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

Financial statements
31 December 2015

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

Financial statements
31 December 2015

Contents	***Page***

الإمـــارات للمرطبــات
Emirates Refreshments

Dear Shareholders,

It gives me an immense pleasure to share with you that in 2015, Emirates Refreshments PJSC continued to build on 2014 results, and with the guidance and valuable input of all Board members the company is now looking to improve profitability further in 2016.

2015 has been a year with many rewarding moments, as well as some challenges where we saw a remarkable Operating Profit than 2014, reflecting increased volumes, together with higher gross margin as a result of closer control of production costs. From a sales point of view, 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 2014.In fulfilling our responsibility our focus is very much on valuing our customers, which is another of our set of values, we are increasing our understanding of our customers and engaging more efficiently with them by taking advantage of an explosion in the use of social media. 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 Blood donation camp, Emirates week of innovation – Dubai Economic Department, Free cases across all the mosques during Ramadan, Supporting Guinness world record for largest Human Sentence – GEMS Academy.

Some highlights of our 2015 results are as follows:

Sales Revenue

ERC sales reached AED 71.91 million. Traditional trade continued with a growth of 4% over the previous year. We decided to lose all the loss making accounts, replaced with profitable accounts in Modern Trade business which helped us improve our bottom line.

Introduction of our new lightweight PET bottle

ERC has successfully launched its new lightweight PET bottle in Q1 which is eco friendly. In no way, we have compromised the sturdiness of the Jeema bottles.

New Label Launch

ERC has successfully launched the new label in the market which emphasizes pure origins of water, reminds consumer of being in the incredible mountainous landscape of Hatta and represents quality, tradition and purity. The label's foil is transparent, allowing attention to be drawn not exclusively to the label, but rather to the mineral water.

ص.ب. ٥٥٦٧، دبي، إ.ع.م • هاتف: ٣٣٣٥٥٦٦ (٤ ٩٧١+) • فاكس: ٣٣٣٥٥٥٨ (٤ ٩٧١+)
البريد الإلكتروني: info@erc.ae • الموقع الإلكتروني: www.erc.ae
P.O. Box 5567, Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae

الإمــارات للمرطبـــات
Emirates Refreshments

Record Operating Profit Achieved

In terms of Operating Profit, ERC achieved a remarkable figure of AED 4.50 million, a growth of 485% on 2014, and better control of cash flow helped ensure a net profit over AED 4.21 million, AED 3.2 million better than the 2014 figure. In general, we continued to show higher margins through taking timely advantage of raw material prices to minimize cost of goods sold.

Margins on carbonated soft drinks, still co-packed by a third party on our behalf, have marginally improves vs. 2014 due to relatively good improvement in the selling price supported by good pricing of the Raw materials. Total company gross margin improved by 13% vs. -6% in the year 2014.

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 2016, 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 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

EMIRATES REFRESHMENTS P.O.Box 5567 Dubai - U.A.E.

KPMG Lower Gulf Limited
P.O.Box 341145
Level 12, IT Plaza
Dubai Silicon Oasis
Dubai
United Arab Emirates

Telephone +971 (4) 3569 500
Mainfax +971 (4) 3263 788
Audit Fax +971 (4) 3263 773
Website www.ae-kpmg.com

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.) ("the Company"), which comprise the statement of financial position as at 31 December 2015, 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 notes.

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 their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Independent auditors' report *(continued)*

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) as disclosed in note 12 to the financial statements the Company has not purchased any shares during the year ended 31 December 2015;

vi) note 16 to the financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015.

KPMG Lower Gulf Limited
Munther Dajani
Registration No.268
Dubai

14 FEB 2016

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

Statement of profit or loss
for the year ended 31 December 2015

	Note	**2015 AED**	2014 AED
Revenue		**71,905,476**	73,219,659
Cost of sales	*5*	**(43,094,460)**	(48,343,047)
Gross profit		**28,811,016**	24,876,612
Selling and distribution expenses	*6*	**(16,514,553)**	(16,752,681)
Administrative and general expenses	*7*	**(7,792,551)**	(7,354,516)
Operating profit		**4,503,912**	769,415
(Loss)/gain on disposal/write off of property, plant and equipment - net	*9.2*	**(629,622)**	15,340
Finance cost	*8*	**(272,484)**	(326,621)
Finance income	*8*	**199,108**	151,184
Other income	*9.1*	**404,408**	392,511
Profit for the year		**4,205,322**	1,001,829
Earnings per share – basic and diluted	*25*	**0.140**	0.033

The notes set out on pages 11 to 34 are an integral part of these financial statements.

The independent auditors' report is set out on pages 3 and 4.

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

Statement of comprehensive income
for the year ended 31 December 2015

	Note	**2015 AED**	2014 AED
Profit for the year		**4,205,322**	1,001,829
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*	**(219,442)**	(84,687)
Total other comprehensive income for the year		**(219,442)**	(84,687)
Total comprehensive income for the year		**3,985,880**	917,142

The notes set out on pages 11 to 34 are an integral part of these financial statements.

The independent auditors' report is set out on pages 3 and 4.

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

Statement of financial position
as at 31 December 2015

	Note	2015 AED	2014 AED
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	25,276,822	26,086,415
Capital advances	*10.1*	-	3,883,861
Investment properties	*11*	1,916,997	2,055,358
Available for sale investments	*12*	2,680,309	2,899,751
Long-term prepayment	*13*	976,000	1,037,000
Total non-current assets		30,850,128	35,962,385
Current assets			
Inventories	*14*	11,135,126	8,933,179
Trade and other receivables	*15*	11,522,233	11,652,927
Cash and cash equivalents	*17*	11,633,855	11,532,297
Total current assets		34,291,214	32,118,403
Total assets		65,141,342	68,080,788
EQUITY			
Share capital	*21*	30,000,000	30,000,000
Statutory reserve	*22*	9,650,497	9,229,965
Obligatory reserve	*23*	1,500,000	1,500,000
Fair value reserve	*24*	2,053,475	2,272,917
Retained earnings		4,956,353	1,171,563
Total equity		48,160,325	44,174,445
LIABILITIES			
Non-current liabilities			
Provision for staff terminal benefits	*20*	2,226,798	2,008,758
Total non-current liabilities		2,226,798	2,008,758
Current liabilities			
Trade and other payables	*18*	14,754,219	16,248,034
Bank borrowings	*19*	-	5,649,551
Total current liabilities		14,754,219	21,897,585
Total liabilities		16,981,017	23,906,343
Total equity and liabilities		65,141,342	68,080,788

These financial statements were authorised for issue on behalf of the Board of Directors on 14 FEB 2016

Chairman

Director

The notes set out on pages 11 to 34 are an integral part of these financial statements.

The independent auditors' report is set out on pages 3 and 4.

Emirates Refreshments (P.S.C.)

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

Statement of cash flows

for the year ended 31 December 2015

	2015 AED	2014 AED
Operating activities		
Profit for the year	4,205,322	1,001,829
Adjustments for:		
Depreciation (including investment properties)	6,762,313	5,991,687
Loss/(profit) on disposal of property, plant and equipment	629,622	(15,340)
Amortisation of long-term prepayment	61,000	61,000
Provision for staff terminal benefits	549,736	526,916
Interest expense	176,229	150,106
Interest income	(76,198)	(51,634)
Dividend income from available for sale investments	(122,910)	(99,550)
	12,185,114	7,565,014
Change in inventories	(2,201,947)	1,045,191
Change in trade and other receivables	130,694	(854,981)
Change in trade and other payables	(1,080,377)	1,869,635
Staff terminal benefits paid	(331,696)	(197,550)
Net cash from operating activities	8,701,788	9,427,309
Investing activities		
Purchase of property, plant and equipment	(3,337,183)	(4,703,759)
Capital advances paid	-	(3,883,861)
Proceeds from disposal of property, plant and equipment	363,625	15,340
Movement in fixed deposit with banks	(26,249)	(35,371)
Dividend received	122,910	99,550
Interest income received	76,198	51,634
Net cash used in investing activities	(2,800,699)	(8,456,467)
Financing activity		
Interest expense paid	(176,229)	(150,106)
Cash used in financing activity	(176,229)	(150,106)
Net increase in cash and cash equivalents	5,724,860	820,736
Cash and cash equivalents at the beginning of the year	1,894,759	1,074,023
Cash and cash equivalents at the end of the year	7,619,619	1,894,759
Cash and cash equivalents comprise:		
Cash at bank and in hand	1,498,126	1,427,405
Fixed deposit (less than 3 months)	6,121,493	6,116,905
Bank overdraft	-	(5,649,551)
	7,619,619	1,894,759

The notes set out on pages 11 to 34 are an integral part of these financial statements.

The independent auditors' report is set out on pages 3 and 4.

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

Statement of changes in equity
for the year ended 31 December 2015

	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

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

Statement of changes in equity *(continued)*
for the year ended 31 December 2015

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
At 1 January 2015	30,000,000	9,229,965	1,500,000	2,272,917	1,171,563	44,174,445
Total comprehensive income for the year						
Profit for the year	-	-	-	-	4,205,322	4,205,322
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	(219,442)	-	(219,442)
Total other comprehensive income	-	-	-	(219,442)	-	(219,442)
Total comprehensive income for the year	-	-	-	(219,442)	4,205,322	3,985,880
Transactions with owners, recorded directly in equity						
Transfer to statutory reserve	-	420,532	-	-	(420,532)	-
Total transactions with owners	-	420,532	-	-	(420,532)	-
At 31 December 2015	**30,000,000**	**9,650,497**	**1,500,000**	**2,053,475**	**4,956,353**	**48,160,325**

The notes set out on pages 11 to 34 are an integral part of these financial statements.

1. Reporting entity

Emirates Refreshments (P.S.C.) ("the Company") is a Public Shareholding Company incorporated in the Emirates of Dubai, United Arab Emirates, under a decree issued by His Highness The Ruler of Dubai on 1 January 1980. The Company is listed on the Dubai Financial Market. The shareholders of the Company at an extraordinary general meeting held on 20 June 2010, resolved that the name of the Company be changed from Jeema Mineral Water (P.S.C.) to Emirates Refreshments (P.S.C.).

The principal activities of the Company are bottling and selling mineral water and carbonated soft drinks as well as manufacturing plastic bottles and containers. Bottling of carbonated soft drinks 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

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of UAE Federal Law No. 2 of 2015.

UAE Federal Law No. 2 of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained.

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 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.

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)*

(ii) Non-derivative financial assets – measurement (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 trade and other payables and bank borrowings.

(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)*

(i) Non-derivative financial assets (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 recognised 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 effective

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning on 1 January 2015, and have not been applied in preparing these financial statements. Of particular relevance to the Company are:

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

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009) financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The International Accounting Standards Board ("IASB") currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2009) and IFRS 9 (2010) are effective for annual periods beginning on or after 1 January 2018.

- *IFRS 15 Revenue*

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 2018, with early adoption permitted.

- *IFRS 16 Leases (2016)*

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided IFRS 15 Revenue from Contract with Customers is also applied by the Company.

Management is currently in the process of assessing the impact of these new standards to the accounting, disclosures and presentation requirement in the 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 borrowing. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risks

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

Currency risk

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

Interest rate risk

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

Equity price risk

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

Capital management

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

5. Cost of sales

	2015 AED	2014 AED
Raw materials consumed	**21,935,828**	26,683,282
Toll manufacturing charges	**267,519**	1,076,539
Staff costs	**6,267,353**	6,039,560
Water and electricity charges	**5,311,502**	5,703,975
Depreciation (refer note 10(a))	**6,250,103**	5,298,942
Provision for slow moving inventories	**347,274**	544,559
Others	**2,714,881**	2,996,190
	43,094,460	48,343,047

6. Selling and distribution expenses

	2015 AED	2014 AED
Staff costs	**6,406,800**	6,514,384
Rent	**4,608,705**	4,424,944
Truck hire charges	**1,549,201**	1,493,522
Fuel expenses	**1,387,024**	1,745,156
Advertisement and marketing expenses	**959,972**	936,281
Depreciation (refer note 10(a))	**317,438**	324,069
Pallets for export	**117,526**	118,849
Others	**1,167,887**	1,195,476
	16,514,553	16,752,681

7. Administrative and general expenses

	2015 AED	2014 AED
Staff costs	**5,621,834**	4,902,891
Professional and legal costs	**561,235**	643,532
Repairs and maintenance	**245,069**	331,312
Communication and IT expenses	**535,722**	553,467
License fee	**217,963**	219,640
Insurance cost	**92,405**	93,207
Depreciation (refer notes 10(a))	**56,411**	230,315
Depreciation on investment property (refer note 11)	**138,361**	138,361
Impairment (reversal)/ loss on trade receivables	**(16,206)**	17,701
Others	**339,757**	224,090
	7,792,551	7,354,516

8. Finance cost and Income

	2015 AED	2014 AED
Finance cost		
Interest on bank overdraft	**176,229**	150,106
Bank charges and commission	**96,255**	176,515
	272,484	326,621
Finance income		
Dividend income from available for sale investments	**122,910**	99,550
Interest income	**76,198**	51,634
	199,108	151,184

9.1. Other income

	2015 AED	2014 AED
Miscellaneous income	**134,408**	212,511
Rental income	**270,000**	180,000
	404,408	392,511

9.2. (Loss)/gain on disposal/write off of property, plant and equipment - net

	2015 AED	2014 AED
Loss//(gain) on disposal/write off of property, plant and equipment	**(629,622)**	15,340
	(629,622)	15,340

This includes a loss of AED 0.5 million on disposal of certain parts of the Company's existing plant which have been replaced during the year.

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 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
Transfers (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
At 1 January 2015	18,546,203	54,893,532	5,766,943	763,949	11,891	79,982,518
Additions	187,449	6,796,632	72,931	118,430	33,711	7,209,153
Transfers	-	11,891	-	-	(11,891)	-
Disposals	(381,400)	(8,277,133)	(510,582)	(750,799)	-	(9,919,914)
At 31December 2015	18,352,252	53,424,922	5,329,292	131,580	33,711	77,271,757
Depreciation						
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 (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
At 1 January 2015	10,127,997	37,773,587	5,250,827	743,692	-	53,896,103
Charge for the year	682,331	5,673,374	246,990	21,257	-	6,623,952
On disposals	(299,389)	(6,971,877)	(507,707)	(746,147)	-	(8,525,120)
At 31 December 2015	10,510,939	36,475,084	4,990,110	18,802	-	51,994,935
Net book value						
At 31 December 2015	**7,841,313**	**16,949,838**	**339,182**	**112,778**	**33,711**	**25,276,822**
At 31 December 2014	8,418,206	17,119,945	516,116	20,257	11,891	26,086,415

(a) Depreciation has been allocated as follows:

	2015 AED	2014 AED
Cost of sales (refer note 5)	**6,250,103**	5,298,942
Selling and distribution expenses (refer note 6)	**317,438**	324,069
Administrative and general expenses (refer note 7)	**56,411**	230,315
	6,623,952	5,853,326

(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 the future periods.

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

(c) *Transfer to investment property*

In the previous year, the Company had 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 had transferred the portion of warehouse building with the net book value of AED 2.2 million (75% i.e. 6 sheds out of 8 sheds) from property, plant and equipment to investment property.

10.1. Capital advances

	2015 AED	2014 AED
Capital advances	-	3,883,861

Advances represented payments made to various third party suppliers towards acquisition of plant and machineries during the previous year. This has been capitalized during the current year.

11. Investment properties

	AED
Cost	
As at 1 Jan 2014	-
Transfer from property, plant and equipment (refer note 10(c))	2,578,377
At 31 December 2014	2,578,377
As at 1 Jan 2015	2,578,377
Additions during the year	-
At 31 December 2015	2,578,377
Depreciation	
As at 1 Jan 2014	-
Transfer from property, plant and equipment (refer note 10(c))	384,658
Charge for the year	138,361
At 31 December 2014	523,019
As at 1 Jan 2015	523,019
Charge for the year	138,361
At 31 December 2015	661,380
Net book value	
At 31 December 2015	**1,916,997**
At 31 December 2014	2,055,358

Investment properties include warehouse building (6 sheds) transferred from the property, plant and equipment during the previous year. The warehouse buildings were valued on an open market basis by a professional firm independent property valuers. In their assessment report dated 31 December 2015, they placed a total value of AED 2.8 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.

12. Available for sale investments

	2015 AED	2014 AED
At 1 January	**2,899,751**	2,984,438
Change in fair value	**(219,442)**	(84,687)
At 31 December	**2,680,309**	2,899,751

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

The Company has not purchased or invested in any shares during the year ended 31 December 2015.

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.

	2015 AED	2014 AED
Total payment	**1,525,000**	1,525,000
Less: Cumulative amortisation	**(488,000)**	(427,000)
Balance at 31 December	**1,037,000**	1,098,000
Less: Current portion of prepayment classified under trade and other receivables	**(61,000)**	(61,000)
Non-current portion	**976,000**	1,037,000

14. Inventories

	2015 AED	2014 AED
Raw materials	**7,630,864**	5,088,211
Finished goods	**2,167,404**	2,333,313
Spare parts	**3,151,810**	2,991,876
Others*	**186,229**	184,085
	13,136,307	10,597,485
Less: Provision for slow moving inventories	**(2,001,181)**	(1,664,306)
	11,135,126	8,933,179

15. Trade and other receivables

	2015 AED	2014 AED
Trade receivables	**10,041,424**	9,396,771
Less: Allowance for impairment	**(737,705)**	(777,696)
	9,303,719	8,619,075
Prepayments	**1,190,260**	1,091,846
Advances to suppliers (refer note (a) below)	**495,130**	706,303
Other receivables	**533,124**	1,235,703
	11,522,233	11,652,927

(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 at mutually agreed terms 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:

	2015 AED	2014 AED
Compensation to key management personnel is as follows:		
Short term benefits	**2,465,039**	2,546,911
Provision towards employees' terminal benefits	**261,003**	285,647
Directors' fees	**88,500**	-

17. Cash and cash equivalents

	2015 AED	2014 AED
Cash in hand	**90,357**	105,374
Other cash equivalents	**34,663**	36,679
Cash at bank – current account	**1,373,106**	1,285,352
Cash at bank – fixed deposits	**10,135,729**	10,104,892
	11,633,855	11,532,297

(i) Fixed deposits include an amount of AED 6.1 million *(2014: AED 6.1 million)* have 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 as at 31 December 2014 (refer note 19).

18. Trade and other payables

	2015 AED	2014 AED
Trade payables	**11,197,344**	12,125,598
Accrued expenses and other payables	**3,556,875**	4,122,436
	14,754,219	16,248,034

19. Bank borrowings

	2015 AED	2014 AED
Bank overdraft	**-**	5,649,551

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

	2015 AED	2014 AED
Balance at 1 January	**2,008,758**	1,679,392
Provision made during the year	**549,736**	526,916
Payments made during the year	**(331,696)**	(197,550)
Balance at 31 December	**2,226,798**	2,008,758

21. Share capital

	2015 AED	2014 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 Article 239 of the UAE Federal Law No. (2) of 2015, 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 420,532 *(2014: AED 100,183)* was transferred to the reserve, being 10% of the profit for the year.

Notes *(continued)*

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

	2015	2014
Profit for the year (AED)	4,205,322	1,001,829
Weighted average number of shares outstanding	**30,000,000**	30,000,000
Earnings per share in AED – basic and diluted	**0.140**	0.033

26. Operating lease commitments

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

	2015 AED	2014 AED
Less than 1 year	**1,623,821**	1,541,662
Later than 1 year and no later than 5 years	**3,327,306**	4,254,213
Later than 5 years	**1,793,173**	2,367,611
	6,744,300	8,163,486

27. Contingent liabilities and commitments

	2015	2014
	AED	AED
Letters of guarantee	**750,000**	450,000
Letters of credits	-	6,912,197
Capital commitments	-	625,546

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.

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 2015, revenue from customers located in the Company's country of domicile (UAE) is AED 66 million *(year ended 31 December 2014: AED 66.8 million)* and revenue from customers outside the UAE (foreign customers) is AED 5.9 million *(year ended 31 December 2014: AED 6.4 million).*

b) Major customers

Revenue from Dubai Refreshments (P.S.C.) amounts to AED 5.4 million *(2014: AED 6.4 million)* and Royal House Food Catering LLC (Abu Dhabi distributor) amounts to AED 9.1 million *(2014: AED 8.8 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:

	2015 AED	2014 AED
Trade receivables	**9,303,719**	8,619,075
Other receivables	**533,124**	1,235,703
Cash at bank – current accounts	**1,373,106**	1,285,352
Cash at bank – fixed deposits	**10,135,729**	10,104,892
	21,345,678	21,245,022

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

	2015 AED	2014 AED
Domestic	**9,244,958**	8,309,940
Other GCC countries	**58,761**	309,135
	9,303,719	8,619,075

The age of trade receivables at the reporting date was:

	2015 Gross AED	2015 Impairment AED	2014 Gross AED	2014 Impairment AED
0-90 days from invoice date	**8,818,513**	**-**	8,315,005	-
91-120 days from invoice date	**396,259**	**-**	274,100	-
121-180 days from invoice date	**85,901**	**-**	14,443	-
181 - 360 days from invoice date	**6,093**	**3,047**	31,055	15,528
More than one year from invoice date	**734,658**	**734,658**	762,168	762,168
	10,041,424	**737,705**	9,396,771	777,696

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

	2015 AED	2014 AED
Balance at 1 January	**777,696**	759,995
Debts written off	**(23,785)**	-
Reversal of provision	**(16,206)**	-
Impairment loss recognised	**-**	17,701
Balance at 31 December	**737,705**	777,696

29. Financial instruments *(continued)*

b) Liquidity risk

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

31 December 2015	**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	**14,754,219**	**14,754,219**	**14,754,219**	-	-
	14,754,219	**14,754,219**	**14,754,219**	-	-

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	-	-

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 **2015** **AED**	2014 AED
Fixed rate instruments		
Financial assets	**10,135,729**	10,104,892
Variable rate instruments		
Financial liabilities	-	5,649,551

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)*

Interest rate 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 2014.

	Profit or loss	
	100 bp increase AED	**100 bp decrease AED**
31 December 2015	-	-
31 December 2014	(56,496)	56,496

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 2015		
Effect of changes in quoted equity portfolio of the Company	**268,031**	**268,031**
31 December 2014		
Effect of changes in quoted equity portfolio of the Company	289,975	289,975

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 2015

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Available for sale investments	**2,680,309**	-	-	**2,680,309**

31 December 2014

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale investments	2,899,751	-	-	2,899,751

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.