

**UNITED KAIPARA DAIRIES COMPANY (PSC)
AND ITS SUBSIDIARY**

Consolidated financial statements and reports
Year ended 31 December 2013

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

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UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Dear Shareholders,

The Board of Directors have the pleasure in placing before you the Consolidated Statement of Financial Position of the Group as at 31 December 2013, the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income for the year then ended together with the Independent Auditor's Report.

The turnover for the current year is AED 310.05 million as compared to AED 291.61 million in the previous year, registering over 6.3% growth. The net loss after tax is AED 34.47 million as compared to AED 21.65 million in the previous year.

One of the major reasons for the increased losses in 2013 was an unprecedented inflation in the global commodity prices of dairy raw materials and rice, which form significant part of our overall costs. The total impact of increase in these commodities alone was around AED 10 million.

In addition to this there was an additional impact of around AED 5.9 million in employee costs mainly due to the statutory increases in Oman, additional casual labour costs and annualised impact of the re-structuring of the work force and sales commissions structure implemented in later part of the year 2012.

Additional spending of around AED 4.7 million for trade and market visibility over last year, due to increased competitive activity in the market also impacted the earnings.

Dividends

No dividends have been declared for the year ended 31 December 2013.

On behalf of Board of Directors



MR. OBAID SAEED AL MULLA
CHAIRMAN

19 April 2014

INDEPENDENT AUDITOR'S REPORT

The Shareholders

UNITED KAIPARA DAIRIES COMPANY (PSC)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **UNITED KAIPARA DAIRIES COMPANY (PSC)** (the "Company") and its subsidiary **UNIKAI AND COMPANY LLC** (the "Subsidiary") (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 to 31.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

continued...

INDEPENDENT AUDITOR'S REPORT

(continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that the consolidated financial statements comply with the applicable provisions of the said law and the Company's articles of association; we have obtained all the information and explanations necessary for our audit, proper books of account have been kept by the Group, an inventory was duly carried out and the contents of the report of the Board of Directors' report relating to these consolidated financial statements are in agreement with the books of account. To the best of our knowledge and belief no violations of the UAE Federal Law No. 8 of 1984 (as amended) or the articles of association of the Company have occurred during the year, which would have had a material effect on the business of the Group or on its consolidated financial position.



S.D. Pereira

Partner

Registration No. 552

Dubai, United Arab Emirates

19 April 2014

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 AED'000	2012 AED'000
Revenue		310,048	291,611
Cost of sales	6	(239,277)	(216,808)
Gross profit		70,771	74,803
Administrative and distribution expenses	7	(108,223)	(100,240)
Finance costs	9	(468)	(143)
Other income	10	3,677	4,207
LOSS FOR THE YEAR BEFORE TAX		(34,243)	(21,373)
Provision for tax	22	(228)	(276)
LOSS FOR THE YEAR AFTER TAX		(34,471)	(21,649)
Earnings per share			
BASIC EARNINGS PER SHARE IN AED	24	(114)	(72)

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 AED'000	2012 AED'000
LOSS FOR THE YEAR AFTER TAX		(34,471)	(21,649)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in the subsequent period			
Net change in fair value of available-for-sale investments	13	367	47
Net other comprehensive income to be reclassified to profit or loss in the subsequent period		367	47
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(34,104)	(21,602)

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 AED'000	2012 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	55,659	62,925
Intangible assets	12	1,562	2,113
Available-for-sale investments	13	6,208	5,841
		<u>63,429</u>	<u>70,879</u>
Current assets			
Inventories	14	56,479	65,336
Trade and other receivables	15	47,778	44,745
Cash and cash equivalents	16	1,682	2,191
		<u>105,939</u>	<u>112,272</u>
Total assets		<u>169,368</u>	<u>183,151</u>
EQUITY AND LIABILITIES			
Equity funds			
Share capital	17	30,250	30,250
Reserves		51,162	85,266
		<u>81,412</u>	<u>115,516</u>
Non-current liabilities			
Staff end-of-service benefits	18	8,340	8,751
Current liabilities			
Short-term borrowings	19	38,079	19,909
Trade and other payables	20	41,030	38,696
Provision for taxation	22	507	279
		<u>79,616</u>	<u>58,884</u>
Total liabilities		<u>87,956</u>	<u>67,635</u>
Total equity and liabilities		<u>169,368</u>	<u>183,151</u>

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

Authorised for issue on behalf of the Board of Directors on 19 April 2014


MR. OBAID SAEED AL MULLA
Chairman


MR. VIKAS MITTAL
Chief Executive Officer

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Legal reserve	Restricted reserve	General reserve	Fixed assets replacement reserve	Accumulated losses*	Fair value reserve*	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2012	30,250	13,965	576	83,300	15,000	(5,921)	(52)	137,118
Comprehensive income								
- Loss	(a)	-	-	-	-	(21,649)	-	(21,649)
Other comprehensive income								
- Net change in fair value of available-for-sale investments	(b)	-	-	-	-	-	47	47
Total comprehensive income for the year	(a+b)	-	-	-	-	(21,649)	47	(21,602)
Balance at 31 December 2012	30,250	13,965	576	83,300	15,000	(27,570)	(5)	115,516
Comprehensive income								
- Loss	(c)	-	-	-	-	(34,471)	-	(34,471)
Other comprehensive income								
- Net change in fair value of available-for-sale investments	(d)	-	-	-	-	-	367	367
Total comprehensive income for the year	(c+d)	-	-	-	-	(34,471)	367	(34,104)
Balance at 31 December 2013	30,250	13,965	576	83,300	15,000	(62,041)	362	81,412

* This represents fair value reserve on revaluation of available-for-sale investments which will be reclassified to profit or loss on disposal in the subsequent period.

No allocation has been made to the legal reserve, restricted reserve, general reserve and fixed assets replacement reserve for the year ended 31 December 2013 due to losses.

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 AED'000	2012 AED'000
Cash flows from operating activities		
Loss for the year before tax	(34,243)	(21,373)
Adjustments for:		
Depreciation of property, plant and equipment	12,493	13,421
Amortisation of intangible assets	551	92
Finance costs	468	143
Dividend income	(329)	(313)
Inventory provision	—	500
Credit balance written back	(373)	—
Other receivables written off	373	—
Provision for impairment of trade receivables	390	945
Provision for staff end-of-service gratuity	1,437	1,636
Write back of staff end-of-service gratuity provision	(893)	—
Write back of inventory provisions	(448)	—
Profit on disposal of property, plant and equipment (net)	(768)	(2,782)
	(21,342)	(7,731)
Decrease in inventories	9,305	2,169
Increase in trade and other receivables	(3,796)	(3,660)
Increase in trade and other payables	2,759	9,317
Staff end-of-service gratuity paid	(1,007)	(5,121)
Cash used in operations	(14,081)	(5,026)
Interest paid	(468)	(143)
Taxes paid	—	(47)
Net cash used in operating activities	(14,549)	(5,216)
Cash flows from investing activities		
Proceeds on disposal of property, plant and equipment	1,151	3,970
Purchase of property, plant and equipment	(5,610)	(9,213)
Payments for intangible assets	—	(2,205)
Dividends received	329	313
Net cash used in investing activities	(4,130)	(7,135)
Cash flows from financing activities		
Proceeds from trust receipts (net)	11,487	3,029
(Payment)/Proceeds from acceptances (net)	(1,684)	1,684
Decrease in amounts due to related parties	—	(3,937)
Net cash from financing activities	9,803	776
Net decrease in cash and cash equivalents	(8,876)	(11,575)
Cash and cash equivalents at beginning of year	(13,005)	(1,430)
Cash and cash equivalents at end of year	(21,881)	(13,005)
Cash and cash equivalents comprise		
Cash and cash equivalents (note 16)	1,682	2,191
Bank overdraft (note 19)	(23,563)	(15,196)
	(21,881)	(13,005)

The accompanying notes form an integral part of these consolidated financial statements.
The report of the independent auditor is set forth on pages 2 and 3.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) **UNITED KAIPARA DAIRIES COMPANY (PSC) (the "Company")** is a Public Shareholding Company, incorporated on 11 April 1977 by a Decree from His Highness, The Ruler of Dubai. On 8 June 1994, the Company amended its status to a Public Shareholding Company to comply with the provisions of the UAE Federal Law No. 8 of 1984 (as amended). The Company holds 100% equity in Unikai and Company LLC (the "Subsidiary"), registered as a limited liability Company in the Sultanate of Oman under the Oman Commercial Register Law No. 3/74. The Company and its subsidiary are collectively referred to as the "Group". The legal status of the subsidiary is set out in note 25.
- b) The Group is engaged in the manufacture of dairy, juice and ice cream products and import of various kinds of food products for distribution throughout the Gulf and other countries. The trading activities of the Group are carried on in the name of "Unikai International". The registered address of the Company is P.O. Box 6424, Dubai, UAE.

2. BASIS OF PREPARATION

a) **Statement of compliance**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2013, and the requirements of UAE Federal law No.8 of 1984 (as amended).

b) **Basis of measurement**

The consolidated financial statements are prepared using historical cost, except for certain financial assets carried at fair value.

Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

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.

c) **Basis of consolidation**

These consolidated financial statements consolidate the assets and liabilities of the subsidiary as at 31 December 2013 and the results of operation for the year ended on that date on a line-by-line basis [note 1(a)].

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated similarly to unrealised gains, but only to the extent that there is no evidence of impairment.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

d) **Adoption of new International Financial Reporting Standards**

Standards and interpretations effective for the current year

The following International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the Group are as follows:

- **IFRS 10: Consolidated Financial Statements**

As a result of application of IFRS 10, the Company has changed its accounting policy for determining whether it has control over its investee. IFRS 10 includes a new definition of control that contains three elements:

- a) power over the investee;
- b) exposure or rights to variable returns and
- c) ability to use its power to affect the amount of return to the investor.

The Company reassessed the control conclusions for its investee as at 1 January 2013. There have been no changes in the conclusion drawn earlier and as a consequence there has been no impact on the recognised assets, liabilities and comprehensive income of the Company.

- **IFRS 13: Fair Value Measurement**

IFRS 13 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items. The application of IFRS 13 has not materially impacted the fair value measurement carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial instruments: Disclosures. Some of these disclosures are specifically required for financial instruments as per IAS 34 16A (j). The Group provides these disclosures in note 27.

- **Presentation of Items in Other Comprehensive Income: Amendments to IAS 1**

The amendments retain the option to present profit and loss and other comprehensive income in either a single statement or two separate statements. However items of other comprehensive income are required to be grouped into those that will and will not be subsequently reclassified to profit or loss. The amendment affected presentation only and had no impact on the Group's consolidated financial position or performance.

In the current year, the Group has applied a number of new and revised IFRSs (see above). However there has not been any impact on the information in the statement of financial position as at 1 January 2012 and accordingly the third statement of financial position has not been presented.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

New and revised IFRSs in issue but not yet effective

The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by management as likely to have an impact on the consolidated financial statements have been issued by the IASB prior to the date the consolidated financial statements were authorised for issue but have not been applied in these consolidated financial statements as their effective dates of adoption are for future accounting periods.

- IFRS 9: Financial instruments: (1 January 2015)

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

- Amendments to IFRS 10, IFRS 12 and IAS 27 : Investment entities (1 January 2014)

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

- Amendments to IAS 32: Offsetting Financial Assets and Liabilities (1 January 2014)

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and liabilities.

e) **Functional and presentation currency**

Although the functional currency of subsidiary is based on the primary economic environment in which it operates, the consolidated financial statements of the Group are presented in UAE Dirhams ("AED") which is the Company's functional currency, rounded to nearest thousand.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, and which have been consistently applied by the Group, are as follows:

a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 years
Plant and equipment	5-10 years
Transport and distribution equipment	3- 6 years
Furniture, fixtures and office equipment	4 years

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Capital work-in-progress is stated at cost less any impairment losses and is not depreciated. This will be depreciated from the date the relevant assets are ready for use.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing proceeds with the carrying amount. These are recognised within 'other income' in income statement.

b) **Intangible assets**

Intangible assets represent computer software, are stated at cost less accumulated amortisation, and impairment losses and amortised over four years.

An assessment of amortisation method and useful lives are undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the amortisation charge.

c) **Impairment of tangible and intangible assets**

At each reporting date, the management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the acquirer estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

d) **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is arrived at using the Weighted Average Cost (WAC) method and comprises invoice value plus applicable landing charges less discounts. Net realizable value is based on estimated selling price less any estimated cost of completion and disposal.

Finished goods are stated at lower of cost and net realizable value. Cost comprises of direct materials, labor and other attributable overheads based on normal level of activity. Semi-finished goods are stated at cost.

Goods-in-transit represents the inventory over which the Group has legal title based on terms of purchase, but which are physically not received at the Group's warehouse.

e) **Staff end-of-service benefits**

Provision is made for end-of-service benefits payable to the staff at the reporting date in accordance with the UAE Federal Labour Law applicable to the Company and the relevant local laws applicable to the Subsidiary. The Group contributes to the Public Authority of Pensions and Social Securities in accordance with the Pension and Social Securities Law, Federal Law, No(7) of 1999 in respect of UAE nationals and to the Oman Social Insurance Scheme in respect of Omani Nationals employed and the pension amount is recognised as expense when incurred.

f) **Legal reserve**

Legal reserve is created by appropriating a minimum of 10% of net profit of the Company as required by the UAE Federal Law No. 8 of 1984, as amended. The Company can discontinue such annual transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except as provided in the Federal Law.

g) **Restricted reserve**

Restricted reserve is created by appropriating a minimum of 10% of the net profit of the Subsidiary as required by the Oman Commercial Register Law No. 3/74. The Subsidiary can discontinue such annual transfers when the reserve totals one-third of the paid up share capital.

h) **General reserve**

General reserve is created by appropriating a minimum of 10% of the net profit of the Company as the Company's articles of association. The Company can discontinue much annual transfers when the reserve total 50% of the paid up share capital. The reserve is to be used for purposes as recommended by the Board of Directors and approved by shareholders in the Annual General Meeting.

i) **Fixed assets replacement reserve**

Fixed assets replacement reserve is created by appropriating a certain percentage of the net profit decided by the Board of Directors. This reserve is earmarked for replacement of property, plant and equipment in future years. This year, the Board decided not to transfer any amount to fixed assets replacement reserve.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

j) **Revenue**

Sale of goods

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, returns and other similar allowances.

Dividend income

Dividend income is accounted when the right to receive dividend is established.

Rental income

Rent received from renting of properties during the year is based on contractual agreements and is accounted on accrual basis. Rent received in advance for future periods is carried forward and included in current liabilities.

k) **Leases**

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

l) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

m) **Borrowing costs**

Borrowing costs are recognized as an expense in the period in which they are incurred except those that are attributable to the acquisition and construction of an asset that necessarily takes a substantial period to get ready for its intended use ("qualifying asset"). Such borrowing costs are capitalised as part of the related qualifying asset upto the date the qualifying asset is ready for use.

n) **Provisions**

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

o) **Taxation**

The Group accounts for provision for income tax for the profit earned by the Subsidiary on its operations in Sultanate of Oman each year. Income tax for the year comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except that it relates to a business, combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount deferred tax provided is based on expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised for deferred tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are revised at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realised

p) **Financial instruments**

Financial assets and financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Investments in quoted equity shares are recognised on the trade/settlement date.

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

Financial assets

Available-for-sale financial assets

Investments in quoted equity shares in which the Group does not actively trade are classified as available-for-sale and are stated at fair value by reference to quoted market prices. Changes in fair value are recognised in a fair value reserve in equity, which the management does not consider to be distributable. If it is determined that such assets are impaired, the amount of impairment is removed from the fair value reserve and recognised in profit or loss. On disposal of such assets, any related amount remaining in the fair value reserve is transferred to profit or loss.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Investments in unquoted equity shares for which there is no active market and for which fair values cannot be reliably determined due to significant variations in valuation parameters are classified as available-for-sale and stated at cost less any write down for impairment. Impairment losses are recognised in profit or loss.

Loans and receivables

Trade and other receivables

Trade and other receivables are classified as loans and receivables and stated at cost, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. These are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue balances is recognised as it accrues.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank current accounts, bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value net of temporary bank overdrafts.

Financial liabilities

At amortised cost

Trade and other payables

Trade and other payables are stated at cost, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

Interest-bearing liabilities

Interest-bearing liabilities are initially recognized at fair value, net of transaction costs incurred. Subsequently these are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Equity

Share capital is recorded at the value of proceeds received towards interest in share capital of the Company.

Impairment of financial assets

All financial assets are assessed for indicators of impairment at each reporting date. Impairment losses and reversals thereof are recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

q) **Earnings per share**

The Group presents basic earnings per share (EPS) data for its shares calculated by dividing the profit or loss attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Weighted average number of shares outstanding is retrospectively adjusted to include any increase in number of shares without a corresponding change in resources.

r) **Fair value measurement**

The Group measures financial instruments, such as financial assets at fair value through profit or loss and available for sale financial assets, and non-financial assets such as property plant and equipment, at fair value at each reporting date. The Group also discloses the fair value of financial instruments measured at amortised cost.

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

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

The fair value measurement of a non financial asset takes into account a market participants 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 Group 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.

In addition, the fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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).

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- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. **SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES**

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held-for-trading or as available-for-sale or as held-to-maturity based on management's intentions relating to those investments. The management classifies investments as held for trading if they are acquired primarily for the purpose of making short term gains through trading. Investments are designated as available-for-sale if management has the positive intention and ability to hold them to gain from capital appreciation and to earn dividend income. Investments are designated as held-to-maturity, if management has the positive intention and ability to hold them till their maturity.

Investments in quoted equity shares

Investments in quoted equity shares are recognised on the trade/settlement date, as this is the date on which an asset and a liability to pay arise/it is finally determined that the Company will continue to hold the asset.

Investments in unquoted equity shares

Investments in unquoted equity shares are stated at cost less impairment losses as the management is of the opinion that the use of valuation techniques would yield a significant range of value estimates and the probability of estimates within the range cannot be reasonably assessed.

Impairment

At each reporting date, management conducts an assessment of property, plant, equipment, intangible assets, and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to profit or loss or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

5. **KEY SOURCES OF ESTIMATION UNCERTAINTY**

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

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Carrying value of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Inventory provisions

Management regularly undertakes a review of the Group's inventory, stated at AED 61.89 million (previous year AED 71.60 million) in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, technological changes, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment of loans and receivables

Management regularly undertakes a review of the amounts of loans and receivables owed to the Group either from third parties, (see note 15) or from related parties and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of property, plant, equipment, intangible assets, and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

Staff end-of-service benefits

The Group computes the provision for the liability towards staff end-of-service benefits stated at AED 8.34 million (previous year AED 8.75 million), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 AED'000	2012 AED'000
6. COST OF SALES		
Manufacturing		
Raw material and packing materials consumed	160,658	139,719
Depreciation (note 8)	7,114	6,529
Utilities	11,741	11,238
Staff salaries and benefits	10,821	8,670
End-of-service benefits	188	138
Other direct costs	9,121	9,945
	<u>199,643</u>	<u>176,239</u>
Changes in inventories of semi-finished and finished goods	(430)	(754)
(A)	<u>199,213</u>	<u>175,485</u>
Trading		
Inventories, beginning of the year	7,482	14,563
Purchases (including direct expenses)	38,462	34,242
Inventories, end of the year	(5,880)	(7,482)
(B)	<u>40,064</u>	<u>41,323</u>
(A) + (B)	<u>239,277</u>	<u>216,808</u>

The average purchase price increase of major commodities included in the cost of sales over the last year is as follows:

Raw materials	% of increase
AMF	10%
Skimmed Milk Powder	9%
Skimmed Milk Powder UHT grade	15%
Whole Milk Powder	10%
Trading goods	
Basmati Rice	22%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 AED'000	2012 AED'000
7. ADMINISTRATIVE AND DISTRIBUTION EXPENSES		
Staff salaries and benefits*	48,552	44,516
End-of-service benefits	1,249	1,498
Commercial vehicle expenses	15,913	16,021
Utilities	941	1,040
Operating lease expenses	3,384	3,185
Depreciation (note 8)	5,379	6,892
Amortisation of intangible assets	551	92
Advertising and promotion expenses**	15,174	11,604
Inventory provision	--	500
Other receivables written off	373	--
Provision for impairment of trade receivables	390	945
Other expenses	16,317	13,947
	108,223	100,240
* Staff salaries and benefits include salaries to key management personnel of AED 1.2 million (previous year AED 1.4 million).		
** Include display rentals of AED 5.18 million (previous year AED 1.68 million).		
8. DEPRECIATION		
Allocated to cost of sales (note 6)	7,114	6,529
Allocated to administrative and distribution expenses (note 7)	5,379	6,892
	12,493	13,421
9. FINANCE COSTS		
On other bank loans and overdrafts	468	143
10. OTHER INCOME		
Sale of scrap	598	880
Profit on disposal of property, plant and equipment (net)	768	2,782
Net exchange gains	148	174
Dividend income	329	313
Write back of staff end-of-service gratuity provision	893	--
Credit balances written back	373	--
Write back of inventory provisions	448	--
Miscellaneous income	120	58
	3,677	4,207

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

11. PROPERTY, PLANT AND EQUIPMENT

	Capital work-in- progress	Land and buildings	Plant and equipment	Transport and distribution equipment	Furniture, fixtures and office equipment	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
At 1 January 2012	5,160	52,600	83,779	88,294	5,889	235,722
Additions	2,065	298	1,418	1,949	3,483	9,213
Disposals	--	--	(73)	(21,004)	(17)	(21,094)
At 31 December 2012	7,225	52,898	85,124	69,239	9,355	223,841
Additions	1,364	808	603	1,270	1,565	5,610
Transfers	(7,787)	5,345	1,018	1,424	--	--
Disposals	--	--	(48)	(9,382)	--	(9,430)
At 31 December 2013	802	59,051	86,697	62,551	10,920	220,021
Accumulated depreciation						
At 1 January 2012	--	30,347	57,355	75,147	4,552	167,401
Depreciation	--	1,947	5,094	5,508	872	13,421
Adjustment on disposals	--	--	(73)	(19,816)	(17)	(19,906)
At 31 December 2012	--	32,294	62,376	60,839	5,407	160,916
Depreciation	--	2,045	5,148	3,777	1,523	12,493
Adjustment on disposals	--	--	(36)	(9,011)	--	(9,047)
At 31 December 2013	--	34,339	67,488	55,605	6,930	164,362
Carrying amount						
At 1 January 2012	5,160	22,253	26,424	13,147	1,337	68,321
At 31 December 2012	7,225	20,604	22,748	8,400	3,948	62,925
At 31 December 2013	802	24,712	19,209	6,946	3,990	55,659

Note:

1. Capital work-in-progress represents costs incurred towards plant and equipment.
2. The Government of Dubai granted land to the Group for setting up manufacturing facilities that has been recorded at a nominal value.
3. Land and buildings comprise of certain buildings constructed on land leased to the Group. The lease is renewable every year and management believes that the lease would be available to the Group on an on-going basis in the foreseeable future.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

12. INTANGIBLE ASSETS

	Computer software AED'000
Cost	
At 1 January 2012	--
Additions	2,205
At 31 December 2012	2,205
Additions	--
At 31 December 2013	2,205
Accumulated amortisation	
At 1 January 2012	--
Amortisation	92
At 31 December 2012	92
Amortisation	551
At 31 December 2013	643
Carrying amount	
At 1 January 2012	--
At 31 December 2012	2,113
At 31 December 2013	1,562

	2013 AED'000	2012 AED'000
13. AVAILABLE-FOR-SALE INVESTMENTS		
At 1 January	5,841	5,794
Change in fair value	367	47
At 31 December	6,208	5,841

These include investment amounting to AED 5.6 million made in unquoted equity shares of Rawabi Emirates PJSC (year ended 31 December 2012: AED 5.6 million). Since the investment in Rawabi Emirates PJSC does not have a quoted market price in any active market, the fair value cannot be reliably measured and are stated at cost less impairment losses, if any. The balance of the investments represent investments in quoted shares of Dubai Financial Market PJSC and DP World amounting to AED 0.6 million, and are disclosed at their fair values.

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	2013 AED'000	2012 AED'000
14. INVENTORIES		
Raw materials and packing materials	30,975	33,731
Semi-finished goods	2,412	1,145
Finished goods	6,270	7,108
Trading stocks	5,880	7,482
Consumable stores and spare parts	9,036	9,485
	<u>54,573</u>	<u>58,951</u>
Less: provision for slow moving inventories	(5,407)	(6,264)
	<u>49,166</u>	<u>52,687</u>
Goods-in-transit	7,313	12,649
	<u>56,479</u>	<u>65,336</u>
15. TRADE AND OTHER RECEIVABLES		
Trade receivables	48,244	42,620
Less: Provision for impairment of trade receivables	(4,589)	(4,691)
	<u>43,655</u>	<u>37,929</u>
Advances	1,239	3,517
Prepayments	2,224	2,073
Deposits	315	319
Other receivables	345	907
	<u>47,778</u>	<u>44,745</u>

A reconciliation of the movements in the provision for impairment of trade receivables account is as follows:

At 1 January	4,691	3,750
Provisions made during the year	390	945
Amount written off	(492)	(4)
At 31 January	<u>4,589</u>	<u>4,691</u>

An age analysis of trade receivables that are past due but not impaired is as follows:

0 to 30 days	9,925	9,302
30 to 60 days	5,064	4,270
Over 60 days	<u>5,451</u>	<u>5,810</u>

An analysis of trade receivables considered to be impaired due to non-recovery or perceived difficulty in recovery is as follows:

Gross value	4,589	4,691
Provision	(4,589)	(4,691)
Carrying value	<u>--</u>	<u>--</u>

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	2013 AED'000	2012 AED'000
Trade receivables not past due and not impaired	23,215	18,547
The Group holds post-dated cheques amounting to AED 3.95 million (previous year AED 2.76 million) as security against trade receivables.		
16. CASH AND CASH EQUIVALENTS		
Cash on hand	490	413
Bank balance in current accounts	1,192	1,778
	<u>1,682</u>	<u>2,191</u>
17. SHARE CAPITAL		
Authorised:		
302,500 shares of AED 100 each	<u>30,250</u>	<u>30,250</u>
Issued and paid up:		
302,500 shares of AED 100 each	<u>30,250</u>	<u>30,250</u>
18. STAFF END-OF-SERVICE BENEFITS		
At 1 January	8,751	12,212
Provision for the year	1,437	1,636
Transfers	52	24
Provision no longer required	(893)	—
Paid during the year	<u>(1,007)</u>	<u>(5,121)</u>
At 31 December	<u>8,340</u>	<u>8,751</u>
19. SHORT-TERM BORROWINGS		
Bank overdraft	23,563	15,196
Trust receipts	14,516	3,029
Acceptances	—	1,684
	<u>38,079</u>	<u>19,909</u>
20. TRADE AND OTHER PAYABLES		
Trade payables	31,900	30,142
Accruals	7,540	7,872
Rent received in advance	700	—
Advance received from customers	165	121
Other payables	725	561
	<u>41,030</u>	<u>38,696</u>

The entire trade and other payables are due for payment in one year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

21. RELATED PARTIES

The Group enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and at prices determined by the management.

Related parties comprise subsidiaries, directors, key management personnel and other related parties.

At the reporting date significant balances with related parties were as follows:

	Key management personnel and relatives	Other related parties	Total 2013	Total 2012
	AED'000	AED'000	AED'000	AED'000
Trade and other payables	93	37	130	
	97	28		125

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in note 27.

Significant transactions with related parties during the year were as follows:

	Key management personnel	Other related parties	Total 2013	Total 2012
	AED'000	AED'000	AED'000	AED'000
Sales	--	--	--	
	--	87		87
Purchases	--	154	154	
	--	235		235
Management remuneration	1,243	--	1,243	
	1,400	--		1,400
Transfer of provision for staff end-of-service gratuity	--	--	--	
	--	24		24
Recharge of expenses (net)	--	--	--	
	--	211		211
Transfer of property, plant and equipment to a related party	--	--	--	
	--	270		270

The Group also provides funds to/receives funds from related parties as working capital at free of interest.

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	2013 AED'000	2012 AED'000
22. PROVISION FOR TAXATION		
At 1 January	279	50
Provision made during the year	228	276
Tax paid	--	(47)
At 31 December	<u>507</u>	<u>279</u>

The tax charge is in respect of Oman operations. The Subsidiary is liable to income tax in accordance with income tax laws of Sultanate of Oman on the level of its taxable profit. In the opinion of the management the provision is adequate to meet the Group's tax liabilities.

23. MANAGEMENT OF CAPITAL

The Group's objectives when managing capital are to ensure that the entities continue as a going concern and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed.

Capital, which is unchanged from the previous year, comprises equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The Group is not exposed to any externally imposed capital requirements except for complying with certain provisions of the UAE Federal Law No 8 of 1984 (as amended) and Oman Commercial Register Law No. 3/74.

Funds generated from internal accruals are retained in the business to limit bank borrowings within covenants, if any, and according to the business requirements and maintain capital at desired levels.

24. BASIC EARNINGS PER SHARE IN AED	<u>(114)</u>	<u>(72)</u>
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The basic earnings per share has been calculated by dividing the loss for the year attributable to the shareholders by the weighted average number of the issued and paid up shares.

25. SUBSIDIARY

The Company holds 100% of the shares (2% held by Directors for beneficial interest of the Company) of the subsidiary, registered as a limited liability Company in the Sultanate of Oman under the Oman Commercial Register Law No. 3/74. Principal activity of the subsidiary is trading in dairy, juice, ice creams and other food products.

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26. SEGMENT REPORTING

The Group operates in the single reporting segment of dairy, juice, ice cream, and other food products. All the relevant information relating to this reporting/operating segment is disclosed in the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and notes to the consolidated financial statements. Additional information required by IFRS 8: Segment Reporting is disclosed below:

Information about geographical segments

	2013 AED'000	2012 AED'000
Sales to customers in		
- United Arab Emirates (UAE)	182,031	161,582
- Outside UAE	128,017	130,029
	<u>310,048</u>	<u>291,611</u>

27. FINANCIAL INSTRUMENTS

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

	Loans and receivables		Available-for-sale		At amortised cost	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Non-current equity investments	--	--	6,208	5,841	--	--
Trade and other receivables	44,315	39,155	--	--	--	--
Cash and cash equivalents	1,682	2,191	--	--	--	--
Short-term borrowings	--	--	--	--	38,079	19,909
Trade and other payables	--	--	--	--	36,124	34,408
	<u>45,997</u>	<u>41,346</u>	<u>6,208</u>	<u>5,841</u>	<u>74,203</u>	<u>54,317</u>

Management of risks

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks fair value interest rate risks and price risk).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Group's credit risk management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the Group, issued by high credit quality financial institutions.

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Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

The Group buys and sells goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US dollars to which the UAE Dirham is pegged.

Borrowing facilities are regularly reviewed to ensure that the Group obtains the best available pricing, terms and conditions on its borrowings.

Exposures to the aforementioned risks are detailed below:

Credit risk

Financial assets that potentially expose the Group to concentrations of credit risk comprise principally bank accounts and trade and other receivables.

The Group's bank accounts are placed with high credit quality financial institutions.

Trade and other receivables are stated net of the allowance for doubtful recoveries. At the reporting date, the Group's maximum exposure to credit risk from such receivables situated outside the UAE is as follows:

	2013 AED'000	2012 AED'000
Oman (Middle East)	12,678	12,088
Other Middle East countries	55	273
Asian countries	98	232

At the reporting date there is no significant concentration of credit risk from individual customers.

At the reporting date, there is no significant concentration of credit risk from any industry as the Group's customers are from diverse industries.

Currency risk

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed except for the following:

Trade payables

- Swiss Franc	12	56
- Euro	38	70

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Reasonably possible changes to exchange rates at the reporting date are unlikely to have had a significant impact on profit or equity.

Interest rate risk

Bank borrowings are subject to floating interest rates at levels generally obtained in the UAE or are linked to EIBOR and are therefore exposed to cash flow interest rate risk.

At the reporting date, if interest rates had been 1% higher or lower interest expense on variable rate debt would have been AED 380,790 higher or lower (previous year AED 199,090) resulting in equity being higher or lower by AED 380,790 (previous year AED 199,090).

Price risk

The Group is exposed to significant price risk arising from transactions for purchasing raw materials and trading goods. The Group's objective is to minimise the impact of commodity price fluctuations and this is done in accordance with the commodity risk management policies set by the Management.

Fair values

The 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 values of the Group's financial assets and financial liabilities which are required to be stated at cost or at amortised cost approximate to their carrying values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

	Level 1		Level 2		Level 3		Total	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Available-for-sale financial assets	631	264	—	—	5,577	5,577	6,208	5,841

Reasonably possible changes to share prices of investments in quoted equity shares at the reporting date are unlikely to have had a significant impact on profit or equity.

During the year ended 31 December 2013 and year ended 31 December 2012, there were no transfers between the various levels of fair value measurements.

28. OTHER CONTRACTED COMMITMENTS

For acquisition, construction or enhancement of property, plant and equipment

2013 AED'000	2012 AED'000
660	84

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 AED'000	2012 AED'000
29. CONTINGENT LIABILITIES		
Bankers' letters of guarantee	4,821	4,821
Unutilized balances of commercial letters of credit	8,344	--

Contingencies – legal cases

There are a few legal cases against the Group by ex-employees, as well as counter cases by the Group against ex-employees. All these cases are now pending before the Court for its hearings and decisions. On account of the uncertainty involved over the outcome of the Court's decisions on the amounts involved, the management has concluded that it is not appropriate at this stage to record any contingent liabilities and/or contingent assets.

30. **COMPARATIVE FIGURES**

Previous year's figures have been regrouped/reclassified wherever necessary to make them comparable to those of current year.