of Muscat	256	606
	47,910	38,079

Bank borrowings are secured by

- Chattel mortgage over plant and machinery.
- Assignment of receivables
- 100% margin on labour guarantees.
- Hypothecation of inventory and assignment of all risks insurance policies.

The bank borrowings and loans are subject to certain financial covenants including minimum tangible net worth of AED 120 million, leverage ratio not to exceed 2 and minimum current ratio of 1:1. However, as at the reporting date, the Group has not complied with the financial covenants above as specified by the bank.

	2014 AED'000	2013 AED'000
23. TRADE AND OTHER PAYABLES		
Trade payables	28,900	31,900
Accruals	14,533	7,540
Rent received in advance	--	700
Advance received from customers	169	165
Dividend payable	277	287
Other payables	236	438
	44,115	41,030

The entire trade and other payables are due for payment in one year.

24. RELATED PARTIES

The Group enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and at prices determined by the management.

Related parties comprise subsidiaries, companies under common ownership and/or common management control, directors, key management personnel and relatives thereof.

At the reporting date significant balances with related parties were as follows:

	Key management personnel and relatives AED'000	Companies under common management control AED'000	Total 2014 AED'000	Total 2013 AED'000
Included in trade and other payables	166	33	199	
	93	37		130

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in note 29.

Significant transactions with related parties during the year were as follows:

	Key management personnel AED'000	Companies under common management control AED'000	Total 2014 AED'000	Total 2013 AED'000
Purchases	--	225	225	
	--	154		154
Management remuneration	1,661	--	1,661	
	1,243	--		1,243
Transfer of provision for staff end-of-service benefits	--	5	5	
	--	52		52

The Group also provides funds to/receives funds from related parties as working capital at free of interest.

	2014 AED'000	2013 AED'000
25. PROVISION FOR TAXATION		
At 1 January	507	279
Provision made during the year	228	228
At 31 December	735	507

The tax charge is in respect of Oman operations. The Subsidiary is liable to income tax in accordance with income tax laws of Sultanate of Oman on the level of its taxable profit. In the opinion of the management the provision is adequate to meet the Group's tax liabilities.

26. MANAGEMENT OF CAPITAL

The Group's objectives when managing capital are to ensure that the entities continue as a going concern and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed.

Capital, which is unchanged from the previous year, comprises equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The Group is exposed to externally imposed capital requirements as per the bank facilities availed and certain provisions of the UAE Federal Law No 8 of 1984 (as amended) and Oman Commercial Register Law No. 3/74. The Group has complied with the capital requirements to which it is subject except for the covenants mentioned in note 22.

Funds generated from internal accruals are retained in the business to limit bank borrowings within covenants and according to the business requirements and maintain capital at desired levels.

	2014 AED'000	2013 AED'000
27. **BASIC EARNINGS PER SHARE IN AED**	(218)	(114)

The basic earnings per share has been calculated by dividing the loss for the year attributable to the shareholders by the weighted average number of the issued and paid up shares.

28. SEGMENT REPORTING

The Group operates in the single reporting segment of dairy, juice, ice cream, and other food products. All the relevant information relating to this reporting/operating segment is disclosed in the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and notes to the consolidated financial statements. Additional information required by IFRS 8: Segment Reporting is disclosed below:

Information about geographical segments

Sales to customers in		
- United Arab Emirates (UAE)	179,702	182,031
- Outside UAE	130,656	128,017
	310,358	310,048

29. FINANCIAL INSTRUMENTS

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

	Loans and receivables		Available-for-sale		At amortised cost	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Non-current equity investments	--	--	6,095	6,208	--	--
Trade and other receivables	25,447	44,315	--	--	--	--
Cash and cash equivalents	1,683	1,682	--	--	--	--
Short-term borrowings	--	--	--	--	47,910	38,079
Trade and other payables	--	--	--	--	38,207	36,124
	27,130	45,997	6,095	6,208	86,117	74,203

Management of risks
The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks fair value interest rate risks and price risk).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Group's credit risk management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the Group, issued by high credit quality financial institutions.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

The Group buys and sells goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US dollars to which the UAE Dirham is pegged.

Borrowing facilities are regularly reviewed to ensure that the Group obtains the best available pricing, terms and conditions on it borrowings.

Exposures to the aforementioned risks are detailed below:

Credit risk
Financial assets that potentially expose the Group to concentrations of credit risk comprise principally bank accounts and trade and other receivables.

The Group's bank accounts are placed with high credit quality financial institutions.

Trade and other receivables are stated net of the allowance for doubtful recoveries. At the reporting date, the Group's maximum exposure to credit risk from such receivables situated outside the UAE is as follows:

	2014	2013
	AED'000	AED'000
Oman (Middle East)	**10,897**	12,678
Other Middle East countries	**6**	55
Asian countries	**99**	98

At the reporting date there is no significant concentration of credit risk from individual customers.

At the reporting date, there is no significant concentration of credit risk from any industry as the Group's customers are from diverse industries.

Currency risk

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed except for the following:

	2014 AED'000	2013 AED'000
Trade payables		
- Swiss Franc	27	12
- Euro	34	38

Reasonably possible changes to exchange rates at the reporting date are unlikely to have had a significant impact on profit or equity.

Interest rate risk

Bank borrowings are subject to floating interest rates at levels generally obtained in the UAE or are linked to EIBOR and are therefore exposed to cash flow interest rate risk.

At the reporting date, if interest rates had been 1% higher or lower interest expense on variable rate debt would have been AED 479,100 higher or lower (previous year AED 380,790) resulting in equity being higher or lower by AED 479,100 (previous year AED 380,790).

Price risk

The Group is exposed to significant price risk arising from transactions for purchasing raw materials and trading goods. The Group's objective is to minimise the impact of commodity price fluctuations and this is done in accordance with the commodity risk management policies set by the management.

Fair values

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of the Group's financial assets and financial liabilities which are required to be stated at cost or at amortised cost approximate to their carrying values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

	Level 1		Level 2		Level 3		Total	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Available-for-sale financial assets	518	631	--	--	5,577	5,577	6,095	6,208

Reasonably possible changes to share prices of investments in quoted equity shares at the reporting date are unlikely to have had a significant impact on profit or equity.

During the year ended 31 December 2014 and year ended 31 December 2013, there were no transfers between the various levels of fair value measurements.

	2014 AED'000	2013 AED'000
30. OTHER CONTRACTED COMMITMENTS		
For acquisition, construction or enhancement of property, plant and equipment	--	660
31. CONTINGENT LIABILITIES		
Bankers' letters of guarantee	4,400	4,821
Unutilized balances of commercial letters of credit	4,106	8,344

Contingencies – legal cases

There are a few legal cases against the Group by ex-employees, as well as counter cases by the Group against ex-employees. All these cases are now pending before the Court for its hearings and decisions. On account of the uncertainty involved over the outcome of the Court's decisions and the amounts involved, the management has concluded that it is not appropriate at this stage to record any contingent liabilities and/or contingent assets.