Emirates Refreshments (P.S.C.)

FINANCIAL STATEMENTS

31 December 2018

الإمـــارات للمرطبـــات
Emirates Refreshments

Dear Shareholders,

Welcome to our annual general meeting for the year 2018.Today, we are going to discuss seven resolutions. These are set out in the notice of the meeting. I would like formally to propose all of those resolutions. This is my second year as chairman of ERC which is a rare privilege and great responsibility.

FMCG market is evolving rapidly and ERC is adapting to meet that change. 2018 was a year of change, when we saw number of challenges raised by external factors. It was a year of uncertainty, complexity and volatility. This year there have been a significant number of changes within perpetual. What has not changed however is the unique ability of ERC to continue to adapt to an environment that remains volatile and challenging, and respond in a manner that reflects our qualities and experience. All the Board Members provided highly constructive contribution to deal with all the challenging issues of the company effectively and to turn ERC in an efficient company.

During 2018, we again conducted a thorough review of our business. We took on the challenges that affect our industry in an even stronger and more decisive manner. The key factors in the decisions taken due to the market requirements or for improvisations in the year 2018 are as follows:

Towards fundamental change:

We identified that to counter challenge the competitive business environment, restructuring of our resources for the optimum utilization is required. Therefore, in quarter 1 of the year 2018, we lucidly targeted downsizing our manpower for the betterment of the business and to avoid fiscal pressures.

Setting our course:

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

Quality Improvement in Production & Operations

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

Improving Distribution across all Trade Channels

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

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Emirates Refreshments

The Future

The new leadership team and their responsive and committed staff are tackling the challenges ahead of us with vigor and determination. I hope the above decisions and changes will help the management to run the operations smoothly and more efficiently. Also the management shall be committed to add value to the shareholder's wealth in coming years.

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

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

Thank you,

Chairman of the Board
Mohammed Abdel Aziz Al Owais

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

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Emirates Refreshments P.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

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

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue is a material and an important determinant of the Company's performance and profitability. This gives rise to a risk of fraud in revenue recognition as there is an incentive to overstate revenue in order to increase profitability. The Company generates revenue from sale of goods when the significant risks and rewards of ownership is transferred to customers (refer note 3 to the financial statements for the revenue recognition policy). Given the magnitude of the amount and inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.	To address the above risk, we performed the following procedures: • Tested the design and operating effectiveness of controls in respect of the Company's revenue and accounts receivable processes; • Tested samples of sales invoices during the year; • Performed analytical procedures, including gross profit margin analysis, and obtained explanations for significant variances as compared to previous year; • Performed sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period; • Inquired of management at different levels and departments of their knowledge of fraud risk and actual fraud instances, if any; and • Performed journal entries testing for accounts related to identified risks of material misstatement and verified them with supporting documents.
Existence, collectability of trade receivable balance, and adequacy of provision for doubtful debts	
As at 31 December 2018, the Company had trade receivables of AED 10,955,770 before provisions for doubtful debts of AED 1,505,973 (refer note 10 to the financial statements), which is significant to the Company as it represents approximately 20% of its total assets.	To address the above risk, we performed the following procedures: • Performed tests of control over the sales and trade receivables processes to determine whether controls are operating effectively throughout the year; • Requested direct confirmations from customers for a sample of the outstanding balances, performed alternative procedures for non-replies, including testing of the supporting documents and subsequent cash collections;

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Existence, collectability of trade receivable balance, and adequacy of provision for doubtful debts (continued)	
The determination as to whether a trade receivable is collectable involves significant management judgment. Specific factors that management considers include the age of the balance, location of customer, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparty. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall. We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved.	• Reviewed the management assessment of recoverability of accounts receivable through detailed analysis of ageing of receivables, and assessment of the adequacy of any related provisions based on IFRS 9 Expected Credit loss model; • Inquired management about any past due accounts with no subsequent collections and management's plan for recovering these receivables; and • Inquired about disputes, if any, with customers during the year and reviewed any uncollected amounts to assess recoverability.
Impairment assessment of property, plant and equipment (PPE)	
As at 31 Dec 2018, the Company had PPE amounting to AED 13,284,904 which accounts for 24% of its total assets. Certain plant and equipment of the Company with material PPE balances are in loss-making positions or hold equipment that is infrequently utilized. As such, there are indicators that these assets might be impaired. Given the nature of these PPE, the assessment of impairment involves the application of significant judgement. Accordingly, we consider this to be a key audit matter. An impairment loss is recognised to the extent that the carrying amount is more than its recoverable amount. The recoverable amount is determined based on the fair value less costs of disposal. Please also refer to Note 3 of the financial statements for disclosure of the related accounting policies including disclosure of the related critical estimates, assumptions and judgements. Refer note 5 for PPE disclosures.	• We reviewed the Company's PPE to determine where impairment indicators exist. Based on existing market conditions, impairment indicators were identified at the CGU level of the Company's bottling facilities (mainly for the Building and improvements, plant, machinery and equipment category). The approach to assessing impairment for these PPE included the following; • Examined the utilisation reports for the assets, to identify assets with low utilisation rates; • Compared the carrying amount of the assets against the recoverable amount; • Obtained and analysed the valuation reports assessing market value of PPE provided by management to determine whether they are reasonable and supportable;

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment (PPE) (continued)	
	• Reviewed valuation approach by the management and whether it complies with IAS 36 Impairment of Assets; and • Evaluated reasonableness of the assumptions used in performing valuation.

Other information
Other information consists of the information included in the Company's 2018 Annual Report, other than the financial statements and our auditors' report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Company's 2018 Annual Report after the date of our auditors' report. Management is responsible for the other information.

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

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

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Report on the audit of the financial statements (continued)

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

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

i) the Company has maintained proper books of account;

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

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

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

v) investments in shares and stocks during the year ended 31 December 2018 are disclosed in note 7 to the financial statements;

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

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

Report on other legal and regulatory requirements (continued)

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position; and

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

For Ernst & Young

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

27 March 2019

Dubai, United Arab Emirates

Emirates Refreshments (P.S.C.)

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	Notes	2018 AED	2017 AED
Sales		**48,795,954**	54,654,230
Less: Discount and marketing expenses		**(441,077)**	(164,301)
Revenue		**48,354,877**	54,489,929
Cost of sales		**(33,839,987)**	(33,729,923)
GROSS PROFIT		**14,514,890**	20,760,006
Selling and distribution expenses		**(15,113,941)**	(16,169,437)
Administrative and general expenses		**(7,632,746)**	(7,963,245)
Operating profit / (loss)		**(8,231,797)**	(3,372,676)
Finance cost		**(166,155)**	(141,171)
Finance income		**384,650**	209,329
Other income		**519,762**	608,973
LOSS FOR THE YEAR	4	**(7,493,540)**	(2,695,545)
Earnings per share – basic and diluted	19	**(0.25)**	(0.089)

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	2018 AED	2017 AED
LOSS FOR THE YEAR	4	**(7,493,540)**	(2,695,545)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Net change in fair value of investment securities measured at FVOCI, equity instruments	7	**(878,028)**	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in fair value of available-for-sale-investments	7	-	(39,589)
TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(878,028)**	(39,589)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(8,371,568)**	(2,735,134)

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 AED	2017 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	**13,284,904**	16,631,060
Investment properties	6	**1,509,259**	1,640,277
Investment securities	7	**1,863,946**	2,741,974
Long-term prepayment	8	**854,000**	915,000
		17,512,109	21,928,311
Current assets			
Inventories	9	**9,177,639**	8,510,896
Trade and other receivables	10	**11,905,408**	10,952,166
Due from Related party	11	**2,811**	7,634
Bank balances and cash	12	**15,727,549**	16,202,284
		36,813,407	35,672,980
TOTAL ASSETS		**54,325,516**	57,601,291
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**30,000,000**	30,000,000
Statutory reserve	16	**10,002,276**	10,002,276
Obligatory reserve	17	**1,500,000**	1,500,000
Fair value reserve	18	**1,237,112**	2,115,140
Retained earnings		**(7,181,720)**	311,820
Total equity		**35,557,668**	43,929,236
LIABILITIES			
Non-current liability			
Employees' end of service benefits	14	**2,803,432**	3,041,487
Current liabilities			
Trade and other payables	13	**10,794,878**	10,630,568
Bank overdraft		**5,169,538**	-
		15,964,416	10,630,568
Total liabilities		**18,767,848**	13,672,055
TOTAL EQUITY AND LIABILITIES		**54,325,516**	57,601,291

The financial statements have been approved by the Board of Directors on 23 MAR 2019, and signed on its behalf by:

Chairman

Director

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	2018 AED	2017 AED
OPERATING ACTIVITIES			
(Loss) for the year		**(7,493,540)**	(2,695,545)
Adjustments for:			
Depreciation	5	**5,628,369**	5,827,106
Depreciation on investment property	6	**131,018**	138,361
Gain on disposal of property, plant and equipment		**(4,027)**	(46,947)
Amortisation of long-term prepayment	8	**61,000**	61,000
Provision for employees' end of service benefits	14	**469,844**	501,660
Interest expense		**166,155**	141,171
Interest income		**(384,650)**	(209,329)
Dividend income from available-for-sale financial assets		**(110,270)**	(125,692)
		(1,536,101)	3,591,785
Change in inventories		**(666,743)**	(575,568)
Change in trade and other receivables		**(793,130)**	(2,826,900)
Due from a related party		**4,823**	1,762,748
Change in trade and other payables		**164,310**	2,532,233
Cash generated from operating activities		**(2,826,841)**	4,484,298
Employees' end of service benefits paid	14	**(707,899)**	(238,507)
Net cash used in operating activities		**(3,534,740)**	4,245,791
Investing activities			
Purchase of property, plant and equipment	5	**(2,284,692)**	(1,216,349)
Proceeds from disposal of property, plant and equipment		**6,505**	52,147
Movement in fixed deposit with banks		**(3,819,528)**	1,871,108
Dividend received		**110,270**	125,692
Interest income received		**224,539**	209,329
Net cash (used in)/ from investing activities		**(5,762,906)**	1,041,927
Financing activity			
Interest expense paid		**(166,155)**	(141,171)
Dividend paid		**-**	(3,000,000)
Directors remuneration		**-**	(315,000)
Net cash used in financing activity		**(166,155)**	(3,456,171)
Net (decrease) /increase in cash and cash equivalents		**(9,463,801)**	1,831,547
Cash and cash equivalents at the beginning of the year		**4,846,812**	3,015,265
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**(4,616,989)**	4,846,812

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital AED	*Statutory reserve AED*	*Obligatory reserve AED*	*Fair value reserve AED*	*Retained earnings AED*	*Total AED*
At 1 January 2018	30,000,000	10,002,276	1,500,000	2,115,140	311,820	43,929,236
Loss for the year	-	-	-	-	(7,493,540)	(7,493,540)
Other comprehensive loss for the year	-	-	-	(878,028)	-	(878,028)
Total comprehensive loss for the year	-	-	-	(878,028)	(7,493,540)	(8,371,568)
At 31 December 2018	**30,000,000**	**10,002,276**	**1,500,000**	**1,237,112**	**(7,181,720)**	**35,557,668**
At 1 January 2017	30,000,000	10,002,276	1,500,000	2,154,729	6,322,365	49,979,370
Loss for the year	-	-	-	-	(2,695,545)	(2,695,545)
Other comprehensive income for the year	-	-	-	(39,589)	-	(39,589)
Total comprehensive loss for the year	-	-	-	(39,589)	(2,695,545)	(2,735,134)
Transfer to statutory reserve (Note 16)	-	-	-	-	-	-
Dividend paid*	-	-	-	-	(3,000,000)	(3,000,000)
Directors' remuneration Paid (Note 11)	-	-	-	-	(315,000)	(315,000)
At 31 December 2017	30,000,000	10,002,276	1,500,000	2,115,140	311,820	43,929,236

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

1 ACTIVITIES

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

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

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

2.1 BASIS OF PREPARATION

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

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

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are disclosed in note 24.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

New standards, interpretations and amendments thereof, adopted by the Company
The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 9 Financial Instruments: Classification and Measurement, impairment and hedge accounting;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 2 Classification and measurement of Share-based Payment Transactions;
- Amendments to IAS 40 Transfers of Investment Property;
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations;
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice;
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

The nature and effect of the changes as a result of adoption of IFRS 9 and IFRS 15 are described below. The other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

New standards, interpretations and amendments thereof, adopted by the Company (continued)

IFRS 15 – Revenue from Contracts with customers
This standard on revenue recognition replaces IAS 11, 'Construction Contracts' and IAS 18, 'Revenue' and related interpretations. IFRS 15 is more prescriptive, provides detailed guidance on revenue recognition and reduces the use of judgement in applying the revenue recognition policies and practices as compared to the replaced IFRS and related interpretations. It establishes a five-step model to account for revenue arising from contracts with customers.

Revenue is recognised when a customer obtains control of goods or services. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or services. The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services in an amount that reflects the consideration to which the entity to be entitled in exchange for those goods or services.

The Company has adopted IFRS 15 using the full retrospective method of adoption. The Company has assessed the impact of IFRS 15 and concluded that there has not been any significant impact on the financial position of the Company as at 31 December 2017.

(a) Sale of goods

The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amount of revenue recognition. However, the amount of revenue to be recognised was affected, as noted below.

(i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Prior to adoption of IFRS 15, the Company recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable. If revenue cannot be reliably measured, the Company deferred revenue recognition until the uncertainty was resolved. Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is resolved.

- *Right of return*

The Company's contract with a customer provides a right to return the good within the specified period. However, the amount of returns being immaterial, therefore, the impact on revenue recognition after adoption of IFRS 15 is not significant.

- *Volume rebates*

The Company provides retrospective volume rebates to its certain customers on certain products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Prior to adoption of IFRS 15, the Company estimates the expected volume rebates using the probability weighted average amount of rebates approach and includes them in Trade and other payables. These amounts are subsequently offset against amounts receivable from customers.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Company considered that the most likely amount method better predicts the amount of variable consideration for contracts with only a single volume threshold while for contracts with more than one volume threshold it has applied either the expected value method or the most likely amount method, depending on which of them better predicts the amount of variable consideration for the particular type of contract.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

IFRS 15 – Revenue from Contracts with customers (continued)

(a) Sale of goods (continued)

(ii) Consideration paid or payable to customers

The Company pays slotting fees, listing fees and promotions fee to its customers for providing various display and promotional services. The Company believes that certain services provided by its customers and based on the arrangements are distinct or not distinct from the goods sold to them. The Company assess the nature of these services and if considered not distinct to goods sold to customer, recognises revenue by appropriately reducing the transaction price.

(iii) Price concessions, free samples and other discounts

The Company provides price concessions and other discounts to its customers. Prior to adoption of IFRS 15, these concessions and discounts were considered as selling and distribution expense. However, after the adoption of IFRS 15, the Company assess the nature of these incentives and if considered not distinct to goods sold to customer, recognizes revenue by appropriately reducing the transaction price.

The Company has recorded an adjustment in revenue by reducing it by AED 441,077 (2017: AED 164,301) which prior to adoption of IFRS 15 were recorded as selling and distribution expenses.

The Company has assessed the disclosure requirements of IFRS 15 and as there has been no change in the timing of revenue recognition and its assessment of reportable segment therefore, it has concluded that IFRS 15 has no significant impact on disclosures in the financial statements.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information disclosed in note 10, however, no differences were identified as at 1 January 2018 arising from the adoption of IFRS 9.

Classification and measurement
The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories has been replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost.

IFRS 9 also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities has largely remained similar to requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are now presented in OCI with no subsequent reclassification to the statement of profit or loss, unless an accounting mismatch in profit or loss arises.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

IFRS 9 Financial Instruments (continued)

Impairment of financial assets
The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to measure and recognise expected credit losses on all applicable financial assets and contract assets arising from IFRS 15 'Revenue from Contracts with Customers' e.g. trade receivables, contract assets, and bank balances, either on a 12-month or lifetime expected loss basis. The Company has applied the simplified approach and recorded lifetime expected losses on all trade receivables, contract assets, and bank balances.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, but an entity that early adopts the amendments must apply them prospectively);
IFRS 16	Leases: Lessees required to recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term (effective for annual periods beginning on or after 1 January 2019, with early adoption permitted). This standard is not expected to have significant impact on financial statements of the Company;
IFRS 17	Insurance Contracts (effective for reporting periods beginning on or after 1 January 2021, with early adoption permitted);
IFRS 9	Prepayment Features with Negative Compensation (amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.);
IAS 19	Plan Amendment, Curtailment or Settlement (amendments are effective from 1 January 2019, with earlier application permitted);
IAS 28	Long-term interests in associates and joint ventures (amendments are effective from 1 January 2019, with earlier application permitted. Entities must apply the amendments retrospectively, with certain exceptions);
IFRIC Interpretation 23	Uncertainty over Income Tax Treatment (effective for annual periods beginning on or after 1 January 2019, but certain transition reliefs are available.)
IFRS 3	Definition of a Business (applied to transactions for which the acquisition date is on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.)
IAS 1 and IAS 8	Definition of Material (effective for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively. Early application is permitted and must be disclosed.)
Framework	The Conceptual Framework for Financial Reporting (effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 Leases (continued)
Annual Improvements 2015-2017 Cycle: (issued in December 2017)
a) IFRS 3 Business Combinations - Previously held Interests in a joint operation
b) IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
c) IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
d) IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16
The Company plans to adopt IFRS 16 modified retrospectively. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has performed a preliminary assessment of IFRS 16 and determined that the Company would recognize right to use assets and related lease liabilities on initial application which would increase the total assets and total liabilities of the Company to the extent of approximately 16% and 50% of the assets and liabilities respectively. The Company does not expect a significant adjustment to the opening retained earnings resulting from modified retrospective adjustment.

This assessment is based on currently available information and may not be subject to changes arising from further reasonable and supportable information being made available to the Company in 2019 when the Company will adopt IFRS 16.

3(a) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below, which comply with IFRSs, have been applied consistently to all periods presented in these financial statements, unless stated otherwise.

Revenue from Contracts with customers
The Company has agreements with various customers for bottling and selling mineral water and carbonated soft drinks. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Principal versus agent considerations
The Company has concluded that it operates as principal in all its contracts with customers. There is no transition impact at 1 January 2018.

Presentation and disclosure requirements
As required for the financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 4 for the disclosure on disaggregated revenue. 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 and when revenue from contract with customers is recognised.

Current versus non-current classification
The Company presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

Current versus non-current classification
The Company presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

3(a) SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements
The Company measures financial instruments such as derivatives, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Company.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company has made necessary disclosures for fair value of financial instruments in Note 7. At 31 December 2018 and 2017, except for investment properties, the Company does not have any non-financial assets or liability to be recorded at fair value.

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

Buildings and improvement	3-20 years
Plant, machinery, and equipments	2-10 years
Furniture and fixtures	2-5 years
Vehicles	2-5 years

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

3(a) SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue from contracts with customers.

3(a) SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include investment in securities, trade and other receivables and amounts due from related parties.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified as following;

- Financial assets at amortised cost
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

(a) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(b) Financial assets at amortised cost
The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables and amount due from related parties.

3(a) SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and due to related parties.

3(a) SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Value Added Tax (VAT)
Revenue, expenses and assets are recognised at amounts net of value added tax except,

- where VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or part of the expense items, as applicable.
- where receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Staff terminal benefits
The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the year in which they arise.

Provisions
Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Operating lease payments - as lessee
Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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

3(a) SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency ("AED") at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to AED at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Finance income and finance cost
Finance income comprises interest income on fixed deposits with banks. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on bank borrowings and bank charges and commission.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3(b) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Provision for expected credit losses of trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the liquor trading sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Provision for expected credit losses of trade receivables (continued0
The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Notes 10 and 23

At the reporting date, gross trade accounts receivable were AED 10.96 million (2017: AED 9.43 million), and the provision for doubtful debts was AED 1.51 million (2017: AED 1.15 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

3(b) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

At the reporting date, gross inventory were AED 11.61 million (2017: AED 11.10 million) with provisions for slow moving inventories of AED 2.43 million (2017: AED 2.58 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

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

4 LOSS FOR THE YEAR

The Company earned a net revenue of AED 48,354,877 (2017: AED 54,489,929) and loss for the year is stated after charging:

	2018 AED	*2017 AED*
Staff costs	**16,327,394**	18,211,324
Rental-operating lease	**3,705,750**	4,702,707
Depreciation expenses of property, plant and equipment and investment properties	**5,759,386**	5,965,467
Amortisation on long-term prepayment (Note 8)	**61,000**	61,000

During the year ended 31 December 2018, social contributions made by the Company amounted to AED 7,828 (2017: AED 6,029).

5 PROPERTY, PLANT AND EQUIPMENT

	Bulildings and improvement AED	*Plant, machinery, and equipments AED*	*Furniture and fixtures AED*	*Vehicles AED*	*Capital work in progress AED*	*Total AED*
Cost						
At 1 January 2017	19,022,598	54,787,083	5,396,331	187,290	-	79,393,302
Additions	10,000	1,090,943	46,231	-	69,175	1,216,349
Transfers	-	-	-	-	-	-
Disposals	-	(504,103)	(845)	-	-	(504,948)
At 31 December 2017	19,032,598	55,373,923	5,441,717	187,290	69,175	80,104,703
At 1 January 2018	19,032,598	55,373,923	5,441,717	187,290	69,175	80,104,703
Addition	445,582	1,741,982	36,806	-	60,322	2,284,692
Transfers	8,290	60,885	-	-	(69,175)	-
Disposals	(720,915)	(149,607)	(64,962)	-	-	(935,484)
At 31 December 2018	**18,765,555**	**57,027,183**	**5,413,561**	**187,290**	**60,322**	**81,453,911**
Accumulated depreciation						
At 1 January 2017	11,186,135	41,683,528	5,169,957	106,665	-	58,146,285
Charge for the year	730,989	4,894,743	123,330	78,044	-	5,827,106
On disposals	-	(498,903)	(845)	-	-	(499,748)
At 31 December 2017	11,917,124	46,079,368	5,292,442	184,709	-	63,473,643
At 1 January 2018	11,917,124	46,079,368	5,292,442	184,709	-	63,473,643
Charge for the year	879,948	4,652,525	93,615	2,281	-	5,628,369
On disposals	(720,912)	(147,312)	(64,781)	-	-	(933,005)
At 31 December 2018	**12,076,160**	**50,584,581**	**5,321,276**	**186,990**	-	**68,169,007**
Net book value						
At 31 December 2018	**6,689,395**	**6,442,602**	**92,285**	**300**	**60,322**	**13,284,904**
At 31 December 2017	7,115,474	9,294,555	149,275	2,581	69,175	16,631,060

(a) Depreciation has been allocated as follows:

	2018 AED	*2017 AED*
Cost of sales	**4,850,625**	5,258,370
Selling and distribution expenses	**554,527**	409,657
Administration and general expenses	**223,217**	159,079
	5,628,369	5,827,106

(b) Buildings with a net book value of AED 5.4 million (2017: AED 5.7 million) are constructed on certain plots of land leased from the Government of Fujairah, UAE for a period of 15 years and 25 years. Upon its expiry, the leases can be renewed for a further term to be decided by the parties at that time and the management believes that it will be able to renew the lease for the future periods.

During the period, AED 60,322 (2017: 69,175) is capital work in progress which does not include capital advance of AED 5,285 (2017: 156,050).

5 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Change in useful lives
During the year, the Company has changed the useful lives of certain machinery, equipment's and building based on historical experiences of the Company with useful live of similar assets being higher in prior years.

The company has applied the change in estimate of useful lives of asset prospectively under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors', which has resulted in lower depreciation charge and higher profit for the three months and 12 months period ended 31 December 2018 by AED 45,744. Using the new estimation, property, plant and equipment for the period are higher by AED 45,744 and retained earnings, loss for the year are lower by AED 45,744.

6 INVESTMENT PROPERTIES

	2018 *AED*	*2017* *AED*
Cost:		
At the beginning and end of the year	**2,578,377**	2,578,377
Accumulated depreciation:		
At 1 January	**938,100**	799,739
Charge for the year	**131,018**	138,361
At 31 December	**1,069,118**	938,100
Net book value:		
At 31 December	**1,509,259**	1,640,277

Investment properties include warehouse buildings (6 sheds) transferred from the property, plant and equipment during 2014. The warehouse buildings were valued on an open market basis by an independent professional firm for property valuation. In their assessment report dated 31 December 2017, the fair value of the investment property had been assessed as AED 2.72 million. As at the end of the current year, management has performed an internal assessment and has concluded that there has been no significant change in the market conditions impacting the fair value of the investment property.

Rental income arising on the lease of these investment properties amounting to AED 262,067 (2017: AED 283,500) is included in the statement of profit or loss under other income.

7 INVESTMENT SECURITIES

	2018 *AED*	*2017* *AED*
At 1 January	**2,741,974**	2,781,563
Change in market fair value	**(878,028)**	(39,589)
At 31 December	**1,863,946**	2,741,974

Investment securities are held in equity securities listed on G.C.C. stock exchanges.

On adoption of IFRS 9, effective 1 January 2018, the Company has classified the equity instruments investment securities as measured at FVOCI, previously classified as available-for-sale investments, and re-designated the related fair value reserve as at 1 January 2018 accordingly as not to be reclassified to profit and loss. The comparative information is presented under IAS 39 as previously reported in the annual financial statements of the Company under IAS 39, as the Company has elected not to restate comparative information on adoption of IFRS 9.

Dividend income amounting to AED 110,270 (2017: AED 125,692) is included in the statement of profit or loss under other income.

8 LONG-TERM PREPAYMENT

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

	2018 *AED*	*2017* *AED*
Cost		
Total payment	**1,525,000**	1,525,000
Accumulated amortisation:		
At 1 January	**610,000**	549,000
Charge for the year	**61,000**	61,000
At 31 December	**671,000**	610,000
Net book value:		
At 31 December	**854,000**	915,000

9 INVENTORIES

	2018 *AED*	*2017* *AED*
Raw materials	**4,523,052**	5,568,910
Finished goods	**2,746,230**	1,467,350
Spare parts	**3,971,844**	3,798,244
Others	**370,020**	260,820
	11,611,146	11,095,324
Less: Provision for slow moving inventories	**(2,433,507)**	(2,584,428)
	9,177,639	8,510,896

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

	2018 *AED*	*2017* *AED*
Balance at 1 January	**2,584,428**	2,190,574
Charged during the year	**20,621**	644,158
Write off during the year	**(171,542)**	(250,304)
Balance at 31 December	**2,433,507**	2,584,428

10 TRADE AND OTHER RECEIVABLES

	2018 *AED*	*2017* *AED*
Trade receivables	**10,955,770**	9,432,028
Less: Provision for impairment	**(1,505,973)**	(1,155,678)
	9,449,797	8,276,350
Prepayments	**1,394,730**	1,253,072
Advances to suppliers	**19,908**	640,523
Excise tax receivable	**195,288**	-
Other receivables	**845,685**	782,221
	11,905,408	10,952,166

10 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2018, trade accounts receivable with a nominal value of AED **1,505,973** (2016: AED 1,155,678) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2018 *AED*	*2017* *AED*
Balance at 1 January	**1,155,678**	731,557
Provision for the year	**350,295**	424,121
Reversal of provision	**-**	-
Balance at 31 December	**1,505,973**	1,155,678

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

			Days past due				
	Total *AED*	*Not due* *AED*	*<90 days* *AED*	*91-120 days* *AED*	*121-180 days* *AED*	*181-360 days* *AED*	*>360 days* *AED*
2018	**9,449,797**	**2,480,504**	**4,636,315**	**1,243,727**	**799,008**	**290,243**	**-**
2017	8,276,350	2,832,015	4,174,906	741,411	453,605	74,413	-

11 RELATED PARTY TRANSACTIONS AND BALANCES

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

a. Significant transactions with related parties:

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

	2018 *AED*	*2017* *AED*
Sales to a related party	**35,141**	1,393,504
Payment of expenses on behalf of a related party	**77,232**	50,613
Payment of expenses by a related party on behalf of the Company	**(11,214)**	(91,576)

Compensation to key management personnel is as follows:

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

	2018 *AED*	*2017* *AED*
Short term benefits	**558,552**	342,338
Provision towards employees' terminal benefits	**9,773**	-
Directors' remuneration*	**-**	315,000

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

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b. Due from a related party:

	2018 *AED*	*2017* *AED*
Due from a related party	**2,811**	7,634

12 CASH AND CASH EQUIVALENTS

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

	2018 *AED*	*2017* *AED*
Cash on hand	**84,000**	88,857
Other cash equivalents	**44,204**	40,335
Cash at bank – current accounts	**424,345**	2,676,573
Fixed deposits	**15,175,000**	13,396,519
Bank balances and cash	**15,727,549**	16,202,284
Less: Fixed deposits with original maturity of more than three months or hypothecated with bank	**(15,175,000)**	(11,355,472)
Bank overdraft	**(5,169,538)**	-
	(4,616,989)	4,846,812

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

(ii) Fixed deposits of AED 6 million (2017: AED 10 million) with banks are hypothecated against bank overdraft facility.

13 TRADE AND OTHER PAYABLES

	2018 *AED*	*2017* *AED*
Trade payables	**8,273,066**	8,730,964
Accrued expenses and other payables	**2,326,544**	1,899,604
VAT tax payable	**195,268**	-
	10,794,878	10,630,568

14 EMPLOYEES' END OF SERVICE BENEFITS

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

	2018 *AED*	*2017* *AED*
Balance at 1 January	**3,041,487**	2,778,334
Provision made during the year	**469,844**	501,660
Payments made during the year	**(707,899)**	(238,507)
Balance at 31 December	**2,803,432**	3,041,487

15 SHARE CAPITAL

	2018 *AED*	*2017* *AED*
Issued and fully paid up:		
30 million ordinary shares of AED 1 each	**30,000,000**	30,000,000

16 STATUTORY RESERVE

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, a minimum of 10% of the profit of the Company is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. During the current year, an amount of AED Nil (2017: AED Nil) was transferred to the reserve.

17 OBLIGATORY RESERVE

In accordance with the Articles of Association of the Company, 10% of the annual profit is required to be transferred to the obligatory reserve until the Company's members pass a general resolution for the discontinuance of such transfer or such reserve equals 5% of the Company's paid up share capital. As the obligatory reserve has equaled 5% of the paid up share capital, no transfer has been made to the reserve during the current year and the previous year.

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

18 FAIR VALUE RESERVE

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

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss for the year attributable to the shareholders of the Company amounting to AED 7.49 million (2017: Loss of AED 2.69 million) by the weighted average number of shares outstanding during the year of 30 million shares (2017: 30 million shares).

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

20 OPERATING LEASE COMMITMENTS

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

	2018 *AED*	*2017* *AED*
Less than 1 year	**2,923,232**	3,329,270
Later than 1 year and no later than 5 years	**5,332,717**	6,167,283
Later than 5 years	**-**	457,199
	8,255,949	9,953,752

21 CONTINGENT LIABILITIES AND COMMITMENTS

	2018 AED	*2017 AED*
Letters of credit	**2,686,903**	3,394,144
Letters of guarantee	**750,000**	750,000
Capital commitments	**195,101**	-

22 SEGMENT REPORTING

The Company operates in a single reporting segment of bottling, distribution and trading of mineral water and carbonated soft drinks. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, statement of profit or loss, statement of comprehensive income and notes to the financial statements.

Additional information required by IFRS 8, *Segment Reporting*, is disclosed below:

a) Information about geographical segments

During the year ended 31 December 2018, revenue from customers located in the Company's country of domicile (UAE) is AED 43.43 million (year ended 31 December 2017: AED 51.86 million) and revenue from customers outside the UAE (foreign customers) is AED 4.92 million (year ended 31 December 2017: AED 2.63 million).

b) Major customers

During the year ended 31 December 2018 revenue from No customers exceed 10% or more of the Company's total revenue (2017: only one customer exceeded).

23 RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the Company and oversight of the Company's risk management framework. The Company's risk management framework is a combination of formally documented policies in certain areas and informal approach to risk management in others. The Company's senior management is responsible for developing and monitoring the Company's approach to risk management. The Company's senior management reports to the Board of Directors on its activities.

The Company's approach to risk management is established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

23 RISK MANAGEMENT (continued)

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

Trade Receivable
Customer credit risk is managed in accordance with the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored by the management.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and coverage by letters of credit or other forms of credit insurance (if any)).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 180 days and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value disclosed in Note 10. The Company does not hold collateral as security. The letters of credit and other forms of credit insurance (if any) are considered integral part of trade receivables and considered in the calculation of impairment.

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

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

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

	2018 ***AED***	*2017* *AED*
Trade receivables	**9,449,797**	8,276,350
Other receivables	**845,685**	782,221
Cash at bank – current accounts	**424,345**	2,676,573
Cash at bank – fixed deposits	**15,175,000**	13,396,519
	25,894,827	25,131,663

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

	2018 ***AED***	*2017* *AED*
Within UAE	**8,838,523**	8,138,409
Outside UAE	**611,274**	137,941
	9,449,797	8,276,350

23 RISK MANAGEMENT (continued)

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

Liquidity risk mainly relates to trade and other payables and bank borrowing. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

31 December 2018	*Carrying amount AED*	*Contractual cash flows AED*	*Less than 1 year AED*	*Between 1 to 2 years AED*	*More than 2 years AED*
Trade and other payables	**10,599,610**	**10,599,610**	**10,599,610**	-	-
	10,599,610	**10,599,610**	**10,599,610**	-	-

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

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

Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company does not have significant transactions in any currency other than the functional currency.

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

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

	Carrying amount	
	2018 AED	*2017 AED*
Fixed rate instruments		
Financial assets	**15,175,000**	13,396,519

Fair value sensitivity analysis for fixed interest rate instruments
The Company is not exposed to any interest rate risk as it does not have financial instruments at variable interest rates.

23 RISK MANAGEMENT (continued)

Interest rate risk (continued)

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks. The Company's listed equity security is susceptible to market price risk arising from uncertainties about future values of the investment security. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of portfolio is done in accordance with the approval of the Board of Directors.

The Company is exposed to price risk on equity securities classified as available for sale in the statement of financial position. The Company's investments in equity securities are publicly traded and are listed in G.C.C. stock exchanges.

Sensitivity analysis

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

	Effect on profit or loss AED	*Effect on equity AED*
31 December 2018		
Effect of changes in quoted equity portfolio of the Company	-	**186,395**
31 December 2017		
Effect of changes in quoted equity portfolio of the Company	-	274,197

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 2018

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
Investment securities	**1,863,946**	-	-	**1,863,946**

31 December 2017

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
Investment securities	2,741,974	-	-	2,741,974

23 RISK MANAGEMENT (continued)

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017. Capital comprises share capital, reserves and retained earnings and is measured at AED 35.56 million as at 31 December 2018 (2017: AED 43.92 million).

24 COMPARATIVE INFORMATION

On adoption of IFRS 15 during the year, the Company has reclassified certain selling & distribution expenses as adjustment to revenue for the year. As the company has adopted IFRS 15 under full retrospective method, certain selling & distribution expenses of prior year were reclassified as adjustment to prior year period revenue as required by IFRS 15. Such reclassification do not affect previously reported profit and equity. The details and impact of re-classification are as follows:

	As previously reported AED	*Reclassifications AED*	*As reported AED*
Statement of comprehensive income			
For the year ended 31 December 2017			
Revenue	54,654,230	(164,301)	54,489,929
Selling & Distribution Expenses	(16,333,738)	164,301	16,169,437