

Dubai Refreshments (P.S.C)

FINANCIAL STATEMENTS

31 DECEMBER 2011

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUBAI REFRESHMENTS (P.S.C)

Report on the Financial Statements

We have audited the accompanying financial statements of Dubai Refreshments (P.S.C) (the "Company"), which comprise the statement of financial position as at 31 December 2011 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the Company as at 31 December 2010 were audited by another auditor whose report dated 2 February 2011 expressed an unqualified opinion on those statements.

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 the applicable provisions of the Articles of Association of Dubai Refreshments (P.S.C) and the UAE Commercial Companies Law of 1984 (as amended), 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.

Auditor's 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 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
DUBAI REFRESHMENTS (P.S.C) (continued)**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the Articles of Association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out; and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

A handwritten signature in blue ink, appearing to read 'Ernst & Young'.

30 January 2012

Dubai, United Arab Emirates

Dubai Refreshments (P.S.C)

INCOME STATEMENT

Year ended 31 December 2011

	<i>Notes</i>	2011 AED '000	2010 AED '000
Sales		986,995	779,291
Cost of sales	4	(709,715)	(580,160)
GROSS PROFIT		277,280	199,131
Other operating income	7	9,913	3,670
Selling and distribution expenses	5	(116,685)	(102,990)
General and administrative expenses	6	(41,219)	(35,619)
Amortisation of intangible assets	9	(3,120)	(3,120)
OPERATING INCOME		126,169	61,072
Finance income		2,646	3,299
Finance expense		(1,381)	(3,409)
Dividend income		3,889	2,800
Other income		850	944
PROFIT FOR THE YEAR		132,173	64,706
Earnings per share in AED	23	1.43	0.68

The attached notes 1 to 31 form part of these financial statements.

Dubai Refreshments (P.S.C)**STATEMENT OF COMPREHENSIVE INCOME**

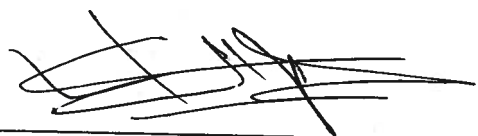
Year ended 31 December 2011

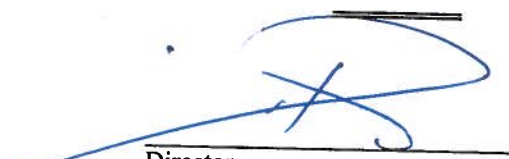
	<i>2011</i> <i>AED '000</i>	<i>2010</i> <i>AED '000</i>
Profit for the year	132,173	64,706
Other comprehensive income		
Change in fair value of available-for-sale investments	48,848	3,188
Change in fair value of cash flow hedges	(779)	-
Other comprehensive income for the year	48,069	3,188
Total comprehensive income for the year	180,242	67,894

The attached notes 1 to 31 form part of these financial statements.

Dubai Refreshments (P.S.C)
STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Notes	2011 AED '000	2010 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	8	135,999	137,293
Intangible assets	9	35,094	38,214
Available-for-sale investments	10	116,359	60,143
		<u>287,452</u>	<u>235,650</u>
Current assets			
Inventories	11	55,810	34,166
Trade and other receivables	12	68,398	61,573
Bank balances and cash	13	280,400	156,670
		<u>404,608</u>	<u>252,409</u>
TOTAL ASSETS		<u><u>692,060</u></u>	<u><u>488,059</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	15	90,000	60,000
Statutory reserve	16	43,217	30,000
General reserve	17	149,241	149,241
Fair value reserve	20	97,121	48,273
Cash flow hedge reserve		(779)	-
Retained earnings		116,662	61,206
Total equity		<u>495,462</u>	<u>348,720</u>
Non-current liabilities			
Non-current portion of term loans	25	7,472	14,116
Employees' end of service benefits	22	13,387	11,545
		<u>20,859</u>	<u>25,661</u>
Current liabilities			
Trade and other payables	14	170,490	108,060
Current portion of term loans	25	5,249	5,618
		<u>175,739</u>	<u>113,678</u>
Total liabilities		<u>196,598</u>	<u>139,339</u>
TOTAL EQUITY AND LIABILITIES		<u><u>692,060</u></u>	<u><u>488,059</u></u>


Director
30 January 2012


Director
30 January 2012

The attached notes 1 to 31 form part of these financial statements.

Dubai Refreshments (P.S.C)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Fair value reserve AED '000	Cash flow hedge reserve AED '000	Retained earnings AED '000	Total AED '000
Balance as of 1 January 2011	60,000	30,000	149,241	48,273	-	61,206	348,720
Profit for the year	-	-	-	-	-	132,173	132,173
Other comprehensive income for the year	-	-	-	48,848	(779)	-	48,069
Total comprehensive income for the year	-	-	-	48,848	(779)	132,173	180,242
Transfer to statutory reserve	-	13,217	-	-	-	(13,217)	-
Dividends paid (Note 21)	-	-	-	-	-	(30,000)	(30,000)
Directors' fees	-	-	-	-	-	(3,500)	(3,500)
Bonus share issue (Note 15)	30,000	-	-	-	-	(30,000)	-
Balance as of 31 December 2011	90,000	43,217	149,241	97,121	(779)	116,662	495,462

The attached notes 1 to 31 form part of these financial statements.

Dubai Refreshments (P.S.C)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Dividend equalization reserve AED '000	Plant replacement reserve AED '000	Fair value reserve AED '000	Retained earnings AED '000	Total AED '000
Balance as of 1 January 2010	60,000	24,682	7,062	31,962	45,200	45,085	85,335	299,326
Profit for the year	-	-	-	-	-	-	64,706	64,706
Other comprehensive income for the year	-	-	-	-	-	3,188	-	3,188
Total comprehensive income for the year	-	-	-	-	-	3,188	64,706	67,894
Transfer to general reserve	-	-	142,179	(31,962)	(45,200)	-	(65,017)	-
Transfer to statutory reserve	-	5,318	-	-	-	-	(5,318)	-
Directors' fee	-	-	-	-	-	-	(3,500)	(3,500)
Dividends paid (Note 21)	-	-	-	-	-	-	(15,000)	(15,000)
Balance as of 31 December 2010	60,000	30,000	149,241	-	-	48,273	61,206	348,720

The attached notes 1 to 31 form part of these financial statements.

Dubai Refreshments (P.S.C)
STATEMENT OF CASH FLOWS
Year ended 31 December 2011

	<i>Notes</i>	<i>2011 AED '000</i>	<i>2010 AED '000</i>
OPERATING ACTIVITIES			
Profit for the year		132,173	64,706
Adjustments for:			
Depreciation	8	20,180	20,681
Amortisation of intangible assets	9	3,120	3,120
Profit on disposal of property, plant and equipment		155	(45)
Finance expense		1,381	3,409
Finance income		(2,646)	(3,299)
Dividend income		(3,889)	(2,800)
Provision for employees' end of service benefits	22	2,891	2,585
		<u>153,365</u>	<u>88,357</u>
Working capital changes:			
Inventories		(21,644)	4,787
Trade and other receivables		(6,825)	17,340
Trade and other payables		61,651	11,762
		<u>186,547</u>	<u>122,246</u>
Employees' end of service benefits paid	22	(1,049)	(1,214)
Finance income received		2,646	3,299
		<u>188,144</u>	<u>124,331</u>
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	8	(19,235)	(50,421)
Proceeds from disposal of property, plant and equipment		194	305
Purchase of available for sale investments	10	(7,368)	-
Dividend income received		3,889	2,800
		<u>(22,520)</u>	<u>(47,316)</u>
FINANCING ACTIVITIES			
Proceeds from term loans		-	22,625
Repayment of term loans		(7,013)	(2,891)
Decrease in fixed deposits under lien		-	10,205
Dividends paid	21	(30,000)	(15,000)
Directors' fees		(3,500)	(3,500)
Finance expense paid		(1,381)	(3,409)
		<u>(41,894)</u>	<u>8,030</u>
INCREASE IN CASH AND CASH EQUIVALENTS			
		123,730	85,045
Cash and cash equivalents at 1 January		156,670	71,625
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	<u><u>280,400</u></u>	<u><u>156,670</u></u>

The attached notes 1 to 31 form part of these financial statements.

1 ACTIVITIES

Dubai Refreshments (P.S.C) (the "Company") was incorporated in Dubai in 1959 by a Decree from His Highness, The Ruler of Dubai. The registered address of the Company is P. O. Box 420, Dubai, United Arab Emirates.

The Company is engaged in bottling and selling Pepsi Cola International products in Dubai, Sharjah and the other Northern emirates of UAE. The Company also exports Pepsi Cola International products from time to time to foreign countries after obtaining authorization from Pepsi Cola International. The Company holds 7Up and Aquafina bottling and selling rights for the whole of the UAE.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been presented in U.A.E. Dirhams, which is the functional and reporting currency of the Company.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments and derivative financial instruments.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these type of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements in Euroland, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Company.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

- IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 3 Business Combinations
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Sale incentives

The Company receives sale incentives on its export sales based on volumes sold and agreed rates. These incentives are recognised when related export sales are recognised.

Interest income

Interest income is recognised as the interest accrues.

Dividends

Revenue is recognised when the Company's right to receive the payment is established.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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	3 to 20 years
Plant, machinery and equipment	2 to 15 years
Motor vehicles	3 to 5 years
Coolers	5 years
Furniture and fixtures	2 years

Capital work-in-progress is not depreciated.

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.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Amortisation is calculated on a straight line basis over the estimated useful life of 20 years.

Available-for-sale investments

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "fair value reserve" within equity is included in the income statement for the year.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Raw materials – purchase cost on weighted average basis;

Spares and consumables – purchase cost on weighted average basis;

Finished goods – cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity and is determined on weighted average basis.

Net realisable value is based on the estimated selling price less any further costs expected to be incurred on disposal. Damaged and obsolete inventories are written off.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits with an original maturity of three months or less.

Government and other grants

Government and other monetary grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Company receives a non-monetary grant, the asset and the grant are recorded at a nominal amount of AED 1.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the labour regulations of the respective countries in which the Company operates. The expected costs of these benefits are accrued over the period of employment.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contracts and forward commodity contracts, to hedge its foreign currency risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the income statement in cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the statement of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss.

For fair value hedges related to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of income over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortised through the statement of income.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of income.

When an unrecognised firm commitment is designated as hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of income. The changes in the fair value of the hedging instrument are also recognised in the statement of income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of income in finance costs.

Amounts recognised as other comprehensive income are transferred to the statement of income when the hedged transaction affects the statement of income, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

3 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant impact on the amounts recognised in the financial statements.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through income statement or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Company has the intention and ability to hold these to maturity.

The Company classifies investments as trading if they are acquired primarily for the purpose of making a short term profit.

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss.

All other investments are classified as available-for-sale.

3 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 49.54 million (31 December 2010: AED 50.06 million), and the provision for doubtful debts was AED 3 million (31 December 2010: AED 3.23 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 applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory were AED 57.34 million (31 December 2010: AED 36.03 million) with provisions for slow moving inventories of AED 1.53 million (31 December 2010: AED 1.87 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

The management periodically reviews 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.

Useful lives and amortisation of intangible assets

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

Derivatives

The fair values are obtained from quoted market prices available from the counter party bank, discounted cash flow models and valuation models as appropriate. The Company uses widely recognised valuation models for determining the fair value of forward currency contracts and forward commodity contracts. For these financial instruments, inputs into models are market observable.

4 COST OF SALES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Raw material consumption	652,975	529,224
Staff costs	19,917	17,381
Depreciation (Note 8)	7,829	7,086
Others	28,994	26,469
	<u>709,715</u>	<u>580,160</u>

5 SELLING AND DISTRIBUTION EXPENSES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Staff costs	42,045	37,807
Advertisement and marketing expenses	35,726	29,112
Rental charges	17,798	17,445
Depreciation (Note 8)	9,805	10,750
Fleet expenses	6,146	5,450
Allowance for doubtful debts (Note 12)	2,000	1,000
Export related expenses	1,625	838
Others	1,540	588
	<u>116,685</u>	<u>102,990</u>

6 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Staff costs	19,205	16,759
Office expenses	9,234	8,645
Depreciation (Note 8)	2,546	2,845
Building maintenance expenses	2,430	1,868
Rental charges	1,752	1,494
Bank charges	1,037	909
Professional charges	985	995
Others	4,030	2,104
	<u>41,219</u>	<u>35,619</u>

7 OTHER OPERATING INCOME

Other operating income represents performance incentives given to the Company by Pepsi Cola International.

Dubai Refreshments (P.S.C)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

8 PROPERTY, PLANT AND EQUIPMENT

Cost:	Buildings AED '000	Plant machinery and equipment AED '000	Motor vehicles AED '000	Coolers AED '000	Furniture and fixtures AED '000	Capital work-in- progress AED '000	Total AED '000
At 1 January 2011	49,764	151,178	-	92,481	4,880	14,813	313,116
Additions	103	1,463	-	4,391	760	12,518	19,235
Transfer	6,003	1,009	-	-	-	(7,012)	-
Disposals	-	(1,211)	-	(2,584)	(169)	-	(3,964)
At 31 December 2011	55,870	152,439	-	94,288	5,471	20,319	328,387
Accumulated depreciation:							
At 1 January 2011	24,711	66,689	-	79,963	4,460	-	175,823
Charge for the year	3,319	11,216	-	5,033	612	-	20,180
Disposal	-	(1,004)	-	(2,442)	(169)	-	(3,615)
At 31 December 2011	28,030	76,901	-	82,554	4,903	-	192,388
Net book value:							
At 31 December 2011	27,840	75,538	-	11,734	568	20,319	135,999

Factory buildings have been constructed on land provided free of charge by H.H. The Ruler of Dubai.

The staff quarters have been constructed on land leased to the Company on an annual basis and in the opinion of management, the lease will be renewed for a period at least equivalent to the useful life of the staff quarters.

Capital work in progress mainly pertains to the construction of new office building and production facility.

Plant and machinery with a carrying value of AED 4.99 million has been assigned in favour of a bank (Note 25).

Dubai Refreshments (P.S.C)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

8 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Buildings AED '000</i>	<i>Plant machinery and equipment AED '000</i>	<i>Motor vehicle AED '000</i>	<i>Coolers AED '000</i>	<i>Furniture and fixtures AED '000</i>	<i>Capital work-in- progress AED '000</i>	<i>Total AED '000</i>
Cost:							
At 1 January 2010	48,621	116,108	783	90,294	4,439	6,278	266,523
Additions	-	2,951	-	4,240	370	42,860	50,421
Transfer	1,143	33,164	(104)	-	122	(34,325)	-
Disposals	-	(1,045)	(679)	(2,053)	(51)	-	(3,828)
At 31 December 2010	49,764	151,178	-	92,481	4,880	14,813	313,116
Accumulated depreciation:							
At 1 January 2010	22,512	56,734	445	74,954	4,065	-	158,710
Charge for the year	2,199	10,987	31	7,021	443	-	20,681
Disposal	-	(1,032)	(476)	(2,012)	(48)	-	(3,568)
At 31 December 2010	24,711	66,689	-	79,963	4,460	-	175,823
Net book value:							
At 31 December 2010	25,053	84,489	-	12,518	420	14,813	137,293

Factory buildings have been constructed on land provided free of charge by H.H. The Ruler of Dubai.

The staff quarters have been constructed on land leased to the Company on an annual basis and in the opinion of management, the lease will be renewed for a period at least equivalent to the useful life of the staff quarters.

Capital work in progress mainly pertains to the construction of warehouse and new office building and production facility.

Plant and machinery with a carrying value of AED 5.5 million has been assigned in favour of a bank (Note 25).

8 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge of the year has been allocated as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Cost of sales (Note 4)	7,829	7,086
Selling and distribution expenses (Note 5)	9,805	10,750
Administrative and general expenses (Note 6)	2,546	2,845
	<u>20,180</u>	<u>20,681</u>

9 INTANGIBLE ASSETS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
As at 1 January	38,214	41,334
Less: amortisation expense	(3,120)	(3,120)
	<u>35,094</u>	<u>38,214</u>

Intangible assets include franchise and bottling rights acquired in 2003. Expenditures to acquire franchise and bottling rights are capitalised and amortised using the straight line method over their estimated useful life of 20 years.

10 AVAILABLE-FOR-SALE INVESTMENTS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Opening balance	60,143	56,955
Additions during the year	7,368	-
Change in market fair value	48,848	3,188
	<u>116,359</u>	<u>60,143</u>

The Company's available-for-sale investments are held in equity securities listed on stock exchanges. Included in the above are investments in 527,076 shares of Etisalat with a carrying amount of AED 4.81 million, which are held in the names of late Mr. Humaid Al Owais and Mr. Mana Al Mulla in trust and for the benefit of the Company. Certain shares are in the process of being transferred in the name of a Director of the Company who will hold these shares in trust and for the beneficial interest of the Company.

Dubai Refreshments (P.S.C)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

11 INVENTORIES

	2011 AED'000	2010 AED'000
Raw material and consumable	35,774	16,590
Finished goods	17,229	14,686
Spare part and supplies	4,332	4,756
	<u>57,335</u>	<u>36,032</u>
Less: provision for slow moving inventory	(1,525)	(1,866)
	<u>55,810</u>	<u>34,166</u>

12 TRADE AND OTHER RECEIVABLES

	2011 AED'000	2010 AED'000
Trade receivables	49,542	50,058
Less: provision for doubtful debts	(3,001)	(3,226)
	<u>46,541</u>	<u>46,832</u>
Prepaid expenses	6,989	3,380
Due from related parties (Note 24)	323	312
Other receivables	14,545	11,049
	<u>68,398</u>	<u>61,573</u>

As at 31 December 2011, trade accounts receivable at nominal value of AED 3,001 thousand (2010: AED 3,226 thousand) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2011 AED'000	2010 AED'000
At 1 January	3,226	3,026
Charge for the year (Note 5)	2,000	1,000
Amounts written off	(2,225)	(800)
At 31 December	<u>3,001</u>	<u>3,226</u>

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

	Total AED'000	Neither past due nor impaired AED'000	Past due but not impaired				
			<30 days AED'000	30-60 days AED'000	60-90 days AED'000	90-120 days AED'000	>120 days AED'000
2011	46,541	24,188	16,397	4,991	725	144	96
2010	46,832	23,380	18,256	3,902	970	194	130

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.

Dubai Refreshments (P.S.C)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

13 CASH AND CASH EQUIVALENTS

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

	2011 AED'000	2010 AED'000
Cash at banks and on hand	125,586	25,667
Short-term deposits	154,814	131,003
	<u>280,400</u>	<u>156,670</u>

Short-term deposits are made for varying periods between one day and three months and earn interest at the respective short-term deposits rates.

14 TRADE AND OTHER PAYABLES

	2011 AED'000	2010 AED'000
Notes payable	52,515	28,175
Trade payables	47,924	30,885
Accrued expenses	33,233	22,130
Accrual for staff costs	14,541	13,503
Advances from customers	12,057	8,332
Deferred income	2,908	-
Due to related parties (Note 24)	1,337	962
Financial instruments at fair value through profit or loss (Note 30)	1,037	-
Financial instruments at fair value through other comprehensive income (Note 30)	779	-
Other payables	4,159	4,073
	<u>170,490</u>	<u>108,060</u>

15 SHARE CAPITAL

	2011 AED'000	2010 AED'000
<i>Authorised issued and fully paid up:</i>		
90 million shares of AED 1 each	90,000	60,000
(2010: 60 million shares of AED 1 each)	<u>90,000</u>	<u>60,000</u>

The Annual General Meeting of the shareholders approved a bonus issue of 0.5 shares for every share held in their meeting dated 8 March 2011, thereby increasing the number of shares from 60 million to 90 million.

16 STATUTORY RESERVE

In accordance with UAE Commercial Companies Law of 1984 (as amended) and the Company's articles of association, 10% of the annual profit of the Company is required to be transferred to a statutory reserve till the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the law.

17 GENERAL RESERVE

In accordance with Article 193 of the U.A.E. Commercial Companies Law of 1984, as amended and the Company's articles of association, 10% of the Company's net profit may be transferred to a general reserve to be used only for the purposes stated in the Company's article.

17 GENERAL RESERVE (continued)

In accordance with Clause 66 of the Company's article of association, 10% of the net profit for each year should be transferred to this reserve and such transfers may cease when the reserve equals 5% of the paid up share capital of the Company.

Shareholders passed a resolution in Annual General Meeting held on 28 February 2010 to transfer the dividend equalization reserve, plant replacement reserve and part of retained earnings to general reserve.

18 DIVIDEND EQUALISATION RESERVE

This is the general reserve representing appropriations from the net profit of the Company. The reserve is attributable to shareholders upon the recommendation of the Board of Directors.

Shareholders passed a resolution at the Annual General Meeting held on 28 February 2010 to transfer the dividend equalization reserve to general reserve.

19 PLANT REPLACEMENT RESERVE

The reserve represents amounts appropriated from the net profit of the Company. The reserve is available for distribution to shareholders upon the recommendation of the Board of Directors.

Shareholders passed a resolution at the Annual General Meeting held on 28 February 2010 to transfer the plant replacement reserve to general reserve.

20 FAIR VALUE RESERVE

Changes in fair value of available for sale investments are recognised in other comprehensive income and reported as fair value reserve within equity. Upon impairment loss or upon derecognition, any loss or gain previously reported as fair value reserve within equity is included in the income statement for the year.

During the year an unrealized gain of AED 48.8 million was credited to other comprehensive income (2010: AED 3.1 million).

21 DIVIDENDS

During the Annual General Meeting held on 8 March 2011, the shareholders approved a cash dividend of AED 0.5 per share totaling to AED 30 million relating to 2010 (2010: AED 0.25 per share totaling to AED 15 million relating to 2009).

During the Board of Directors' meeting held on 15 January 2012, the Directors proposed a cash dividend of AED 0.4 per share totaling to AED 36 million relating to 2011.

22 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Provision as at 1 January	11,545	10,174
Provided during the year	2,891	2,585
End of service benefits paid	(1,049)	(1,214)
Provision as at 31 December	<u>13,387</u>	<u>11,545</u>

23 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Company, net of directors fees, amounting to AED 128.67 million (year ended 31 December 2010: AED 61.2 million) by the weighted average number of shares outstanding during the year of 90 million (year ended 31 December 2010: 90 million).

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Earnings per share	<u>1.43</u>	<u>0.68</u>

24 RELATED PARTY TRANSACTIONS AND BALANCES**a Significant related party transactions with related parties:**

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.

Significant transactions with related parties included in the income statement are as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Sales to a related party	<u>8,470</u>	<u>8,191</u>
Purchases from related parties	<u>7,683</u>	<u>6,017</u>

Compensation of key management personnel

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Short-term benefits	<u>10,201</u>	<u>8,140</u>
Employees' end of service benefits	<u>459</u>	<u>385</u>
	<u>10,660</u>	<u>8,525</u>

b Due from related parties (Note 12):

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<i>Other related party</i>		
Oman Refreshments Company Limited	<u>323</u>	<u>312</u>

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**c Due to related parties (Note 14):**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<i>Other related party</i>		
Emirates Refreshments Company	<u>1,337</u>	<u>962</u>

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2011, the Company has not recorded any impairment of amounts owed by related parties (2010: AED Nil).

25 TERM LOANS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Term loans availed	12,721	19,734
Less: current portion of term loans	<u>(5,249)</u>	<u>(5,618)</u>
Non-current portion	<u>7,472</u>	<u>14,116</u>

During the prior year the Company obtained three term loans denominated in Euros to finance the purchasing and installation of new plant and machinery. These loans will be repaid over the term of 3-5 years and carry interest at 6 months EURIBOR plus 1.85% per annum. The Company entered into a series of forward foreign exchange contracts matching the repayment dates to manage its exchange risk.

Finance expense for the year includes AED 1.8 million (2010: AED 3.4 million) interest on term loans and the negative change in fair value of derivative financial instrument of AED 1.5 million net of exchange gain of AED 1 million.

Plant and machinery with a carrying value of AED 4.99 million (2010: AED 5.5 million) has been assigned in favour of a bank.

26 OPERATING LEASE COMMITMENTS

The Company leases land, staff accommodations, office and warehouse premises under operating lease agreements. The leases typically run for a period of 1 year to 30 years with an option to renew the lease after that date. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Within 1 year	14,417	16,214
After one year but not more than five years	31,122	30,975
More than 5 years	<u>145,683</u>	<u>121,005</u>
Total operating lease expenditure contracted for at the reporting date	<u>191,222</u>	<u>168,194</u>

27 CONTINGENCIES AND CAPITAL COMMITMENTS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Bank guarantees	103	3,393
Letter of credit	604	-
Capital commitments	<u>502,625</u>	<u>399,335</u>

The Company's capital commitments mainly pertain to approved expenditure of AED 515.8 million (31 December 2010: AED 400 million) on office and plant facility (Greenfield project) at Dubai Investment Park.

28 SEGMENT REPORTING

The Company operates in a single reporting segment of canning, bottling, distribution and trading of soft drinks and related beverages products. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, income statement 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 2011, revenue from customers located in the Company's country of domicile (UAE) is AED 667 million (year ended 31 December 2010: AED 592 million) and revenue from customers outside UAE (foreign customers) is AED 320 million (year ended 31 December 2010: AED 187 million).

b) Major customer

During the year ended 31 December 2011, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

29 RISK MANAGEMENT**Interest rate risk**

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and term loans).

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

There is no impact on the Company's equity.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year AED'000</i>
2011		
AED	+50	710
AED	- 50	(710)
2010		
AED	+50	556
AED	- 50	(556)

29 RISK MANAGEMENT (continued)**Credit risk**

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, 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.

Liquidity risk

The Company limits its liquidity risk by ensuring that adequate internally generated funds, bank facilities and funds from the shareholders are available. The Company's terms of sales require amounts to be paid within 30 to 60 days from the date of sale. Trade payables are normally settled within 30 to 90 days from the date of purchase.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2011

	<i>Less than 6 months AED'000</i>	<i>6 to 12 months AED'000</i>	<i>1 to 5 years AED'000</i>	<i>>5 years AED'000</i>	<i>Total AED'000</i>
Accounts payable and other payables	155,525	-	-	-	155,525
Term loans	3,197	3,205	8,684	-	15,086
Total	158,722	3,205	8,684	-	170,611

At 31 December 2010

	<i>Less than 6 months AED'000</i>	<i>6 to 12 months AED'000</i>	<i>1 to 5 years AED'000</i>	<i>>5 years AED'000</i>	<i>Total AED'000</i>
Accounts payable and other payables	99,728	-	-	-	99,728
Term loans	3,135	3,107	14,743	-	20,985
Total	102,863	3,107	14,743	-	120,713

Currency risk

The Company had the following significant net exposures denominated in foreign currencies in the form of bank balances and term loans.

	<i>2011 AED'000 equivalent</i>	<i>2010 AED'000 equivalent</i>
Net liabilities:		
Euro	(4,140)	(9,793)

29 RISK MANAGEMENT (continued)**Currency risk (continued)**

The below analysis calculates the effect of a reasonably possible movement of the AED currency rate against the above mentioned currency, with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

	<i>Increase/ decrease in exchange rate to the AED</i>	<i>Effect on profit for the year increase/ (decrease)</i>	<i>Effect on other comprehensive income for the year increase/ (decrease)</i>
2011	+5%	326	1,895
	- 5%	(326)	(1,895)
2010	+5%	(490)	-
	- 5%	490	-

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 shareholder 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 2011 and 31 December 2010. Capital comprises share capital, reserves and retained earnings and is measured at AED 495 million as at 31 December 2011 (2010: AED 349 million).

30 FAIR VALUE OF DERIVATIVES*Derivatives not designated as hedging instruments*

The Company uses forward currency contracts to manage some of its financing transaction exposures. Foreign currency forward contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally 3 to 36 months. Derivatives where no hedging relationship is established or which are contracted for general purposes are not considered as cash flow or fair value hedges.

Cash flow hedges

The Company also uses forward commodity contracts and forward currency contracts to manage some of its financing transaction exposures, highly probable transactions and commitment. The hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transaction is accounted for as a cash flow hedge.

The cash flow hedges were assessed to be highly effective and as at 31 December 2011, a net unrealized loss of AED 779 thousand (2010: Nil) was included in other comprehensive income in respect of these contracts.

The table below shows the positive and negative fair values of derivative financial instruments including cash flow hedges, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

30 FAIR VALUE OF DERIVATIVES (continued)

	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amount AED'000</i>	<i>Notional amounts by term to maturity Within 1 year AED'000</i>	<i>1-5 years AED'000</i>
Derivatives					
Designated as cash flow hedges	-	(779)	37,898	37,898	-
Not designated for hedging	-	(1,037)	10,668	5,690	4,978
31 December 2011	-	(1,816)	48,566	43,588	4,978

Presented in the statement of financial position as:

	<i>2011 AED'000</i>	<i>2010 AED'000</i>
Current liabilities (Note 14)	1,816	-

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, receivables and available-for-sale investments. Financial liabilities consist of bank borrowings and payables.

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2011, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 Dec 2011 AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Available-for-sale investments	116,359	116,359	-	-

Liabilities measured at fair value

	<i>31 Dec 2011 AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Financial instruments at fair value through profit or loss	1,037	-	1,037	-
Financial instruments at fair value through other comprehensive income	779	-	779	-

31 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2010, the Company held the following financial instruments measured at fair value:

	<i>31 Dec 2010</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
Available-for-sale investments	60,143	60,143	-	-

During the years ended 31 December 2011 and 31 December 2010, there were no transfers between the various levels of fair value measurements.