Emirates Refreshments (P.S.C.)

FINANCIAL STATEMENTS

31 December 2017

الإمـــارات للمرطبــات
Emirates Refreshments

Dear Shareholders,

It gives us immense pleasure to share with you that Emirates Refreshments Company PSC (ERC) has completed the year 2017 successfully, despite difficult times and strategic changes. There has been a significant number of changes within perpetual. What has not changed however is the unique ability of ERC to continue to adapt to an environment that remains volatile and challenging, and respond in a manner that reflects our qualities and experience. All the Board Members provided highly constructive contribution to deal with all the challenging issues of the company effectively and to turn ERC in an efficient company.

During 2017, we conducted a thorough review of our business. We took on the challenges that affect our industry in an even stronger and more decisive manner. The key factors in the decisions that was taken due to the market requirements or for improvisations in the year 2017 are as follows:

Towards fundamental change:

We identified that to counter challenge the competitive business environment, restructuring of our resources for the optimum utilization is required. Therefore, in the third quarter of 2017, we lucidly targeted downsizing our manpower for the betterment of the business and to avoid fiscal pressures. On the other hand, on 11th June 2017 Board announced the appointment of Mr. Mourad Tarzi as the General Manager of the company where he comes with an experience in FMCG sector both locally and internationally.

Setting our course:

Over the last year the Board and management have worked together to sharpen our strategy and ensure there is alignment in our aspiration and goals. Being in FMCG business, our objective is to take a long term view on our business of assuming and managing risk. Our strategy focuses on three key strands of activity: maintaining financial strength, developing our market position and building an efficient organization. The Board has endorsed specific targets in each category, as well as overall financial goals.

Quality Improvement in Production & Operations

We would also like to share that our core focus is to maintain and improve the water quality at both our plants by marking the standardization of quality control and assurance. Quality enhancement has also laid a noticeable positive impact on business.

Improving Distribution across all Trade Channels

ERC allocated new distributor in Abu Dhabi and Al Ain which has positively impacted the sales and with the improved pace of sales by the distributor, we are anticipating further expansions of customer base in local market and expand presence in export market as well. With these major resolutions, the company will definitely improve its production, warehousing and distribution capacity and certainly develop the market share and profits.

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The Future

The new leadership team and their responsive and committed staff are tackling the challenges ahead of us with vigor and determination. We are optimistic that these initiatives will help the management to run the operation smoothly and more efficiently. Also the management shall be committed to add value to the shareholder's value in coming years.

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

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

Thank you,

Chairman of the Board

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.)

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Emirates Refreshments P.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical and independence requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue is a material and an important determinant of the Company's performance and profitability. This gives rise to a risk of fraud in revenue recognition as there is an incentive to overstate revenue in order to increase profitability. The Company generates revenue from sale of goods when the significant risks and rewards of ownership is transferred to customers (refer note 3 to the financial statements for the revenue recognition policy). Given the magnitude of the amount and inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.	To address the above risk, we performed the following procedures: • Tested the design and operating effectiveness of controls in respect of the Company's revenue and accounts receivable processes; • Tested samples of sales invoices during the year; • Performed analytical procedures, including gross profit margin analysis, and obtained explanations for significant variances as compared to previous year; • Performed sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period; • Inquired of management at different levels and departments of their knowledge of fraud risk and actual fraud instances, if any; and • Performed journal entries testing for accounts related to identified risks of material misstatement and verified them with supporting documents.
Existence, collectability of trade receivable balance, and adequacy of provision for doubtful debts	
As at 31 December 2017, the Company had trade receivables of AED 9,432,028, before provisions for doubtful debts of AED 1,155,678 (refer note 10 to the financial statements), which is significant to the Company as it represents approximately 16% of its total assets.	To address the above risk, we performed the following procedures: • Performed tests of control over the sales and trade receivables processes to determine whether controls are operating effectively throughout the year; • Requested direct confirmations from customers for a sample of the outstanding balances, performed alternative procedures for non-replies, including testing of the supporting documents and subsequent cash collections;

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Existence, collectability of trade receivable balance, and adequacy of provision for doubtful debts (continued)	
The determination as to whether a trade receivable is collectable involves significant management judgment. Specific factors that management considers include the age of the balance, location of customer, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparty. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall. We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved.	• Reviewed the management assessment of recoverability of accounts receivable through detailed analysis of ageing of receivables, and assessment of the adequacy of any related provisions; • Inquired management about any past due accounts with no subsequent collections and management's plan for recovering these receivables; and • Inquired about disputes, if any, with customers during the year and reviewed any uncollected amounts to assess recoverability.

Other information

Other information consists of the information included in the Company's 2017 Annual Report, other than the financial statements and our auditors' report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Company's 2017 Annual Report after the date of our auditors' report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Articles of Association and 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

Report on the audit of the financial statements (continued)

Responsibilities of management and those charged with governance for the financial statements (continued)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

i) the Company has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015;

iv) the financial information included in the Directors' report is consistent with the books of account of the Company;

v) investments in shares and stocks during the year ended 31 December 2017 are disclosed in note 7 to the financial statements;

vi) note 11 reflects material related party transactions and the terms under which they were conducted;

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

Report on other legal and regulatory requirements (continued)

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 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position; and

viii) note 4 reflects the social contributions made during the year.

For Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No.: 690

28 February 2018

Dubai, United Arab Emirates

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

	Notes	*2017* *AED*	*2016* *AED*
Revenue		**54,654,230**	61,499,730
Cost of sales		**(33,729,923)**	(36,366,637)
GROSS PROFIT		**20,924,307**	25,133,093
Selling and distribution expenses		**(16,333,738)**	(15,002,962)
Administrative and general expenses		**(7,963,245)**	(7,126,332)
Operating (loss) / profit		**(3,372,676)**	3,003,799
Finance cost		**(141,171)**	(122,014)
Finance income		**209,329**	103,590
Other income		**608,973**	532,416
(LOSS) / PROFIT FOR THE YEAR	4	**(2,695,545)**	3,517,791
Earnings per share – basic and diluted	19	**(0.089)**	0.117

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	*2017* *AED*	*2016* *AED*
(LOSS) / PROFIT FOR THE YEAR		**(2,695,545)**	3,517,791
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in fair value of available-for-sale financial assets	7	**(39,589)**	101,254
TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(39,589)**	101,254
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(2,735,134)**	3,619,045

The attached notes 1 to 24 form part of these financial statements.

Emirates Refreshments (P.S.C.)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	*2017 AED*	*2016 AED*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**16,631,060**	21,247,017
Investment properties	6	**1,640,277**	1,778,638
Available-for-sale financial assets	7	**2,741,974**	2,781,563
Long-term prepayment	8	**915,000**	976,000
		21,928,311	26,783,218
Current assets			
Inventories	9	**8,510,896**	7,935,328
Trade and other receivables	10	**10,959,800**	8,132,900
Due from a related party	11	-	1,762,748
Bank balances and cash	12	**16,202,284**	16,241,845
		35,672,980	34,072,821
TOTAL ASSETS		**57,601,291**	60,856,039
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**30,000,000**	30,000,000
Statutory reserve	16	**10,002,276**	10,002,276
Obligatory reserve	17	**1,500,000**	1,500,000
Fair value reserve	18	**2,115,140**	2,154,729
Retained earnings		**311,820**	6,322,365
Total equity		**43,929,236**	49,979,370
LIABILITIES			
Non-current liability			
Employees' end of service benefits	14	**3,041,487**	2,778,334
Current liability			
Trade and other payables	13	**10,630,568**	8,098,335
		10,630,568	8,098,335
Total liabilities		**13,672,055**	10,876,669
TOTAL EQUITY AND LIABILITIES		**57,601,291**	60,856,039

The financial statements have been approved by the Board of Directors on 28 February 2018, and signed on its behalf by:

Chairman

Director

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	*2017* *AED*	*2016* *AED*
OPERATING ACTIVITIES			
(Loss) / profit for the year		**(2,695,545)**	3,517,791
Adjustments for:			
Depreciation	5	**5,827,106**	6,158,716
Depreciation on investment property	6	**138,361**	138,359
Gain on disposal of property, plant and equipment		**(46,947)**	-
Amortisation of long-term prepayment	8	**61,000**	61,000
Provision for employees' end of service benefits	14	**501,660**	698,841
Interest expense		**141,171**	31,714
Interest income		**(209,329)**	(103,590)
Dividend income from available-for-sale financial assets		**(125,692)**	(125,692)
		3,591,785	10,377,139
Change in inventories		**(575,568)**	3,199,798
Change in trade and other receivables		**(2,826,900)**	3,328,333
Due from a related party		**1,762,748**	(1,762,748)
Change in trade and other payables		**2,532,233**	(6,655,884)
Cash generated from operating activities		**4,484,298**	8,486,638
Employees' end of service benefits paid	14	**(238,507)**	(147,305)
Net cash from operating activities		**4,245,791**	8,339,333
Investing activities			
Purchase of property, plant and equipment	5	**(1,216,349)**	(2,128,911)
Proceeds from disposal of property, plant and equipment		**52,147**	-
Movement in fixed deposit with banks		**1,871,108**	(9,212,344)
Dividend received		**125,692**	125,692
Interest income received		**209,329**	103,590
Net cash from / (used in) investing activities		**1,041,927**	(11,111,973)
Financing activity			
Interest expense paid		**(141,171)**	(31,714)
Dividend paid		**(3,000,000)**	(1,500,000)
Directors remuneration		**(315,000)**	(300,000)
Net cash used in financing activity		**(3,456,171)**	(1,831,714)
Net increase / (decrease) in cash and cash equivalents		**1,831,547**	(4,604,354)
Cash and cash equivalents at the beginning of the year		**3,015,265**	7,619,619
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**4,846,812**	3,015,265

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Share capital AED	*Statutory reserve AED*	*Obligatory reserve AED*	*Fair value reserve AED*	*Retained earnings AED*	*Total AED*
At 1 January 2016	30,000,000	9,650,497	1,500,000	2,053,475	4,956,353	48,160,325
Profit for the year	-	-	-	-	3,517,791	3,517,791
Other comprehensive income for the year	-	-	-	101,254	-	101,254
Total comprehensive income for the year	-	-	-	101,254	3,517,791	3,619,045
Transfer to statutory reserve (Note 16)	-	351,779	-	-	(351,779)	-
Dividend paid*	-	-	-	-	(1,500,000)	(1,500,000)
Directors' remuneration Paid (Note 11)	-	-	-	-	(300,000)	(300,000)
At 31 December 2016	30,000,000	10,002,276	1,500,000	2,154,729	6,322,365	49,979,370
Loss for the year	-	-	-	-	(2,695,545)	(2,695,545)
Other comprehensive loss for the year	-	-	-	(39,589)	-	(39,589)
Total comprehensive loss for the year	-	-	-	(39,589)	(2,695,545)	(2,735,134)
Dividend paid**	-	-	-	-	(3,000,000)	(3,000,000)
Directors' remuneration Paid (Note 11)	-	-	-	-	(315,000)	(315,000)
At 31 December 2017	**30,000,000**	**10,002,276**	**1,500,000**	**2,115,140**	**311,820**	**43,929,236**

* This relates to dividend for the year 2015 which was approved at Annual General Meeting on 14 April 2016 and was paid during the quarter ended 30 June 2016.

** This relates to dividend for the year 2016 which was approved at Annual General Meeting on 1 March 2017 and was paid during the quarter ended 31 March 2017.

1 ACTIVITIES

Emirates Refreshments (P.S.C.) ("the Company") is a Public Shareholding Company, incorporated in Dubai, United Arab Emirates under a decree issued by His Highness The Ruler of Dubai. The Company is listed on the Dubai Financial Market. The Federal Law No. 2 of 2015, concerning commercial Companies has come into effect from 1 July 2015, replacing the Federal Law No.8 of 1984.

The principal activities of the Company are bottling and selling mineral water and carbonated soft drinks as well as manufacturing plastic bottles and containers. The Company has two plants located in Dibba and Hatta, UAE. The Company markets, distributes and sells its products across the UAE, other Middle East countries and Africa.

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

2.1 BASIS OF PREPARATION

Statement of compliance
These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the applicable requirements of the laws of the UAE.

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 disclosed in note 24.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the previous year financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective for annual period beginning on or after as of 1 January 2017, as listed below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and interpretation apply for the first time in 2017, they do not have a material impact on the financial statements of the Company.

New standards and interpretations effective for annual period beginning on or after 1 January 2017

-Amendments to IAS7Statement of Cash Flows: Disclosure Initiative
-Amendments to IAS 12Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
-Annual Improvements Cycle-2014-2016
-Amendments to IFRS 12Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments (1 January 2018)

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity including for the effect of applying the impairment requirements of IFRS 9.

- IFRS 15 Revenue from Contracts with Customers (1 January 2018)

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. During 2017, the Company performed an assessment of IFRS 15.

Sale of goods
For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Company's revenue and profit or loss.

The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. In preparing to adopt IFRS 15, the Company is considering the following:

Variable consideration
Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Company recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Company defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Company expects that application of the constraint will not result in any change in revenue being recognised than under current IFRS.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

- IFRS 15 Revenue from Contracts with Customers (1 January 2018) (continued)

- Rights of return

The Company's contract with a customer provides a right to return the good within the specified period. However, the amount of returns being immaterial, the Company currently does not account for the right of return and does not anticipate significant impact on revenue recognition under the expected value method under IFRS 15.

- Volume rebates

The Company provides retrospective volume rebates to its certain customers on certain products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Under its existing accounting policy, the Company estimates the expected volume rebates using the probability-weighted average amount of rebates approach and includes them in Trade and other payables. These amounts may subsequently be repaid in cash to the customer or are offset against amounts payable by customer.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Company considered that the most likely amount method better predicts the amount of variable consideration for contracts with only a single volume threshold while for contracts with more than one volume threshold it would apply either the expected value method or the most likely amount method, depending on which of them better predicts the amount of variable consideration for the particular type of contract. The Company applied the requirements in IFRS 15 on constraining estimates of variable consideration and concluded that there would not be any significant adjustment to revenue from sale of goods in 2017.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 15. Overall, the Company expects no significant impact on its statement of financial position and equity including for the effect of applying the impairment requirements of IFRS 15.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
- IFRS 16 Leases
- IFRS 17Insurance Contracts
- Transfers of Investment Property — Amendments to IAS 40
- Annual Improvements 2014-2016 Cycle (issued in December 2016)

These improvements include:

- IFRS 1First-time Adoption of International Financial Reporting Standards-Deletion of short-term exemptions for first-time adopters
- IAS 28Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Applying IFRS 9Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4
- IFRIC Interpretation 22Foreign Currency Transactions and Advance Consideration
- IFRIC Interpretation 23Uncertainty over Income Tax Treatment

The Company is currently assessing the impact of these standards on the future financial statements and intends to adopt these standards, if applicable, when they become effective.

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
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives 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

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the period the asset is derecognised.

Investment property
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investments in properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged on a straight-line basis over the estimated useful lives of 20 years.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Long-term prepayment – Intangible assets
Long-term prepayment is measured initially at cost, including transaction costs. Subsequent to initial recognition, long-term prepayment is stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is charged on a straight-line basis over the estimated useful lives of 25 years.

The useful lives and amortisation method are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefits from these assets.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale financial assets
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and accumulated in the fair value reserves. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.
(iii) Non-derivative financial liabilities - measurement

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

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

Financial liabilities comprise 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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 amortisation) 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.

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.

Operating lease payments - as lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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.

4 (LOSS) / PROFIT FOR THE YEAR

The (loss) / profit for the year is stated after charging:

	2017 AED	*2016 AED*
Staff costs	**18,211,324**	17,158,222
Rental-operating lease	**4,702,707**	4,587,657
Depreciation expenses of property, plant and equipment and investment properties	**5,965,467**	6,297,075
Amortisation on long-term prepayment (Note 8)	**61,000**	61,000

During the year ended 31 December 2017, social contributions made by the Company amounted to AED 6,029 (2016: AED 10,607).

5 PROPERTY, PLANT AND EQUIPMENT

	Bulildings and improvement AED	*Plant, machinery, and equipments AED*	*Furniture and fixtures AED*	*Vehicles AED*	*Capital work in progress AED*	*Total AED*
Cost						
At 1 January 2016	18,352,252	53,424,922	5,329,292	131,580	33,711	77,271,757
Additions	670,346	1,267,325	74,405	55,710	61,125	2,128,911
Transfers	-	94,836	-	-	(94,836)	-
Disposals	-	-	(7,366)	-	-	(7,366)
At 31 December 2016	19,022,598	54,787,083	5,396,331	187,290	-	79,393,302
At 1 January 2017	19,022,598	54,787,083	5,396,331	187,290	-	79,393,302
Addition	10,000	1,090,943	46,231	-	69,175	1,216,349
Transfers	-	-	-	-	-	-
Disposals	-	(504,103)	(845)	-	-	(504,948)
At 31 December 2017	**19,032,598**	**55,373,923**	**5,441,717**	**187,290**	**69,175**	**80,104,703**
Accumulated depreciation						
At 1 January 2016	10,510,939	36,475,084	4,990,110	18,802	-	51,994,935
Charge for the year	675,196	5,208,444	187,213	87,863	-	6,158,716
On disposals	-	-	(7,366)	-	-	(7,366)
At 31 December 2016	11,186,135	41,683,528	5,169,957	106,665	-	58,146,285
At 1 January 2017	11,186,135	41,683,528	5,169,957	106,665	-	58,146,285
Charge for the year	730,989	4,894,743	123,330	78,044	-	5,827,106
On disposals	-	(498,903)	(845)	-	-	(499,748)
At 31 December 2017	**11,917,124**	**46,079,368**	**5,292,442**	**184,709**	**-**	**63,473,643**
Net book value						
At 31 December 2017	**7,115,474**	**9,294,555**	**149,275**	**2,581**	**69,175**	**16,631,060**
At 31 December 2016	7,836,463	13,103,555	226,374	80,625	-	21,247,017

(a) Depreciation has been allocated as follows:

	2017 AED	*2016 AED*
Cost of sales	**5,258,370**	5,582,372
Selling and distribution expenses	**409,657**	403,900
Administration and general expenses	**159,079**	172,444
	5,827,106	6,158,716

(b) Buildings with a net book value of AED 5.7 million (2016: AED 6.3 million) 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.

6 INVESTMENT PROPERTIES

	2017 *AED*	*2016* *AED*
Cost:		
At the beginning and end of the year	**2,578,377**	2,578,377
Accumulated depreciation:		
At 1 January	**799,739**	661,380
Charge for the year	**138,361**	138,359
At 31 December	**938,100**	799,739
Net book value:		
At 31 December	**1,640,277**	1,778,638

Investment properties include warehouse buildings (6 sheds) transferred from the property, plant and equipment during 2014. The warehouse buildings were valued on an open market basis by an independent professional firm for property valuation. In their assessment report dated 31 December 2017, the fair value of the investment property is AED 2.72 million (2016: AED 2.8 million). The valuation of properties was carried out by independent valuer using market value basis of valuation taking into account transactional evidence, and prevailing market conditions.

Rental income arising on the lease of these investment properties amounting to AED 283,500 (2016: AED 275,400) is included in the statement of profit or loss under other income.

7 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 *AED*	*2016* *AED*
At 1 January	**2,781,563**	2,680,309
Change in market fair value	**(39,589)**	101,254
At 31 December	**2,741,974**	2,781,563

Investments in available-for-sale financial assets are held in equity securities listed on G.C.C. stock exchanges.

The Company has not purchased or invested in any shares during the year (2016: AED Nil).

Dividend income amounting to AED 125,692 (2016: AED 125,692) is included in the statement of profit or loss under other income.

8 LONG-TERM PREPAYMENT

This represents a payment made 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.

	2017 *AED*	*2016* *AED*
Cost		
Total payment	**1,525,000**	1,525,000
Accumulated amortisation:		
At 1 January	**549,000**	488,000
Charge for the year	**61,000**	61,000
At 31 December	**610,000**	549,000
Net book value:		
At 31 December	**915,000**	976,000

9 INVENTORIES

	2017 *AED*	*2016* *AED*
Raw materials	**5,568,910**	4,005,048
Finished goods	**1,467,350**	2,270,670
Spare parts	**3,798,244**	3,579,963
Others	**260,820**	270,221
	11,095,324	10,125,902
Less: Provision for slow moving inventories	**(2,584,428)**	(2,190,574)
	8,510,896	7,935,328

Movements in the provision for slow moving inventories were as follows:

	2017 *AED*	*2016* *AED*
Balance at 1 January	**2,190,574**	2,001,181
Charged during the year	**644,158**	360,636
Write off during the year	**(250,304)**	(171,243)
Balance at 31 December	**2,584,428**	2,190,574

10 TRADE AND OTHER RECEIVABLES

	2017 *AED*	*2016* *AED*
Trade receivables	**9,432,028**	6,901,628
Less: Provision for impairment	**(1,155,678)**	(731,557)
	8,276,350	6,170,071
Prepayments	**1,253,072**	987,544
Advances to suppliers	**640,523**	392,810
Other receivables	**789,855**	582,475
	10,959,800	8,132,900

As at 31 December 2017, trade accounts receivable with a nominal value of AED 1,155,678 (2016: AED 731,557) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2017 *AED*	*2016* *AED*
Balance at 1 January	**731,557**	737,705
Provision for the year	**424,121**	-
Reversal of provision	-	(6,148)
Balance at 31 December	**1,155,678**	731,557

10 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired				
	Total AED	*Neither past due nor impaired AED*	*30-60 days AED*	*61-90 days AED*	*91-120 days AED*	*121-180 days AED*	*>180 days AED*
2017	**8,276,350**	**2,832,015**	**2,525,944**	**1,648,962**	**741,411**	**453,605**	**74,413**
2016	6,170,071	3,026,346	1,927,099	961,473	196,600	48,055	10,498

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a. Significant transactions with related parties:

Significant transaction with related parties included in statement of profit or loss are as follows:

	2017 AED	*2016 AED*
Sales to a related party	**1,393,504**	4,870,931
Payment of expenses on behalf of a related party	**50,613**	-
Payment of expenses by a related party on behalf of the Company	**(91,576)**	-

Compensation to key management personnel is as follows:

The remuneration of directors and other key members of management during the year was as follows:

	2017 AED	*2016 AED*
Short term benefits	**3,039,096**	2,529,125
Provision towards employees' terminal benefits	**103,588**	562,531
Directors' remuneration*	**315,000**	300,000
Directors' sitting fees	**75,000**	104,000

* Directors' remuneration of AED 0.315 million (2016: AED 0.30 million), which is governed by UAE Federal Law No (2) of 2015 was approved at Annual General Meeting on 1st March 2017 and was paid during the quarter ended 31 March 2017.

b. Due from a related party:

	2017 AED	*2016 AED*
Due from a related party	-	1,762,748

12 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2017 *AED*	*2016* *AED*
Cash on hand	**88,857**	93,857
Other cash equivalents	**40,335**	37,466
Cash at bank – current accounts	**2,676,573**	2,883,942
Fixed deposits	**13,396,519**	13,226,580
Bank balances and cash	**16,202,284**	16,241,845
Less: Fixed deposits with original maturity of more than three months or hypothecated with bank	**(11,355,472)**	(13,226,580)
	4,846,812	3,015,265

(i) Fixed deposits carry interest at normal commercial rates.

(ii) Fixed deposits of AED 10 million (2016: AED 10 million) with banks are hypothecated against bank overdraft facility. The Company has an unutilised bank overdraft facility of AED 10 million at year end.

13 TRADE AND OTHER PAYABLES

	2017 *AED*	*2016* *AED*
Trade payables	**8,730,964**	5,858,133
Accrued expenses and other payables	**1,899,604**	2,240,202
	10,630,568	8,098,335

14 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision recognised in the statement of financial position is as follows:

	2017 *AED*	*2016* *AED*
Balance at 1 January	**2,778,334**	2,226,798
Provision made during the year	**501,660**	698,841
Payments made during the year	**(238,507)**	(147,305)
Balance at 31 December	**3,041,487**	2,778,334

15 SHARE CAPITAL

	2017 *AED*	*2016* *AED*
Issued and fully paid up:		
30 million ordinary shares of AED 1 each	**30,000,000**	30,000,000

16 STATUTORY RESERVE

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 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 Nil (2016: AED 351,779) was transferred to the reserve.

17 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.

18 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.

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss for the year attributable to the shareholders of the Company amounting to AED 2.69 million (2016: Profit of AED 3.52 million) by the weighted average number of shares outstanding during the year of 30 million shares (2016: 30 million shares).

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

20 OPERATING LEASE COMMITMENTS

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

	2017 *AED*	*2016* *AED*
Less than 1 year	**3,329,270**	2,954,519
Later than 1 year and no later than 5 years	**6,167,283**	6,790,107
Later than 5 years	**457,199**	1,057,834
	9,953,752	10,802,460

21 CONTINGENT LIABILITIES AND COMMITMENTS

	2017 *AED*	*2016* *AED*
Letters of Credit	**3,394,144**	-
Letters of guarantee	**750,000**	750,000

22 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 2017, revenue from customers located in the Company's country of domicile (UAE) is AED 52.01 million (year ended 31 December 2016: AED 56.5 million) and revenue from customers outside the UAE (foreign customers) is AED 2.6 million (year ended 31 December 2016: AED 5.0 million).

b) Major customers

Revenue from one major customer amounts to AED 9.4 million (2016: AED 7.0 million) of the Company's total revenues. Apart from this customer, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company

23 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 that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

With respect to credit risk arising from other financial assets of the Company, including cash and cash equivalents, trade and other receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

23 RISK MANAGEMENT (continued)

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

	2017 *AED*	*2016* *AED*
Trade receivables	**8,276,350**	6,170,071
Due from a related party	-	1,762,748
Other receivables	**789,855**	582,475
Cash at bank – current accounts	**2,676,573**	2,883,942
Cash at bank – fixed deposits	**13,396,519**	13,226,580
	25,139,297	24,625,816

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

	2017 *AED*	*2016* *AED*
Within UAE	**8,138,409**	6,017,180
Outside UAE	**137,941**	152,891
	8,276,350	6,170,071

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.

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

31 December 2017	*Carrying amount AED*	*Contractual cash flows AED*	*Less than 1 year AED*	*Between 1 to 2 years AED*	*More than 2 years AED*
Trade and other payables	**10,630,568**	**10,630,568**	**10,630,568**	-	-
	10,630,568	**10,630,568**	**10,630,568**	-	-

31 December 2016	*Carrying amount AED*	*Contractual cash flows AED*	*Less than 1 year AED*	*Between 1 to 2 years AED*	*More than 2 years AED*
Trade and other payables	8,098,335	8,098,335	8,098,335	-	-
	8,098,335	8,098,335	8,098,335	-	-

23 RISK MANAGEMENT (continued)

Market risks
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank deposits and available-for-sale financial assets.

Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure 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 fair value or future cash flows 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.

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

	Carrying amount	
	2017	*2016*
	AED	*AED*
Fixed rate instruments		
Financial assets	**13,396,519**	13,226,580

Fair value sensitivity analysis for fixed interest rate instruments

The Company is not exposed to any interest rate risk as it does not have financial instruments at variable interest rates.

Equity price risk
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks. The Company's listed equity security is susceptible to market price risk arising from uncertainties about future values of the investment security. 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.

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 G.C.C. stock exchanges.

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 2017		
Effect of changes in quoted equity portfolio of the Company	**-**	**274,197**
31 December 2016		
Effect of changes in quoted equity portfolio of the Company	-	278,156

23 RISK MANAGEMENT (continued)

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 2017

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
Available-for-sale financial assets	**2,741,974**	**-**	**-**	**2,741,974**

31 December 2016

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
Available-for-sale financial assets	2,781,563	-	-	2,781,563

Capital management
The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016. Capital comprises share capital, reserves and retained earnings and is measured at AED 43.92 million as at 31 December 2017 (2016: AED 49.98 million).

24 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 9.43 million (2016: AED 6.90 million), and the provision for doubtful debts was AED 1.15 million (2016: AED 0.73 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

24 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

At the reporting date, gross inventory were AED 11.10 million (2016: AED 10.13 million) with provisions for slow moving inventories of AED 2.58 million (2016: AED 2.19 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives and depreciation of property, plant and equipment and investment properties
The management periodically reviews the estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

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.