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

Financial statements
31 December 2011

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Emirates Refreshments

Dear Shareholders,

It gives us great opportunity to share with you that Emirates Refreshments Company PSC (ERC) has completed Year 2011 successfully despite difficult times and strategic changes. 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 and profitable company. The key factors in the decisions taken during Year 2011 are as follows:

Organization Restructuring:

We identified that to counter challenge the competitive business environment, restructuring of our resources for the optimum utilization is required.Therefore, we rationalized our manpower to meet our current business needs during last quarter of Year 2011 .These structural changes has brought improvement in efficiencies and have focus on key areas of the business with clear vision and objectives.

Implementation of New IT Systems:

ERC has implemented advanced IT Systems i.e. HRMS, ERP, HHT & Disaster Recovery, which has facilitated and improved each department's procedures, data integration, planning and complete control in the flow of information.

Quality Improvement in Production & Operations

We would also like to share one more accomplishment of the year 2011; ERC has achieved US Army certification for the standard water quality in addition to ISO and HACCP certificates for both Hatta and Dibba plants which marks high credentials for quality assurance of Jeema Mineral water.

Strategic Expansion

ERC strategic expansion related to acquiring new business and launching of new products has been postponed and will be introduced once the company will drive towards profitability. We are positively looking forward for an extensive and more profitable operation, once these strategies will be taken into place.

ERC achieved net profit of AED 3.8 million in Year 2011 vs. net loss of AED 11.2 million losses in Year 2010 which represents 134% improvement vs. Year 2010.During the year 2011,ERC has legal cases provisions of AED 4.36 Million and associated legal costs related to the court cases raised by previous Oman distributor in Dubai and Oman courts which has been reflected in ERC profitability during Year 2011.

Moving forward, the emphasis is on continuing to have main focus on increase in volumes with margins for revenue growth, improving cash flows and reducing ERC production, selling and Administration expenses to overcome operating losses.

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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.

At the end, I would like to express my gratitude and appreciation to leaders of the UAE. Their Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE and Sheikh Mohammed Bin Rashid Al Maktoum, Prime Minister of the UAE and the Ruler of Dubai and their brothers and members of Federal National Council for providing us with the business environment and infrastructure necessary to build a strong and prosperous business. Their continuous support has been invaluable for our success.

Thank you,

Chairman of the Board
Ali Humaid Ali Al Owais

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Independent auditors' report

The Shareholders
Emirates Refreshments (P.S.C.)

Report on the financial statements

We have audited the accompanying financial statements of Emirates Refreshments (P.S.C.) (formerly Jeema Mineral Water (P.S.C.)) ("the Company"), which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, a physical count of inventories was carried out by management in accordance with established principles, and the contents of the Directors' report which relate to these financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2011, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG
Date: 29 MAR 2012
Vijendranath Malhotra
Registration No: 48 B

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

Income statement
for the year ended 31 December 2011

	Note	2011 AED	2010 AED
Revenue		**48,808,982**	52,395,082
Cost of sales	5	**(36,739,726)**	(32,593,666)
Gross profit		**12,069,256**	19,801,416
Selling and distribution expenses	6	**(12,710,806)**	(22,973,768)
Administrative and general expenses	7	**(13,018,935)**	(11,601,088)
Profit on disposal of available for sale investments	12	**17,341,397**	2,975,191
Finance cost	8	**(1,364,836)**	(1,091,281)
Finance income	8	**630,146**	1,447,103
Other income	9	**883,577**	186,041
Profit/(loss) for the year		**3,829,799**	(11,256,386)
Earnings per share – basic and diluted	26	**0.128**	(0.375)

The notes set out on pages 9 to 33 are an integral part of these financial statements.

The independent auditors' report is set out on page 2.

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

Statement of comprehensive income
for the year ended 31 December 2011

	Note	**2011 AED**	2010 AED
Profit/(loss) for the year		**3,829,799**	(11,256,386)
Other comprehensive income:			
Net change in fair value of available for sale investments	*12*	**1,191,529**	(878,239)
Transfer of fair value reserve on investments sold during the year to profit or loss	*12*	**(16,954,937)**	(2,975,191)
Total other comprehensive income for the year		**(15,763,408)**	(3,853,430)
Total comprehensive income for the year		**(11,933,609)**	(15,109,816)

The notes set out on pages 9 to 33 are an integral part of these financial statements.

The independent auditors' report is set out on page 2.

Emirates Refreshments (P.S.C.)

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

Statement of financial position

as at 31 December 2011

	Note	2011 AED	2010 AED
ASSETS			
Non-current assets			
Property, plant and equipment	10	**35,245,515**	36,813,292
Investment property	11	**3,757,075**	4,293,800
Available for sale investments	12	**8,189,425**	27,182,833
Long-term prepayment	13	**1,220,000**	1,281,000
Non-current portion of fixed deposits with banks	17	**4,200,000**	-
Total non-current assets		**52,612,015**	69,570,925
Current assets			
Inventories	14	**7,681,248**	8,126,899
Trade and other receivables	15	**8,284,951**	10,145,030
Due from a related party	16	**1,336,674**	963,069
Cash in hand and at bank	17	**16,882,697**	179,276
Assets held for sale	18	**-**	1,306,003
Total current assets		**34,185,570**	20,720,277
Total assets		**86,797,585**	90,291,202
EQUITY			
Share capital	22	**30,000,000**	30,000,000
Statutory reserve	23	**8,998,499**	8,615,519
Obligatory reserve	24	**1,500,000**	1,500,000
Fair value reserve	25	**960,586**	16,723,994
Retained earnings/(accumulated losses)		**(911,628)**	(4,358,447)
Total equity		**40,547,457**	52,481,066
LIABILITIES			
Non-current liabilities			
Provision for staff terminal benefits	21	**1,229,605**	1,179,209
Bank loans - non current portion	20	**10,200,000**	13,000,000
Total non-current liabilities		**11,429,605**	14,179,209
Current liabilities			
Trade and other payables	19	**18,912,187**	20,334,386
Short-term portion of long-term bank loans	20	**3,200,000**	3,250,000
Bank overdraft	20	**12,708,336**	46,541
Total current liabilities		**34,820,523**	23,630,927
Total liabilities		**44,560,128**	37,810,136
Total equity and liabilities		**86,797,585**	90,291,202

These financial statements were authorised for issue on behalf of the Board of Directors on 29 MAR 2012

Chairman

Director

The notes set out on pages 9 to 33 are an integral part of these financial statements.

The independent auditors' report is set out on page 2.

Emirates Refreshments (P.S.C.)

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

Statement of cash flows

for the year ended 31 December 2011

	2011 AED	2010 AED
Operating activities		
Profit/(loss) for the year	3,829,799	(11,256,386)
Adjustments for:		
Depreciation	5,006,737	5,351,626
(Profit)/loss on disposal of property, plant and equipment	(30,340)	173,399
Write off of property, plant and equipment	-	1,844,742
Impairment loss on investment property	536,725	2,750,924
Impairment loss on available for sale investments	-	170,730
Amortisation of long-term prepayment	61,000	61,000
Provision for staff terminal benefits	209,404	614,131
Interest expense	1,238,335	1,091,281
Dividend income from available for sale investments	(478,022)	(1,447,103)
Gain on disposal of assets held for sale	(263,997)	-
Profit on disposal of available for sale investments	(17,341,397)	(2,975,191)
	(7,231,756)	(3,620,847)
Change in inventories	445,651	(340,296)
Change in trade and other receivables	1,860,079	9,290,198
Change in due from a related party	(373,605)	(963,069)
Change in trade and other payables	(1,422,199)	9,061,139
Change in due to a related party	-	(1,392,835)
Staff terminal benefits paid	(159,008)	(848,713)
Sales to a related party adjusted against long-term payable	-	(6,075,001)
Net cash (used in)/from operating activities	(6,880,838)	5,110,576
Investing activities		
Purchase of property, plant and equipment	(3,438,960)	(5,480,907)
Proceeds from disposal of assets classified as held for sale	1,570,000	-
Proceeds from disposal of property, plant and equipment	30,340	400,219
Funds invested in fixed deposit with banks	(14,596,503)	-
Proceeds from disposal of available for sale investments	20,571,397	3,545,191
Dividend received on investments in equity securities	478,022	1,447,103
Net cash from/(used in) investing activities	4,614,296	(88,394)
Financing activities		
Term loans obtained from a bank	6,000,000	10,000,000
Repayment of bank loans	(8,850,000)	(3,750,000)
Interest expense paid	(1,238,335)	(1,091,281)
Repayment of long term payable to a related party	-	(4,441,817)
Dividend paid	-	(1,500,000)
Net cash used in financing activities	(4,088,335)	(783,098)
Net increase in cash and cash equivalents	(6,354,877)	4,239,084
Cash and cash equivalents at the beginning of the year	132,735	(4,106,349)
Cash and cash equivalents at the end of the year	(6,222,142)	132,735
Cash and cash equivalents comprise:		
Cash at bank and in hand	486,194	179,276
Fixed deposit (less than 3 months)	6,000,000	-
Bank overdraft	(12,708,336)	(46,541)
	(6,222,142)	132,735

The notes set out on pages 9 to 33 are an integral part of these financial statements.

The independent auditors' report is set out on page 2.

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

Statement of changes in equity
for the year ended 31 December 2011

	Share capital	Statutory reserve	Obligatory reserve	Fair value reserve	Retained earnings/ (accumulated losses)	Total
	AED	AED	AED	AED	AED	AED
At 1 January 2010	30,000,000	8,615,519	1,500,000	20,577,424	8,397,939	69,090,882
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(11,256,386)	(11,256,386)
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	(878,239)	-	(878,239)
Transfer of fair value reserve on investments sold during the year to profit or loss	-	-	-	(2,975,191)	-	(2,975,191)
Total other comprehensive income	-	-	-	(3,853,430)	-	(3,853,430)
Total comprehensive income for the year	-	-	-	(3,853,430)	(11,256,386)	(15,109,816)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividend paid	-	-	-	-	(1,500,000)	(1,500,000)
Total transactions with owners	-	-	-	-	(1,500,000)	(1,500,000)
At 31 December 2010	30,000,000	8,615,519	1,500,000	16,723,994	(4,358,447)	52,481,066

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

Statement of changes in equity *(continued)*
for the year ended 31 December 2011

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	(Accumulated losses)/ retained earnings AED	Total AED
At 1 January 2011	30,000,000	8,615,519	1,500,000	16,723,994	(4,358,447)	52,481,066
Total comprehensive income for the year						
Profit for the year	-	-	-	-	3,829,799	3,829,799
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	1,191,529	-	1,191,529
Transfer of fair value reserve on investments sold during the year to profit or loss	-	-	-	(16,954,937)	-	(16,954,937)
Total other comprehensive income	-	-	-	(15,763,408)	-	(15,763,408)
Total comprehensive income for the year	-	-	-	(15,763,408)	3,829,799	(11,933,609)
Transactions with owners, recorded directly in equity						
Transfer to statutory reserve	-	382,980	-	-	(382,980)	-
Total transactions with owners	-	382,980	-	-	(382,980)	-
At 31 December 2011	**30,000,000**	**8,998,499**	**1,500,000**	**960,586**	**(911,628)**	**40,547,457**

The notes set out on pages 9 to 33 are an integral part of these financial statements.

1. Reporting entity

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

The principal activity of the Company is bottling and selling mineral water as well as manufacturing plastic bottles and containers. The Company has two plants, each located in Dibba and Hatta, UAE.

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

2. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

Basis of measurement

These financial statements have been prepared on the historical cost basis, except for non-derivative financial instruments classified as available for sale which are measured at fair value.

Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Company's functional currency.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 31.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Certain comparative amounts have been reclassified to conform to the current period's presentation.

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

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Capital work in progress

Capital work in progress is stated at cost less any impairment losses and not depreciated until such time the assets are ready for intended use and transferred to the respective category under property, plant and equipment.

Reclassification to investment property

When a use of a property changes from owner occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurment is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

3. Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Items of property plant, and equipment are depreciated on a straight line basis in profit or loss over the estimated useful lives of each component. Land is not depreciated. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the assets is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property plant and equipment are as follows:

Asset	**Life (years)**
Buildings	20
Plant, machinery and equipments	10
Furniture and fixtures	5
Vehicles	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently using the 'cost model' in accordance with International Accounting Standard 40 - *Investment property* and is stated at cost les impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale property, plant and equipment is no longer depreciated.

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 and work-in-progress
The cost of finished goods and work-in-progress 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

(i) Non derivative financial assets

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, which is the date that the Company becomes a party to the contractual provisions of the instrument.

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. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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 classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivable are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and amount due from a related party.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

(i) Non derivative financial assets (continued)

Cash and cash equivalents

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale. Available-for-sale financial assets are recognised initially 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 available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Impairment losses on available for sale financial assets are recognised in profit and loss.

Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

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

Non-derivative financial liabilities are recognised initially 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.

Financial liabilities comprise loans from banks, bank overdraft and trade and other payables.

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.

(iii) Share capital

Ordinary shares

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

3. Significant accounting policies *(continued)*

Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

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 or economic conditions that correlate with defaults.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the profit or loss. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss 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. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, 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 in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3. Significant accounting policies *(continued)*

Impairment *(continued)*

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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 CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. All impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 provision for staff terminal benefits, disclosed as a long-term liability, is calculated in accordance with the UAE Labour Law and is based on the liability that would arise if the employment of the Company's staff were terminated at the reporting date.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Lease payments

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.

3. Significant accounting policies *(continued)*

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to AED at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for those arising on the retranslation of available-for-sale equity investment (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassed to profit or loss), which are recognised in other comprehensive income.

Finance income and finance cost

Finance income comprises interest income on fixed deposits with banks and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is reconised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance expenses comprise interest expense on bank borrowings.

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.

Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (if any). Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held (if any), for the effects of all dilutive potential ordinary shares.

3. Significant accounting policies *(continued)*

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. Management is in the process of reviewing these new standards, amendments to standards, and interpretation to determine their impact on the financial statements of the Company. As per management's current assessment, none of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 *Financial instruments,* which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and principally from the Company's receivables from customers, due from a related party and cash with banks.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring of outstanding receivables. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

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

4. Financial risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risks

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

Currency risk

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

Interest rate risk

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

Equity price risk

Equity price risk arises from available-for sale equity securities. Investments within the portfolio are managed on an individual basis and buy and sell decisions are approved by the risk management committee. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of portfolio is done in accordance with the approval of the Board of Directors. The Company is also exposed to commodity price risk in respect of the raw materials used by the Company in the production process. The Company does not hedge its commodity price risk.

Capital management

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

Notes *(continued)*

5. Cost of sales

	2011 AED	2010 AED
These include:		
Raw materials consumed	**20,380,173**	17,580,234
Staff costs	**4,863,506**	3,999,307
Water and electricity charges	**4,849,504**	3,494,621
Depreciation	**4,402,303**	4,488,874

6. Selling and distribution expenses

	2011 AED	2010 AED
These include:		
Staff costs	**4,671,086**	6,704,141
Rent	**2,735,065**	1,092,808
Travelling and conveyance	**1,813,016**	3,014,891
Fuel expense	**1,693,238**	1,937,791
Advertisement and marketing expenses	**452,591**	2,349,503
Depreciation	**333,031**	839,613
Provision for slow moving and obsolete inventories	**210,615**	452,362
Repair and maintenance	**21,105**	3,497,477

7. Administrative and general expenses

	2011 AED	2010 AED
These include:		
Staff costs	**5,151,809**	2,709,976
Impairment loss on investment property (refer note 11)	**536,725**	2,750,924
Impairment loss on trade receivables	**280,170**	1,922,954
Depreciation	**271,403**	23,139
Loss on disposal of property, plant and equipment	**-**	173,399
Write off of property, plant and equipment (refer note 10 (b))	**-**	1,844,742
Impairment loss on available for sale investments (refer note 12)	**-**	170,730

8. Finance cost

	2011 AED	2010 AED
Finance cost		
Interest on long-term bank loans	**902,724**	898,041
Interest on bank overdraft	**335,611**	193,240
Bank charges and commission	**126,501**	-
	1,364,836	1,091,281
Finance income		
Dividend income from available for sale investments	**478,022**	1,447,103
Interest income	**152,124**	-
	630,146	1,447,103

9. Other income

	2011 AED	2010 AED
Miscellaneous income	**589,240**	186,041
Gain on disposal of assets held for sale	**263,997**	-
Profit on disposal of property, plant and equipment	**30,340**	-
	883,577	186,041

Emirates Refreshments (P.S.C.)

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

Notes *(continued)*

10. Property, plant and equipment

	Land AED	Buildings AED	Plant, machinery, and equipments AED	Furniture and fixtures AED	Vehicles AED	Capital work in progress AED	Total AED
Cost							
At 1 January 2010	7,044,724	15,363,803	42,278,237	4,668,277	8,020,436	5,521,194	82,896,671
Additions	-	520,800	1,424,024	103,929	145,000	3,287,154	5,480,907
Transfers/ reclassifications	-	(3,214,441)	2,519,641	3,726,122	(34,435)	(2,996,887)	-
Assets classified as held for sale (refer note 18)	-	-	-	-	(6,157,399)	-	(6,157,399)
Transfer to investment property (refer note 11)	(7,044,724)	-	-	-	-	-	(7,044,724)
Write off (also refer note (b) below)	-	-	-	-	-	(1,844,742)	(1,844,742)
Disposals	-	-	(1,029,812)	-	(181,795)	-	(1,211,607)
At 31 December 2010	-	12,670,162	45,192,090	8,498,328	1,791,807	3,966,719	72,119,106
At 1 January 2011	-	12,670,162	45,192,090	8,498,328	1,791,807	3,966,719	72,119,106
Additions	-	125,932	1,466,331	77,347	-	1,769,350	3,438,960
Transfers	-	4,078,876	-	357,991	-	(4,436,867)	-
Reclassifications/ adjustments	-	3,730,493	6,774	(3,745,260)	7,993	-	-
Disposals	-	-	(603,753)	-	-	-	(603,753)
Write off	-	-	-	-	(948,311)	-	(948,311)
At 31December 2011	-	20,605,463	46,061,442	5,188,406	851,489	1,299,202	74,006,002
Depreciation							
At 1 January 2010	-	6,372,470	22,188,119	1,288,595	5,594,389	-	35,443,573
Charge for the year	-	507,815	3,132,788	915,014	796,009	-	5,351,626
Assets classified as held for sale (refer note 18)	-	-	-	-	(4,851,396)	-	(4,851,396)
On disposals	-	-	(616,389)	-	(21,600)	-	(637,989)
At 31 December 2010	-	6,880,285	24,704,518	2,203,609	1,517,402	-	35,305,814
At 1 January 2011	-	6,880,285	24,704,518	2,203,609	1,517,402	-	35,305,814
Charge for the year		792,024	3,202,195	886,484	126,034	-	5,006,737
On disposals	-		(603,753)	-	-	-	(603,753)
On reclassification/ adjustements	-	38,977	10,447	(10,558)	(38,866)	-	-
On write off	-	-	-	-	(948,311)	-	(948,311)
At 31 December 2011	-	7,711,286	27,313,407	3,079,535	656,259	-	38,760,487
Net book value							
At 31 December 2011	**-**	**12,894,177**	**18,748,035**	**2,108,871**	**195,230**	**1,299,202**	**35,245,515**
At 31 December 2010	-	5,789,877	20,487,572	6,294,719	274,405	3,966,719	36,813,292

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

(a) Depreciation has been allocated as follows:

	2011	2010
	AED	AED
Cost of sales	**4,402,303**	4,488,874
Selling and distribution expenses	**333,031**	839,613
Administrative and general expenses	**271,403**	23,139
	5,006,737	5,351,626

(b) During the previous year, the Company had written off AED 1.8 million against a project under capital work in progress involving the construction of a warehouse. The construction of the warehouse was discontinued by management due to its non feasibility. Consequently, the land owned by the Company was classified as investment property due to its undetermined use.

(c) Capital work in progress at 31 December 2011 mainly comprises the following:

- Import of machineries amounting to AED 0.58 million *(2010: AED 0.58 million)* at 31 December 2011.
- Hand held terminal system and Enterprise Resource Planning (ERP) system amounting to AED 0.72 million *(2010: Nil)* at December 2011.

(d) Plant and machinery with a net book value of AED 19.7 million has been mortgaged to a bank (unregistered chattel mortgage) including the insurance thereon against a loan obtained from a bank (refer note 20).

(e) Buildings are constructed on certain plots of land leased from the Government of Fujairah, UAE for a period of 15 years and 25 years respectively. Upon its expiry, the leases can be renewed for a further term to be decided by the parties at that time and the management believes that it will be able to renew the lease for future periods.

11. Investment property

In 2010, the Company transferred land with a cost of AED 7 million from property, plant and equipment to investment property as it was held for undetermined use. At 31 December 2011, the Company has obtained fair value of the land based on open market valuation carried out by an independent registered valuer. Based on such valuation, the value of land is impaired and accordingly, an impairment loss of AED 0.54 million (*2010: AED 2.75 million*) has been recorded in profit or loss which represents the difference between the carrying value and market value of land.

	2011	2010
	AED	AED
At 1 January	**4,293,800**	-
Cost of investment property (transferred from property, plant and equipment) (refer note 10)	**-**	7,044,724
Less: Impairment loss	**(536,725)**	(2,750,924)
At 31 December	**3,757,075**	4,293,800

The fair value of the investment property at 31 December 2010 and 2011 approximates the carrying amount.

12. Available for sale investments

	2011 AED	2010 AED
At 1 January	**27,182,833**	31,776,993
Change in fair value	**1,191,529**	(878,239)
Impairment loss recognised (refer note 7)	**-**	(170,730)
Sale of investments	**(20,184,937)**	(3,545,191)
At 31 December	**8,189,425**	27,182,833

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

During the current year, the Company sold certain investments in securities with original cost of AED 3,230,000 *(2010: AED 570,000)* for a consideration of AED 20,571,397 *(2010: AED 3,545,191)* resulting in a gain of AED 17,341,397 *(2010: AED 2,975,191)* which is recorded in profit or loss. This gain includes AED 16,954,937 *(2010: AED 2,975,191)* representing the fair value reserve on such investments at the date of disposal, which has now been transferred to profit or loss.

13. Long-term prepayment

This represents a payment made (net of cumulative amortisation) to obtain leasehold rights for a land located in Fujairah, UAE. The lease term is 25 years which is renewable on expiry at market rates prevailing at that time.

	2011 AED	2010 AED
Total payment	**1,525,000**	1,525,000
Less: Cumulative amortisation	**(244,000)**	(183,000)
Balance at 31 December	**1,281,000**	1,342,000
Less: Current portion of prepayment classified under trade and receivables (refer note 15)	**(61,000)**	(61,000)
Non-current portion	**1,220,000**	1,281,000

Notes *(continued)*

14. Inventories

	2011 AED	2010 AED
Raw materials	**2,402,735**	4,079,632
Finished goods	**1,851,837**	951,398
Spare parts	**3,805,798**	3,470,909
Others	**222,724**	562,322
	8,283,094	9,064,261
Less: Provision for slow moving inventories	**(601,846)**	(937,362)
	7,681,248	8,126,899

15. Trade and other receivables

	2011 AED	2010 AED
Trade receivables	**7,160,921**	9,224,133
Less: Allowance for impairment	**(790,183)**	(3,215,000)
	6,370,738	6,009,133
Prepayments	**721,530**	2,826,328
Advances to suppliers	**43,694**	43,088
Other receivables	**1,148,989**	1,266,481
	8,284,951	10,145,030

16. Related party transactions and balances

The Company, in the normal course of business carries out transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard 24. These transactions are carried out at mutually agreed rates. The significant related party transactions during the year were as follows:

	2011 AED	2010 AED
Sales	**6,368,346**	6,075,001
Expenses paid to a related party	**283,906**	170,440
Compensation to key management personnel is as follows:		
Short term benefits	**2,124,192**	332,500
Provision towards employees' terminal benefits	**20,066**	17,500

	2011 AED	2010 AED
Due from a related party		
Dubai Refreshments (PSC)	**1,336,674**	963,069

16. Related party transactions and balances *(continued)*

In 2009, the Company entered into a co-packing agreement ("the Co-Packing Agreement") with Dubai Refreshments PSC, a related party, to act as a bottler and co-packer of a beverage. As per the terms of the Co-Packing Agreement, the parties have undertaken to sell/purchase a minimum quantity of the beverage at a mutually agreed price. The agreement is valid until 28 February 2012 and management expects that it will be subsequently renewed. The amount receivable from Dubai Refreshments (PSC) under the co-packing agreement is assigned to banks against facilities obtained by the Company (refer note 20).

17. Cash in hand and at bank

	2011 AED	2010 AED
Cash in hand	**133,386**	58,258
Other cash equivalents	**48,454**	-
Cash at bank – current account	**304,354**	121,018
Cash at bank – fixed deposits	**20,596,503**	-
	21,082,697	179,276
Less: Non-current portion of fixed deposits (refer note (ii) below)	**(4,200,000)**	-
	16,882,697	179,276

(i) Fixed deposits include AED 6 million with a maturity of less than three months from the reporting date. Fixed deposits carry interest at normal commercial rates.

(ii) Fixed deposits with banks amounting to AED 18.75 million are hypothecated against bank borrowings obtained comprising loans and overdraft (refer note 20). Fixed deposits of AED 4.2 million corresponding to a long term bank loan are classified as non-current assets.

18. Assets classified as held for sale

On 29 September 2010, the Company had entered into an agreement for the sale of certain vehicles with a net book value of AED 1.31 million as at that date which were mainly utilised in the distribution of the Company's goods. The vehicles were sold for a consideration of AED 1.57 million which was received in advance during previous year. The legal formalities for the transfer of vehicles in the name of the buyer have been finalised during the current year and a gain of AED 263,997 has been recorded in 'other income'. Following the sale of these vehicles, the Company currently carries out its distribution activities by using vehicles which have been obtained on an operating lease.

19. Trade and other payables

	2011 AED	2010 AED
Trade payables	**8,932,282**	11,054,922
Accrued expenses and other payables	**9,979,905**	9,279,464
	18,912,187	20,334,386

20. Bank borrowings

Bank loans	2011 AED	2010 AED
Balance at 1 January	**16,250,000**	10,000,000
Loans obtained during the year	**6,000,000**	10,000,000
Less: Repayments made during the year	**(8,850,000)**	(3,750,000)
Balance at 31 December	**13,400,000**	16,250,000
Less: Current portion of loans	**(3,200,000)**	(3,250,000)
Long term portion of loans	**10,200,000**	13,000,000
Bank overdraft	**12,708,336**	46,541

In 2010, the Company obtained a term loan of AED 10 million. The loan is repayable in equal monthly installments over five years starting from January 2011, and carries interest at the rate of 2.5% over 3 months EIBOR with a minimum rate of 6.5% per annum.

During the current year the Company pre-settled the outstanding balance on another loan of AED 6.25 million at 31 December 2010 owed to a creditor bank and has obtained a new loan of AED 6 million from another creditor bank. The new loan is repayable in quarterly installments over a period of five years starting from September 2011 and carries interest at 0.75% over the fixed deposit rate. The loans and overdrafts obtained from banks are secured by the following:

- Chattel mortgage and assignment of insurance over the Company's bottling plant in Dibba, Fujairah (refer note 10(d)).
- Assignment of receivables from Dubai Refreshment Company under the Co Packing Agreement (valid till February 2012) duly acknowledged by Dubai Refreshment Company (refer note 16).
- An undertaking to re-assign the receivables from Dubai Refreshment Company upon renewal of the above Co-Packing Agreement.
- Hypothecation of time deposits amounting to AED 18.75 million (refer note 17).

21. Staff terminal benefits

	2011 AED	2010 AED
Balance at 1 January	**1,179,209**	1,413,791
Provision made during the year	**209,404**	614,131
Payments made during the year	**(159,008)**	(848,713)
Balance at 31 December	**1,229,605**	1,179,209

22. Share capital

	2011 AED	2010 AED
Authorised, issued and fully paid up:		
30 million ordinary shares of AED 1 each	**30,000,000**	30,000,000

23. Statutory reserve

In accordance with the UAE Company Law No. 8 of 1984 (as amended), a minimum of 10% of the profit of the Company is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. During the current year, an amount of AED 382,980 *(2010: Nil)* was transferred to the reserve, being 10% of the profit for the year.

24. 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 equalled 5% of the paid up share capital, no transfer has been made to the reserve during the current year *(2010: Nil)*.

This reserve can be utilised by the Company based on a board resolution which has to be approved by the shareholders.

25. Fair value reserve

The fair value reserve represents the unrealised gains and losses arising from changes in the fair value for available-for-sale financial assets which are recognised in fair value reserve in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in profit or loss. Also refer note 12.

26. Earnings per share

	2011	2010
Profit/(loss) for the year (AED)	**3,829,799**	(11,256,386)
Weighted average number of shares outstanding	**30,000,000**	30,000,000
Earnings per share in AED – basic and diluted	**0.128**	(0.375)

27. Operating lease commitments

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

	2011 AED	2010 AED
Less than 1 year	**2,068,210**	2,079,240
Later than 1 year and no later than 5 years	**3,669,149**	5,197,112
Later than 5 years	**4,024,227**	5,075,207
	9,761,586	12,351,559

28. Contingent liabilities and commitments

	2011	2010
	AED	AED
Letters of guarantee	**1,025,000**	1,016,590
Capital commitments	**372,942**	1,437,531

a) The Company has undertaken to sell a minimum quantity of 2.7 million cases of beverage to a related party as per a co-packing agreement at a mutually agreed price.

b) In 2010, the Company had terminated the distribution agreement with its agent in Oman ("the Agent"). Consequently, the Agent had filed various legal cases against the Company, the status of which are as follows:

Cases filed by the Agent in the Courts of UAE

1) Claim of AED 1.76 million for indemnification for the termination of the agency agreement. This claim was based on the grounds that the termination was without sufficient notice and had resulted in damage to the Agent's company and loss of customers. The Court ruling obligated the Company to pay part of the claim. The Company and the Agent filed an appeal against the ruling with a higher court. Subsequent to the reporting date the court obligated the Company to pay the full claim of AED 1.76 million and legal costs.
2) Claim of AED 0.62 million for payment of the Agent's sums due for providing transport services between UAE and Oman. The Court ruled in favour of the Agent and has obligated the Company to pay the amount claimed.
3) Claim of AED 9 million for compensation from the Company for filling water of a brand which was owned by the Agent, without their permission. The Court pronounced a judgement in favour of the Agent and has obligated the Company to pay AED 2.2 million and legal costs of 0.2 million. The Company had filed an appeal against the ruling which was rejected by the Court subsequent to the reporting date.

Cases filed by the Agent in the Courts of Oman

1) Case filed against the Managing Director of the Company for defamation, claiming OMR 0.05 million (AED 0.48 million). The Court has rejected the appeal filed by the Agent.
2) Claim of OMR 0.14 million (AED 1.34 million) for indemnification for the termination of the agency agreement. This claim is based on the grounds that the termination was without sufficient notice and has resulted in damage to the Agent's company and loss of customers. The Court has rejected the appeal filed by the Agent.

c) Furthermore, during 2011, the Company was also a defendant in a case filed in a Court in the UAE by a former employee of the Company in relation to the termination of the employee claiming AED 5.4 million. Subsequent to the reporting date, the Court has dismissed the claim. The judgement is subject to appeal in a higher Court by the plaintiff.

All claims are made for sums including legal costs.

Management is of the view that, currently, there is no significant financial implication arising from the legal cases, including the cases which have been ruled against the Company, over and above the existing provision recorded in the books of account.

29. Segment reporting

The Company operates in a single reporting segment of bottling, distribution and trading of mineral water. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, income statement, 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 2011, revenue from customers located in the Company's country of domicile (UAE) is AED 41.6 million *(year ended 31 December 2010: AED 45 million)* and revenue from customers outside the UAE (foreign customers) is AED 7.2 million *(year ended 31 December 2010: AED 7.4 million).*

b) Major customers

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

30. Financial instruments

a) Credit risk

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

	2011 **AED**	2010 AED
Trade receivables	**6,370,738**	6,009,133
Other receivables	**1,148,989**	1,266,481
Due from a related party	**1,336,674**	963,069
Cash at bank – current accounts	**304,354**	121,018
Cash at bank – fixed deposits	**20,596,503**	-
	29,757,258	8,359,701

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

	2011 **AED**	2010 AED
Domestic	**5,865,454**	5,376,655
Other GCC countries	**279,857**	619,838
Other regions	**225,427**	12,640
	6,370,738	6,009,133

30. Financial instruments *(continued)*

a) Credit risk *(continued)*

The age of trade receivables at the reporting date was:

	2011 Gross AED	**2011 Impairment AED**	2010 Gross AED	2010 Impairment AED
0-90 days	**4,972,874**	-	4,960,196	-
91-120 days	**462,748**	-	372,807	-
121-180 days	**460,680**	-	367,006	79,569
181 - 360 days	**481,765**	**7,329**	474,054	163,607
More than one year	**782,854**	**782,854**	3,050,070	2,971,824
	7,160,921	**790,183**	9,224,133	3,215,000

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

	2011 AED	2010 AED
Balance at 1 January	**3,215,000**	1,292,046
Allowance written off	**(2,704,987)**	-
Impairment loss recognised	**280,170**	1,922,954
Balance at 31 December	**790,183**	3,215,000

b) Liquidity risk

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

31 December 2011	**Carrying amount AED**	**Contractual cash flows AED**	**Less than 1 year AED**	**Between 1 to 2 years AED**	**More than 2 years AED**
Non-derivative financial liabilities					
Long-term bank loans	**13,400,000**	**15,118,417**	**4,131,250**	**4,757,792**	**6,229,375**
Trade and other payables	**18,912,187**	**18,912,187**	**18,912,187**	**-**	**-**
Bank overdraft	**12,708,336**	**12,708,336**	**12,708,336**	**-**	**-**
	45,020,523	**46,738,940**	**35,751,773**	**4,757,792**	**6,229,375**

30. Financial instruments *(continued)*

b) Liquidity risk *(continued)*

31 December 2010	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	Between 1 to 2 years AED	More than 2 years AED
Non-derivative financial liabilities					
Long-term bank loan	16,250,000	19,230,730	4,331,146	4,088,646	10,810,938
Trade and other payables	20,334,386	20,334,386	20,334,386	-	-
Bank overdraft	46,541	46,541	46,541	-	-
	36,630,927	39,611,657	24,712,073	4,088,646	10,810,938

The Company does not have any derivative financial liabilities at the end of the current year and previous year.

c) Market risk

Interest rate risk

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

	Carrying amount	
	2011 AED	2010 AED
Fixed rate instruments		
Financial liabilities	**14,154,304**	6,250,000
Financial assets	**20,596,503**	-
Variable rate instruments		
Financial liabilities	**11,954,032**	10,046,541

Fair value sensitivity analysis for fixed interest rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss	
	100 bp increase AED	**100 bp decrease AED**
31 December 2011	**(119,540)**	**119,540**
31 December 2010	(100,465)	100,465

30. Financial instruments *(continued)*

d) Equity price risk

The Company is exposed to price risk on equity securities classified as available for sale in the statement of financial position. The Company's investments in equity securities are publicly traded and are listed in Muscat Securities Market, Abu Dhabi Securities Exchange and Dubai Financial Market.

Sensitivity analysis

The following table demonstrates the sensitivity of the Company's equity and profit or loss to a 10 percent change in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant.

31 December 2011	**Effect on profit or loss**		**Effect on equity**	
	Increase AED	**Decrease AED**	**Increase AED**	**Decrease AED**
Effect of changes in quoted equity portfolio of the Company	**-**	**(194,167)**	**818,943**	**624,776**

31 December 2010	Effect on profit or loss		Effect on equity	
	Increase AED	Decrease AED	Increase AED	Decrease AED
Effect of changes in quoted equity portfolio of the Company	-	(9,018)	2,718,283	2,709,265

e) Fair values

The Company's management believes that fair value of its financial assets and liabilities are not materially different from the carrying amount at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2011	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
Available for sale investments	**8,189,425**	**-**	**-**	**8,189,425**

31 December 2010	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale investments	27,182,833	-	-	27,182,833

31. Significant accounting estimates and judgements

Estimating useful lives of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and on the historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Provision for inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the past movement of the inventory.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables and due from a related party. In determining whether impairment losses should be reported in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Impairment losses on available for sale financial assets

The Company reviews its available for sale financial assets to assess impairment at least on an annual basis. In determining whether impairment losses should be reported in profit or loss, the Company makes judgments as to determine whether there is any significant and prolonged decline in the fair value of available for sale financial assets. If the decline in the fair value of any available for sale financial asset is considered by management as significant and prolonged, an impairment loss is recorded in profit or loss.

Impairment of investment property

The Company measures investment property at cost less impairment losses. Impairment loss is determined based on value determined by an external, independent valuer having appropriate recognised professional qualification. Should assumptions used in the valuation methodology change, the carrying value of investment properties may be further impaired and would impact profit or loss and the statement of financial position of the Company.