Dubai Refreshment (P.J.S.C.)

FINANCIAL STATEMENTS

31 DECEMBER 2018

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CHAIRMAN'S REPORT

Dear Shareholders,

I have the great pleasure of sharing with you the highlights of another year of accomplishments for Dubai Refreshment Company ('DRC').

The year 2018 was a year of dramatic change to our industry and our Company. The business environment for carbonated soft drinks in the United Arab Emirates changed significantly starting quarter four 2017 with the introduction of excise taxes on October 1, 2017, followed by the introduction of value added tax (VAT) on January 1, 2018.

When taken together these two taxes add up to over 60% of DRC net local revenue. Consequently, the Company was forced to pass these taxes to the consumer, which in turn led to much higher consumer prices. This happened at a time when other sugary non-carbonated drinks were not subject to the excise tax and as such did not need to increase their prices. The price increase on Company products combined with favourable tax advantages for non-carbonated sugary drinks put DRC products at a significant competitive disadvantage which resulted in significant reduction in sales and profit. The situation was especially difficult in the first few months after the excise tax implementation, however, through a combination of sales improvement and cost reduction initiatives, the Company has been able to stabilise the situation and return to reasonable profitability, and we ended the year significantly better than we expected back in January of 2018.

The Company is now focusing on several initiatives to get back to growth and to continue to recover from the impact of taxes:

- We have invested in our IT system and infrastructure.
- We have aggressively pursuit expansion in other drinks categories which are not subject to taxation. Both Aquafina and Lipton are now produced in DRC and are growing at healthy rates and Gatorade is being currently imported from Europe and expected to contribute significantly to the growing portfolio of the firm.
- We are exploring further opportunities with our existing partners and new partners to expand our food and beverage range and leverage the state of the art infrastructure we have.
- Last but not the least, we have laser sharp focus on our cost structure in order to ensure we manage this transition period well.

The Board and Management of DRC understand the magnitude of the changes facing our industry. While over the short to medium term this change will impact our revenues and profits, we believe that we have the plans to weather the change and to come out even stronger and more diversified over the longer term.

Revenues

The year 2018 saw a decline in volumes and net revenues in both Local and Exports markets. DRC achieved total revenues of AED 646 million (AED 596 million after IFRS adjustment), which represents a decline of 26% when compared to 2017.

The decline in local business reflects the general slowdown in the market, but above all, it highlights the significant negative impact from the application of Excise Tax in October 2017. The negative trend in exports this year stemmed mainly from geopolitical headwinds faced by our region. Further decline was also due to a continuous downward pressure on sales in the African markets resulting from continuous strength of the US Dollar against local currencies. Some exports were also impacted by various new local regulations as well as customs duties hikes in some key markets.

Despite the challenges faced in 2018 and the uncertain regional outlook for the coming year, DRC will focus on growing its share of the local market and increasing its exports to GCC and African countries by pursuing new initiatives that revive the carbonated soft drinks business and by expanding the product range with PepsiCo as well as other companies that we have partnered with.

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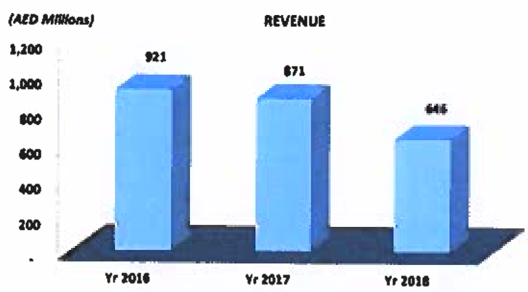
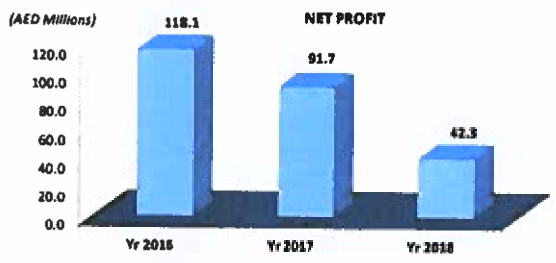
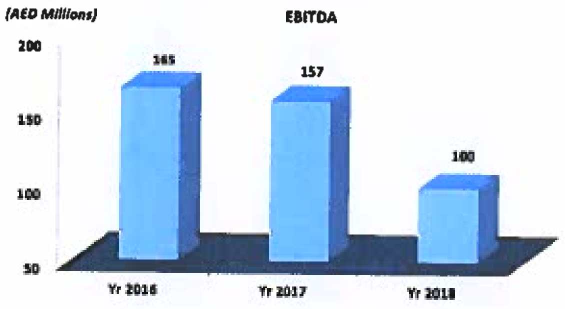


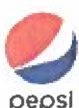
Profitability
Total Net Profits declined by 54% in 2018 to reach AED 42.3 Million or 6.5% of Net Revenues versus AED 91.7 Million or 10.5% of Net Revenues in 2017.

The drop in sales volume has been, to some extent, mitigated by savings in raw material prices and cost control initiatives driven by management, which resulted in a significant reduction in operating expenses.

DRC has been able to maintain a solid level of operating profitability as measured by EBITDA, which amounted to AED 99.6 Million or 14.6% of net revenues in 2018 versus AED 157.4 Million or 17.3% of net revenues in 2017.







دبـــي للـــمرطبـــات (ش.م.ع)
DUBAI REFRESHMENT (P.J.S.C)*

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Cash Flow:
In 2018, DRC generated AED 53.9 million (8.3% of revenues) from operations, which reflects sound financial management strategy. During the year, the company paid AED 63 million in dividends to shareholders and repaid loans of AED 44.4 million related to the DIP project. Accounts receivables increased by AED 26 million largely due to impact of adding the tax to the selling prices to customers. DRC held AED 94.81 million as cash and cash equivalents at the end of 2018.

We believe with the new factory being operational, many potential business opportunities will be available to DRC. The management and the Board of Directors are committed to consider these opportunities as they arise and to take advantage of the best available option.

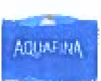
Capital Projects
In order to support its growth strategy and to optimise cost, DRC invested in improving its sales and distribution networks in year 2018. DRC has already completed the development of a new warehouse in Fujairah to improve its distribution infrastructure in the North of the country. Also, the work on the extension of Sharjah Distribution Warehouse that started in 2017 to further support the distribution network in Sharjah and north of Dubai has been completed and an additional 15 distribution vehicles are now operating out of Sharjah. In addition, the company has started construction in the third quarter of 2018 on a project to generate approximately 4 megawatt of power through solar energy by utilizing the rooftop of the new DIP factory. The project is expected to generate significant electricity savings. This project is expected to be completed by the end of quarter one 2019.

On behalf of the Board of Directors, I would like to express my gratitude and appreciation to leaders of the UAE, His highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE and Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister of the UAE and ruler of Dubai and their brothers and members of Federal National Council for providing us with the business environment and infrastructure necessary to build a strong and prosperous business. Their continuous support has been greatly valuable for our success.

Further, I would like to thank all the people who continue to provide their support and demonstrate their commitment and dedication towards achieving our objectives. Our employees, shareholders, customers, suppliers, and business partners are all equally important to us in our efforts to seek a better future for all.

Thank you.
On behalf of the Board of Directors,

Mr. Ahmad Bin Eisa Alserkal
Chairman of Board of Directors



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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dubai Refreshment (P.J.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 ("IFRSs").

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 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.

Revenue recognition

Revenue is a material and an important determinant of the Company's performance and profitability. This gives rise to the inherent risk that revenue recognised is overstated in order to increase profitability. The Company recognises revenue from sale of goods when the significant risks and rewards of ownerships are transferred to customers (refer to Note 2.3 to the financial statements for the revenue recognition policy). Given the magnitude of the amount and inherent risk of revenue overstatement, we considered revenue recognition to be a key audit matter.

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

Report on the audit of the financial statements (continued)

Revenue recognition (continued)

To address the above risk, we performed the following procedures among others:

- Tested the design and operating effectiveness of controls in respect of the Company's revenue and accounts receivable processes;
- Performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculation of the accruals for rebates and discounts;
- 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; and
- Performed journal entries testing for accounts related to identified risks of material misstatement and verified them with supporting documents.

Relationship with Pepsi International

The Company is engaged in bottling and selling carbonated products as a sole distributor for Pepsi International in Dubai and the Northern Emirates, and certain other countries as agreed with Pepsi International. The Company receives various types of rebates and monetary support from Pepsi International. These rebates and monetary support are a significant component of the Company's results. These rebates are adjusted against a current account with Pepsi International.

Given the number of arrangements with Pepsi International for various types of rebates and monetary support, there is a risk that the rebates and monetary supports are not appropriately measured and recognised as per the agreed arrangements.

To address the above risk, we performed the following procedures among others:

- Tested management's controls around the completeness and accuracy of transactions recorded in the financial statements of the Company in accordance with the contractual agreements, challenged management's calculations used in determining the unrealised rebates through discussions with management and performing specific substantive procedures;
- Tested the recorded amount of rebates and monetary supports on a sample basis to supporting contractual arrangement with Pepsi International. In addition, evaluated the reliability of management's calculations by performing a retrospective review of the subsequent collections of the rebates and monetary supports of prior periods;
- Requested direct confirmation for the outstanding balances at the year end and, in the absence of a reply, we performed alternative audit procedures by testing statements of account and other correspondences with Pepsi International; and
- Tested cut-off through assessing the obligation fulfilment of rebates recorded during a period shortly before and after year-end.

Report on the audit of the financial statements (continued)

Other information included in the Company's 2018 Annual Report

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 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 IFRSs 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.

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.

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

Report on the audit of the financial statements (continued)

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

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.

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.

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

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 8 to the financial statements;

vi) note 20 reflects material related party transactions and the terms under which they were conducted;

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 5 reflects the social contributions made during the year.

For Ernst & Young

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

3 March 2019

Dubai, United Arab Emirates

Dubai Refreshment (P.J.S.C.)
INCOME STATEMENT
For the year ended 31 December 2018

	Notes	2018 AED '000	2017 AED '000
Revenue from contract with customers	4	**596,009**	870,965
Cost of sales		**(404,127)**	(554,672)
GROSS PROFIT		**191,882**	316,293
Other operating income		**8,576**	10,781
Selling and distribution expenses		**(100,071)**	(169,066)
General and administrative expenses		**(55,111)**	(57,825)
Amortisation of intangible assets	7	**(7,005)**	(8,163)
Relocation expense of production lines		-	(7,841)
OPERATING INCOME		**38,271**	84,179
Finance income		**632**	1,326
Finance expense		**(3,357)**	(3,731)
Dividend income		**5,085**	6,780
Other income, net		**1,660**	3,135
PROFIT FOR THE YEAR	5	**42,291**	91,689
Earnings per share in AED	19	**0.43**	0.97

The attached notes 1 to 29 form part of these financial statements.

Dubai Refreshment (P.J.S.C.)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	*2018 AED '000*	*2017 AED '000*
Profit for the year		**42,291**	91,689
Other comprehensive loss			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Change in fair value of investment securities measured at FVOCI, equity instruments	8	**(23,837)**	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments	8	-	(6,782)
Change in fair value of cash flow hedges	26	**(2,511)**	(579)
Other comprehensive loss for the year		**(26,348)**	(7,361)
Total comprehensive income for the year		**15,943**	84,328

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	*2018* *AED '000*	*2017* *AED '000*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**668,958**	702,005
Intangible assets	7	**19,899**	25,707
Investment securities	8	**115,001**	138,838
		803,858	866,550
Current assets			
Inventories	9	**52,866**	70,630
Trade and other receivables	10	**188,071**	136,221
Contract assets	2	**5,612**	-
Bank balances and cash	11	**94,810**	165,525
		341,359	372,376
TOTAL ASSETS		**1,145,217**	1,238,926
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**90,000**	90,000
Statutory reserve	14	**45,000**	45,000
General reserve	15	**618,401**	618,401
Fair value reserve	16	**83,918**	107,755
Cash flow hedge reserve	26	**(1,281)**	1,230
Retained earnings		**61,590**	87,489
Total equity		**897,628**	949,875
Non-current liabilities			
Employees' end of service benefits	18	**23,252**	22,252
Non-current portion of term loans	21	**20,064**	59,959
		43,316	82,211
Current liabilities			
Trade and other payables	12	**138,866**	163,721
Contract liabilities	2	**20,837**	-
Current portion of term loans	21	**44,570**	43,119
		204,273	206,840
Total liabilities		**247,589**	289,051
TOTAL EQUITY AND LIABILITIES		**1,145,217**	1,238,926

The financial statements have been approved by the Board of Directors on 21 February 2019, and signed on their behalf by:

Mr. Ali Bin Humaid Al Owais
Vice Chairman
21 February 2019

Mr. Ahmad Bin Eisa Alserkal
Chairman
21 February 2019

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve AED'000*	*Cash flow hedge reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance at 1 January 2018	90,000	45,000	618,401	107,755	1,230	87,489	949,875
Adjustment for IFRS	-	-	-	-	-	4,503	4,503
Adjusted balance as of 1 January 2018	**90,000**	**45,000**	**618,401**	**107,755**	**1,230**	**91,992**	**954,378**
Profit for the year	-	-	-	-	-	42,291	42,291
Other comprehensive income for the year	-	-	-	(23,837)	(2,511)	-	(26,348)
Total comprehensive income for the year	-	-	-	(23,837)	(2,511)	42,291	15,943
Dividends paid (Note 17)	-	-	-	-	-	(63,000)	(63,000)
Directors' fees* (Note 12)	-	-	-	-	-	(3,780)	(3,780)
Transfer from capital work in progress (Note 6)	-	-	-	-	-	(5,913)	(5,913)
Balance as of 31 December 2018	**90,000**	**45,000**	**618,401**	**83,918**	**(1,281)**	**61,590**	**897,628**

*In accordance with the Ministry of Economy interpretation, Directors' fees have been treated as an appropriation from equity.

STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2018

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve AED'000*	*Cash flow hedge reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance at 1 January 2017	90,000	45,000	567,543	114,537	1,809	113,858	932,747
Profit for the year	-	-	-	-	-	91,689	91,689
Other comprehensive income for the year	-	-	-	(6,782)	(579)	-	(7,361)
Total comprehensive income for the year	-	-	-	(6,782)	(579)	91,689	84,328
Dividends paid (Note 17)	-	-	-	-	-	(63,000)	(63,000)
Directors' fees (Note 12)	-	-	-	-	-	(4,200)	(4,200)
Transfer to general reserve (Note 15)	-	-	50,858	-	-	(50,858)	-
Balance as of 31 December 2017	90.000	45,000	618,401	107,755	1,230	87,489	949,875

The attached notes 1 to 29 form part of these financial statements.

Dubai Refreshment (P.J.S.C.)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 AED '000	2017 AED '000
OPERATING ACTIVITIES			
Profit for the year		42,291	91,689
Adjustments for:			
Depreciation	6	47,608	47,293
Amortisation of intangible assets	7	7,005	8,163
Loss/(gain) on disposal of property, plant and equipment		53	(2,460)
Finance income		(632)	(1,326)
Finance expense		3,357	3,731
Dividend income		(5,085)	(6,780)
Provision for employees' end of service benefits	18	2,991	3,047
		97,588	143,357
Working capital changes:			
Inventories		17,764	4,668
Trade and other receivables		(53,080)	(29,201)
Contract assets * (Note 1)		(1,109)	-
Trade and other payables		(23,695)	22,304
Contract liabilities * (Note 1)		18,396	-
		55,864	141,128
Employees' end of service benefits paid	18	(1,991)	(2,354)
Net cash generated from operating activities		53,873	138,774
INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 2)	6	(20,943)	(31,270)
Addition to intangible assets	7	(1,197)	-
Proceeds from disposal of property, plant and equipment		416	2,563
Dividend income received		5,085	6,780
Finance income received		632	1,326
Net cash used in investing activities		(16,007)	(20,601)
FINANCING ACTIVITIES			
Proceeds from term loans		5,944	1,014
Repayment of term loans		(44,388)	(43,653)
Dividends paid	17	(63,000)	(63,000)
Directors' fees		(3,780)	(4,200)
Finance expense paid		(3,357)	(3,731)
Net cash used in financing activities		(108,581)	(113,570)
DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS		(70,715)	4,603
Cash and cash equivalents at 1 January		165,525	160,922
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	94,810	165,525

1) Net movements in contract assets and contract liabilities from those arose on initial application of IFRS 15 (as disclosed in Note 2) and to contract assets and liabilities carried in the statement of financial position as of 31 December 2018.
2) In 2017, additions to property, plant and equipment includes release of accrual of AED 805 thousand accruals for project costs AED 350 thousand adjusted against advances. These being non-cash transactions were excluded in the statement of cash flows.

The attached notes 1 to 29 form part of these financial statements.

1 ACTIVITIES

Dubai Refreshment (P.J.S.C) (the "Company") was incorporated in Dubai in 1959 by a Decree issued by His Highness The Ruler of Dubai. The Company is listed on the Dubai Financial Market ("DFM"). The registered address of the Company is P.O. Box 420, Dubai, United Arab Emirates (UAE).

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

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of UAE Federal Law No. (2) of 2015, and the Articles of Association of the Company.

The financial statements have been presented in U.A.E. Dirhams, which is the functional and reporting currency of the Company, rounded to the nearest thousand (AED '000), except when otherwise indicated.

The Company's financial statements have been prepared under the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value (before 1 January 2018); and
- financial assets at fair value through other comprehensive income (applicable from 1 January 2018).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective for annual period beginning on or after 1 January 2018

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- ***IFRS 15 Revenue from contracts with customers***

IFRS 15 supersedes IAS 11 Constructions Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption, with effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, and has been presented as previously reported under accounting policies disclosed in annual financial statements of the Company as per IAS 18 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and interpretations effective for annual period beginning on or after 1 January 2018 (continued)

- ***IFRS 15 Revenue from contracts with customers (continued)***

The Company is primarily in the business of selling Pepsi Cola International products and has adopted the following accounting policies with respect to revenue recognition under IFRS 15:

(a) Sale of goods

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

The Company has concluded that the revenue from sale of goods should be recognised at a 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 of revenue recognition. However, the amount of revenue to be recognised was affected, as noted below:

Variable consideration

Some contracts with customers provide a right of return, trade discounts, volume rebates or other sales supports. Prior to adoption of IFRS 15, the Company recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue could not be reliably measured, the Company deferred revenue recognition until the uncertainty was resolved.

Under IFRS 15, such provisions give rise to variable consideration under IFRS 15. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The Application of the constraint on variable consideration increases the amount of revenue that will be deferred.

- Rights of return

When a contract with a customer provides a right to return the good within the specified period, the Company previously accounts for the right of return using a probability-weighted average amount of return approach similar to the expected value method under IFRS 15. Prior to adoption of IFRS 15, the amount of revenue related to the expected returns is deferred and recognised in the statement of financial position within trade and other payables. A corresponding adjustment was made to the cost of sales. The initial carrying amount of goods expected to be returned is included within Inventories.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Company uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The Company applies the requirement in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Company presents a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. Upon adoption of IFRS 15, the Company assessed and determined that that no provision for right of return (i.e. refund Liabilities) and the related return asset from inventories (i.e. right to return assets) is required to be recognised based on expected value method.

- Volume rebates and other terms of the customer contracts

The Company provides retrospective volume rebates to some of its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract and there are other terms of the contracts with the customers including upfront payments for a period of contract or for sale certain quantity of goods, which results in variable consideration. Prior to adoption of IFRS 15, the Company used to estimate the expected volume rebates and other terms of the contract using the probability-weighted average amount of rebates approach and included them in Trade and other payables. These amounts might subsequently be repaid in cash to the customer or were offset against amounts payable by customer.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and interpretations effective for annual period beginning on or after 1 January 2018 (continued)

- ***IFRS 15 Revenue from contracts with customers (continued)***

(b) Advances received from customers
Generally, the Company receives only short-term advances from its customers.

Upon adoption of IFRS 15, for short term advances, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects at the inception of the contract that the period between the time the customer pays for the goods or service and when the Company transfers that promised goods or service to the customer will be one year or less. However, the Company decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Company expects, at contract inception, that the period between the Company transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Company will not account for a financing component even if it is significant.

(c) Presentation and disclosure requirements
The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. As required for the financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer Note 4 below for disclosure on disaggregated revenue.

On adoption of IFRS 15, the determination of variable considerations was considered as per IFRS 15 and has resulted in recognition of net contract assets of AED 4,503 thousand as of 1 January 2018, with corresponding increase in retained earnings by AED 4,503 thousand. Further, contract liabilities of AED 2,441 thousand were determined to be presented separately which were previously included in 'trade and other payables'.

The following table summarises the impact of adopting IFRS 15 on the Company's statement of financial position as at 31 December 2018 and its statement of profit or loss and OCI for the twelve months period then ended for each of line items affected. There were no material impact on cash flows of the Company's statement of cash flows for the twelve months period ended 31 December 2018.

	Amounts without adoption of IFRS 15 AED'000	*Adjustments AED'000*	*As reported AED'000*
31 December 2018:			
Statement of financial position			
Contract assets	-	5,612	5,612
Retained earnings	57,087	4,503	61,590
Accounts and other payables	157,980	(19,114)	138,866
Contract liabilities	-	20,837	20,837
31 December 2018:			
Income statement			
Revenue	647,181	(51,172)	596,009
Gross profit	243,054	(51,172)	191,882
Selling and distribution expenses	(151,234)	51,172	(100,071)
Net profit	43,400	(1,109)	42,291

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and interpretations effective for annual period beginning on or after 1 January 2018 (continued)

- ***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 opted exemption not to restate comparative information with respect to reclassification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 is under accounting policies disclosed in annual financial statements of the Company as per IAS 39 and related interpretations.

(a) Classification and measurement

IFRS 9 retains most of the existing requirements of IAS 39 for the classification and measurement of financial liabilities, though, it has removed held to maturity, loans and receivables and available-for-sale classification under IAS 39 for financial assets.

Adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial statements (other than those used as hedging instruments, which are discussed below). The impact of IFRS 9 on the classification and measurement of financial assets of the Company is set out below.

Except for certain trade receivables, under IFRS 9, 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 and loss, transaction costs. On initial recognition, a financial asset is classified and measured under IFRS 9 as follows:

- Amortised costs
- FVOCI, debt instruments
- FVOCI, equity instruments
- FVTPL

The classification is based on two criteria:

- The Company's business model for managing the assets; and
- Whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Company's business model was made as of 1 January 2018, the date of initial application.

The new classification and measurement of the Company's financial assets are as follows:

	Previous classification (IAS 39)	*New classification (IFRS 9)*
Investment securities, equity instruments	Available-for-sale	FVOCI, equity Instruments
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

There were no changes to the carrying values of the above financial assets on transition to new classification and measurement per IFRS 9.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and interpretations effective for annual period beginning on or after 1 January 2018 (continued)

- ***IFRS 9 Financial instruments (continued)***

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

ECL are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Company expect to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For 'Contract assets' and 'Trade and other receivables', the Company has applied the standard's simplified approach and has calculated the ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The Company considers a financial asset in default when contractual payments are 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 likely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of the ECL requirements of IFRS 9 did not result in any significant changes in impairment allowances.

(c) Hedge accounting
The Company applied hedge accounting prospectively. At the date of the initial application, all of the Company's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contracts in the Company's cash flow hedge relationship and, as such, the adoption of the hedge accounting requirements of IFRS 9 has no significant impact on the Company's financial statements.

Under IAS 39, all gains and losses arising from the Company's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchase of non-financial assets need to be incorporated into the initial carrying amounts on the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

Several other amendments and interpretations apply that for the first time in 2018, but do not have an impact on the financial statements of the Company.

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 2: Classification and Measurement of Share-based payment transactions
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- 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 1 First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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 16 Leases
- IFRS 17 Insurance Contracts
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle (issued in December 2017)
  These improvements include:
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 – Leases and related IFRIC 4, SIC 15 and SIC 27. It introduces a single, on-balance sheet lease accounting model for lessees. At the commencement date of a lease, the lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There is a recognition exemption for short-term leases, which will be recognised on a straight-line basis as expense in profit or loss and leases of low value assets. Lessees shall remeasure the lease liability and adjust the right-of-use asset on occurrence of certain events such as change in the lease term, future lease payments resulting from a change in an index or rate used to determine those payments.

The standard is effective for annual periods beginning on or after 1 January 2019 and requires to make more extensive disclosures than under IAS 17. Early adoption is permitted. The Company plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

As at 31 December 2018, the Company has non-cancellable operating lease commitments of AED 166,947 million as disclosed in note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and liability in respect of all these leases unless they qualify as short-term leases or that are considered of low value upon the application of IFRS 16. The nature of expenses related to those leases will also change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. Further, the classification of cash flows will be affected as the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows, respectively; operating lease payments are currently presented as operating cash flows.

The Company is in the process of finalizing the analysis of the impact of IFRS 16 at the date of issuance of these financial statements. In summary, the application of IFRS 16 is expected to result in the Company recognizing on its statement of financial position right-of-use assets with corresponding lease liabilities equivalent to the discounted non-cancellable operating lease commitments of 166,947 million as disclosed in note 22 using a discount rate in the range of 3% to 5%. The Company does not expect that the application of IFRS 16 will have a significant impact on its equity.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified 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 classified as 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.

Fair value measurement
The Company measures financial instruments, such as derivatives and investment securities at fair value at each reporting 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 categorised 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 categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy, as explained above.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Applicable from 1 January 2018
Revenue from contract with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 120 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration
If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

- *Rights of return*

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

- *Volume rebates*

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

Applicable before 1 January 2018
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of rebates, discount, payments, and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income
Dividend income is recognised when the Company's right to receive the dividend payment is established.

Rental income
Rental income from property, plant and equipment is recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

Excise duty
Excise duty is passed on to customers and is excluded from revenue. Trade receivables at the reporting date are stated with the amount of excise tax included. The net amount of excise duty payable at the reporting date is included in trade and other payables (note 12).

The net amount of excise duty recoverable from, or payable to, the taxation authority is included within receivables or payables in the balance sheet.

Value-added Tax (VAT)
Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a 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 as part of the expense item, as applicable; and/or
- When receivables and payables, amounts 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.

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

Buildings	3 to 30 years
Plant, machinery and equipment	2 to 20 years
Coolers and vending machines	5 to 7 years
Furniture and fixtures	2 years
Freezers	5 years

Land and capital work-in-progress are not depreciated.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

During the year ended 31 December 2018, the Company has not capitalised any borrowing costs (2017: NIL).

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

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

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

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

Amortisation is calculated on a straight line basis over the assets' estimated useful lives as follows:

Franchise and bottling rights	20 years
Lease rights	20 years
Software	5 years

Impairment of non-financial assets
At each reporting date the Company reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Applicable from 1 January 2018
Initial recognition and measurement
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 and, 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 for revenue from contracts with customers as noted above.

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.

Applicable before 1 January 2018
The financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial assets as at 31 December 2017 include bank balances, trade and other receivables. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. 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 in finance income in the statement of comprehensive income

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

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

Financial assets at amortised cost
This category is the most relevant to the Company. 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 derecognized, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, and amounts due from a related party.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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.

The Company elected to classify irrevocably its listed equity investments under this category.

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 (i.e., removed from the Company's statement of financial position) 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 of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. 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
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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 90 days past due. However, in certain cases, the Group 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)

Applicable before 1 January 2018
The Company assess whether there was any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidences exists, any impairment loss is recognised in the statement of comprehensive income. Impairment loss is the difference between the carrying amount and the present value of future cash flows discounted at original effective interest rate.

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

Derecognition of financial liabilities
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 income statement.

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.

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

Employees' end of service benefits
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to government pension scheme calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or income statement are also recognised in other comprehensive income or income statements, respectively).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These factors could include:

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

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

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

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

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

Classification of properties
Management decides at the time of acquisition of a property whether it should be classified as held for sale, property, plant and equipment or an investment property. The Company classifies properties as properties held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Company also classifies properties as property, plant and equipment when the properties are held for use by, or in the operations, of the Company. Properties are classified as investment properties when the intention is to hold them for capital appreciation, for rental or for undetermined use. The Company changes the classification when the intention changes.

Presentation of revenue net of excise duty
Based on reasonable assessment of various factors related to excise tax in the current circumstances, the Company had decided that deduction of excise tax from revenue (net presentation) is the appropriate accounting treatment.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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

At the reporting date, gross trade accounts receivable were AED 115,978 thousand (2017: AED 90,045 thousand), and the provision for doubtful debts was AED 2,226 thousand (2017: AED 2,672 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

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

At the reporting date, gross inventory were AED 54,751 thousand (2017: AED 72,344 thousand) with provisions for slow moving inventories of AED 1,885 thousand (2017: AED 1,714 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives and depreciation of property, plant and equipment
The management periodically reviews 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.

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

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

4 REVENUE FROM CONTRACT WITH CUSTOMERS

Set out below is the disaggregation of the Company's net revenue from contracts with customers:

	2018 *AED'000*	*2017* *AED'000*
Local sales		
Long term contracts	**321,487**	467,885
Transactions based contracts	**195,023**	285,117
	516,510	753,002
Export sales		
Long term contracts	**26,747**	54,307
Transactions based contracts	**52,752**	63,656
	79,499	117,963
	596,009	870,965

5 NET PROFIT FOR THE YEAR

The net profit for the year is stated after charging:

	2018 *AED'000*	*2017* *AED'000*
Staff costs	**89,245**	96,837
Rental expenses- operating lease	**21,239**	24,166
Depreciation expense (Note 6)	**47,608**	47,293
(Gain)/loss on disposal of property, plant and equipment	**53**	(2,460)
Amount included in cost of sales:		
Staff costs	**18,198**	21,108
Rental - operating lease	**3,743**	3,580
Depreciation expense (Note 6)	**24,582**	24,267

During the year ended 31 December 2018, social contributions made by the Company amounted to AED 61 thousand (2017: AED 58 thousand).

6 PROPERTY, PLANT AND EQUIPMENT

	Land *AED'000*	*Buildings* *AED'000*	*Plant, machinery and equipment* *AED'000*	*Coolers and vending machines* *AED'000*	*Furniture and fixture* *AED'000*	*Freezer* *AED'000*	*Capital work-in-progress* *AED'000*	*Total* *AED'000*
Cost:								
At 1 January 2018	38,041	472,424	335,778	68,948	9,497	784	32,132	957,604
Additions	-	2,281	2,575	4,195	72	353	11,467	20,943
Transfer during the year	-	6,826	23,487	2	-	29	(30,344)	-
Transfer to retained earnings	-	-	-	-	-	-	(5,913)	(5,913)
Disposals	-	-	(4,090)	(1,969)	(51)	-	-	(6,110)
At 31 December 2018	**38,041**	**481,531**	**357,750**	**71,176**	**9,518**	**1,166**	**7,342**	**966,524**
Accumulated depreciation:								
At 1 January 2018	-	64,148	131,229	52,711	7,463	48	-	255,599
Charge for the year	-	16,835	22,604	7,233	707	229	-	47,608
Disposals	-	-	(3,631)	(1,959)	(51)	-	-	(5,641)
At 31 December 2018	-	**80,983**	**150,202**	**57,985**	**8,119**	**277**	-	**297,566**
Net book value:								
At 31 December 2018	**38,041**	**400,548**	**207,548**	**13,191**	**1,399**	**889**	**7,342**	**668,958**

The factory buildings at Al Quoz are constructed on land granted by H.H. The Ruler of Dubai. In 2014, the land was converted from granted status to owned status.

The staff accommodation was constructed on land leased to the Company on an annual basis. In the opinion of management, the lease will be renewed for a period at least equivalent to the useful life of the staff accommodation.

Capital work in progress primarily pertains to solar project and warehouse in Sharjah of AED 7,342 thousand.

As was resolved in annual general meeting of the Company held on 25 February 2013, the Company has charged the cost of the Mosque of AED 5,913 thousand on completion, to the retained earnings during the year ended 31 December 2018.

Plant and machinery at Dubai Investment Park (DIP) are mortgaged against a term loan (Note 21).

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land *AED'000*	*Buildings* *AED'000*	*Plant, machinery and equipment* *AED'000*	*Coolers and vending machines* *AED'000*	*Furniture and fixture* *AED'000*	*Freezer* *AED'000*	*Capital work-in-progress* *AED'000*	*Total* *AED'000*
Cost:								
At 1 January 2017	38,041	466,982	332,096	66,766	9,150	-	26,192	939,227
Additions	-	207	2,884	4,287	101	784	22,552	30,815
Transfer during the year	-	5,235	10,962	-	415	-	(16,612)	-
Disposals	-	-	(10,164)	(2,105)	(169)	-	-	(12,438)
At 31 December 2017	38,041	472,424	335,778	68,948	9,497	784	32,132	957,604
Accumulated depreciation:								
At 1 January 2017	-	47,246	119,113	47,385	6,897	-	-	220,641
Charge for the year	-	16,902	22,191	7,417	735	48	-	47,293
Disposals	-	-	(10,075)	(2,091)	(169)	-	-	(12,335)
At 31 December 2017	-	64,148	131,229	52,711	7,463	48	-	255,599
Net book value:								
At 31 December 2017	38,041	408,276	204,549	16,237	2,034	736	32,132	702,005

Depreciation charge for the year has been allocated as follows:

	2018 *AED'000*	*2017* *AED'000*
Cost of sales	**24,582**	24,267
Selling and distribution expenses	**14,497**	14,186
General and administrative expenses	**8,529**	8,840
	47,608	47,293

7 INTANGIBLE ASSETS

	Franchise and bottling rights AED'000	*Lease rights AED'000*	*Software AED'000*	*Total AED'000*
Cost:				
At 1 January 2018	62,391	7,000	22,850	92,241
Additions	-	-	1,197	1,197
At 31 December 2018	**62,391**	**7,000**	**24,047**	**93,438**
Amortisation:				
At 1 January 2018	46,014	1,604	18,916	66,534
Charge for the year	3,120	350	3,535	7,005
At 31 December 2018	**49,134**	**1,954**	**22,451**	**73,539**
Net book value:				
At 31 December 2018	**13,257**	**5,046**	**1,596**	**19,899**

	Franchise and bottling rights AED'000	*Lease rights AED'000*	*Software AED'000*	*Total AED'000*
Cost:				
At 1 January 2017	62,391	7,000	22,850	92,241
At 31 December 2017	62,391	7,000	22,850	92,241
Amortisation:				
At 1 January 2017	42,895	1,248	14,228	58,371
Charge for the year	3,119	356	4,688	8,163
At 31 December 2017	46,014	1,604	18,916	66,534
Net book value:				
At 31 December 2017	16,377	5,396	3,934	25,707

8 INVESTMENT SECURITIES

	2018 AED'000	*2017 AED'000*
Balance at 1 January	**138,838**	145,620
Change in market fair value	**(23,837)**	(6,782)
Balance at 31 December	**115,001**	138,838

On adoption of IFRS 9, effective 1 January 2018, the Company has classified the equity 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 in subsequent periods. The comparative information is presented under IAS 39 as previously reported in the financial statements of the Company under IAS 39, as the Company has elected not to restate comparative information on adoption of IFRS 9.

9 INVENTORIES

	2018 AED'000	2017 AED'000
Raw material and consumables	26,154	44,039
Finished goods	22,836	23,408
Spare parts and supplies	5,761	4,897
	54,751	72,344
Less: provision for slow moving spare parts and supplies inventories	(1,885)	(1,714)
	52,866	70,630

Movements in the provision for slow moving spare parts and supplies inventories were as follows:

	2018 AED'000	2017 AED'000
At 1 January	1,714	1,596
Provided during the year	171	118
At 31 December	1,885	1,714

During the year ended 31 December 2018, the carrying amount of raw material inventories recognised as an expense and included as part of cost of goods sold in the statement of income amounts to AED 334,511 thousand (2017: AED 478,862 thousand).

10 TRADE AND OTHER RECEIVABLES

	2018 AED'000	2017 AED'000
Trade receivables	115,978	90,045
Less: provision for doubtful debts	(2,226)	(2,672)
	113,752	87,373
Prepaid expenses	9,415	9,951
Advances to suppliers	6,853	8,166
Positive fair value of derivatives (Note 26)	-	1,230
Other receivables*	57,680	28,886
Due from a related party (Note 20b)	371	615
	188,071	136,221

* In 2018, other receivables includes AED 20.8 million towards penalties relating to excise duty deposited with Federal Tax authority (Note 23) (In 2017, other receivables included deposit with E-Dirham of AED 4.07 million as advance deposit for the subsequent payment of Excise duty) .

As at 31 December 2018, trade accounts receivable with a nominal value of AED 2,226 thousand (2017: AED 2,672 thousand) were impaired. Movements in the allowance for expected credit loss were as follows:

	2018 AED'000	2017 AED'000
At 1 January	2,672	2,672
Write off during the year	(446)	-
At 31 December	2,226	2,672

10 TRADE AND OTHER RECEIVABLES (continued)

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

		Neither past due nor impaired	Past due but not impaired				
	Total AED'000	*Neither past due nor impaired AED'000*	*<30 days AED'000*	*30-60 days AED'000*	*60-90 days AED'000*	*90-180 days AED'000*	*>180 days AED'000*
2018	**113,752**	**80,012**	**15,293**	**8,266**	**4,723**	**4,276**	**1,182**
2017	87,373	70,324	13,236	2,800	935	78	-

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

11 CASH AND CASH EQUIVALENTS

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

	2018 AED'000	*2017 AED'000*
Cash at banks and on hand	**64,691**	69,752
Short-term deposits	**30,119**	95,773
Bank balances and cash	**94,810**	165,525

Short-term deposits are made for varying periods between one day and three months and earn interest at the respective short-term deposits rates ranging from 1.5% p.a. to 3.75% p.a. (2017: 0.6% p.a. to 2.6% p.a.).

12 TRADE AND OTHER PAYABLES

	2018 AED'000	*2017 AED'000*
Trade payable	**33,599**	63,693
Accrued expenses	**51,481**	37,886
Accrual for staff costs	**9,756**	10,853
Advances from customers	**3,177**	1,052
Retentions payable	-	894
Deferred income	**12,441**	14,715
Due to a related party	**117**	-
Other payables	**27,014**	34,628
Negative fair value of derivatives (Note 26)	**1,281**	-
	138,866	163,721

Other payables include Board of Directors' fees of AED 3,780 thousand (2017: AED 4,200 thousand) payable to the directors of the Company after obtaining the shareholders' approval in the Annual General Meeting. It also includes an excise duty payable amounting to AED 21,450 thousand (2017: AED 28,793 thousand).

13 SHARE CAPITAL

	2018 *AED'000*	*2017* *AED'000*
Authorised issued and fully paid up:		
90 million shares of AED 1 each	**90,000**	90,000

14 STATUTORY RESERVE

In accordance with Article 239 of Commercial Companies Law No. 2 of 2015 and the Company's articles of association, 10% of the annual profit of the Company is required to be transferred to a statutory reserve until the reserve equals 50% of the share capital. No transfer was made to the statutory reserve in 2018 as the reserve has already reached 50% of the share capital. This reserve is not available for distribution except as stipulated by the law.

15 GENERAL RESERVE

In accordance with Article 240 of the UAE Commercial Companies Law No. 2 of 2015 and the Company's articles of association, 10% of the Company's net profit may be transferred to a general reserve to be used only for the purposes stated in the Company's article of association.

In accordance with Clause 70 of the Company's article of association, 10% of the net profit for each year should be transferred to this reserve and such transfers may cease when the reserve equals 5% of the paid up share capital of the Company.

During the Board of Directors' meeting held on 21 January 2019, the Directors have approved not to transfer any amount (2017: AED 50,858 thousand) from retained earnings to general reserve.

16 FAIR VALUE RESERVE

On adoption of IFRS 9, effective 1 January 2018, the Company has classified the equity 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 in subsequent periods. The comparative information is presented under IAS 39 as previously reported in the financial statements of the Company under IAS 39, as the Company has elected not to restate comparative information on adoption of IFRS 9.

17 DIVIDENDS

During the Board of Directors' meeting held on 21 January 2019, the Directors proposed a cash dividend of AED 0.467 per share totaling to AED 42 million relating to 2018 (2017: AED 0.70 per share totaling to AED 63 million). The dividend is subject to the approval of the shareholder in the Annual General Meeting.

During the year, the Company paid dividend of AED 63 million relating to 2017 (2017: paid dividend of AED 63 million relating to 2016).

18 EMPLOYEES' END OF SERVICE BENEFITS

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

	2018 *AED'000*	*2017* *AED'000*
Provision as at 1 January	**22,252**	21,559
Provided during the year	**2,991**	3,047
End of service benefits paid	**(1,991)**	(2,354)
Provision as at 31 December	**23,252**	22,252

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Company, net of directors' fees, amounting to AED 38.51 million (2017: AED 87.49 million) by the weighted average number of shares outstanding during the year of 90 million shares (2017: 90 million shares).

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

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

	2018 AED'000	*2017 AED'000*
Sales to a related party	**3,848**	6,160
Purchase from a related party	**1,037**	-

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

	2018 AED'000	*2017 AED'000*
Short-term benefits	**13,219**	13,110
Employees' end of service benefits	**549**	578
Board Committees sitting fees	**150**	90
	13,918	13,778

b Due from a related party:

	2018 AED'000	*2017 AED'000*
Other related party		
Oman Refreshments Company Limited, net (Note 10 & 12)	**254**	615

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2018, the Company has not recorded any impairment of amounts owed by related parties (2017: Nil).

21 TERM LOANS

	Current portion AED '000	*Non-current portion AED '000*	*Total AED '000*
Loan 1 (a)	34,000	-	34,000
Loan 2 (b)	7,371	13,991	21,362
Loan 3 (c)	3,199	6,073	9,272
Balance at 31 December 2018	**44,570**	**20,064**	**64,634**

	Current portion AED '000	*Non-current portion AED '000*	*Total AED '000*
Loan 1 (a)	34,000	34,000	68,000
Loan 2 (b)	5,926	16,850	22,776
Loan 3 (c)	3,193	9,109	12,302
Balance at 31 December 2017	43,119	59,959	103,078

(a) The Company obtained a term loan from a local bank to finance the construction of an office and plant facility (Greenfield Project) at DIP. As approved by the Board of Directors of the Company, this loan was capped at AED 170 million with 5 years repayment period. The repayment started from January 2015 and will end in July 2019. The loan carries interest at 3 months EIBOR plus margin as per market. The loan is secured by assignment of leasehold rights over the plot and chattel mortgage and assignment of insurance benefits over plant & machinery. (Note 6).

(b & c) The Company obtained two term loans denominated in US Dollar to finance the acquisition of new plant and machinery. The loans are repayable in 14 semi-annual instalments commenced from 15 January 2015 and carry interests at 6 months LIBOR plus margin as per market. In AED terms, the outstanding amount as of 31 December 2018 is AED 30,634 thousand (31 December 2017: AED 35,078 thousand). In dollar terms, the outstanding amount as of 31 December 2018 is USD 8,316 thousand (31 December 2017: USD 9,545 thousand).

22 OPERATING LEASE COMMITMENTS

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

	2018 AED'000	*2017 AED'000*
Within 1 year	**14,371**	15,294
After one year but not more than five years	**43,357**	28,645
More than 5 years	**109,219**	114,729
Total operating lease expenditure contracted for at the reporting date	**166,947**	158,668

23 CONTINGENCIES AND CAPITAL COMMITMENTS

	2018 *AED'000*	*2017* *AED'000*
Bank guarantees	**12,577**	11,659
Capital commitments - contracted	**299**	11,186

During the third quarter of 2018, the Company filed objections with regards to the excise duty levied by the Federal Tax Authority's ("Authority") on the inventory in hand of carbonated drinks as on 1 October 2017 being the effective date of the excise duty. The objections were filed for penalties relating to excise duty for an amount of about AED 24 million. As at the reporting date, the Company is yet to receive the decision from the Disputes Settlement Committee on the objections filed and will update the Dubai Financial Market accordingly when the Committee issues its verdict.

24 SEGMENT REPORTING

The Company operates in a single reporting segment of canning, bottling, distribution and trading of soft drinks and related beverages products. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, income statement and notes to the financial statements.

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

a) Information about geographical segments

During the year ended 31 December 2018, revenue from customers located in the Company's country of domicile (UAE) is AED 517 million (year ended 31 December 2017: AED 753 million) and revenue from customers outside UAE (foreign customers) is AED 79 million (year ended 31 December 2017: AED 118 million).

b) Major customer

During the year ended 31 December 2018, there was one customer of the Company with revenues greater than 10% of the total revenue of the Company (2017: Nil).

25 RISK MANAGEMENT

Market risk

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 term loans, bank deposits, investment securities and derivative financial instruments.

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's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

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

25 RISK MANAGEMENT (continued)

Market risk (continued)
Interest rate risk (continued)
The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

There is no impact on the Company's equity.

	Increase/ decrease in basis points	*Effect on profit for the year AED'000*
2018		
AED	**+50**	**(323)**
AED	**-50**	**323**
2017		
AED	+50	(515)
AED	-50	515

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

	2018 AED'000 equivalent	*2017 AED'000 equivalent*
Net assets:		
Euro	**41**	43

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

	Increase/ decrease in exchange rate to the AED	*Effect on profit for the year increase/ (decrease) AED'000*	*Effect on other comprehensive income for the year increase/ (decrease) AED'000*
2018	**+5%**	**2**	**-**
	-5%	**(2)**	**-**
2017	+5%	2	-
	-5%	(2)	-

25 RISK MANAGEMENT (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.

The effect on equity (fair value reserve) as a result of a change in the fair value of equity instrument quoted on Muscat Securities Market – Oman and held as available-for-sale at 31 December 2018 and 31 December 2017, due to reasonably possible changes in the prices of these quoted shares held by the Company, with all other variables held constant, is as follows:

	2018		*2017*	
Market index – Muscat Securities Market (Oman)	*Increase / decrease in market prices %*	*Effect on equity (fair value reserve) AED'000*	*Increase / decrease in market prices %*	*Effect on equity (fair (value reserve) AED'000*
Impact of change in market prices	**+10%**	**11,500**	+10%	13,884
	-10%	**(11,500)**	-10%	(13,884)

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

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks. The Company also manages the risk through dealings with large diversified base of customers as well as local and foreign banks.

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

With respect to credit risk arising from other financial assets of the Company, including bank balances, 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.

	2018 AED'000	*2017 AED'000*
Bank balances and deposits	**94,810**	165,525
Trade receivables	**113,752**	87,373
Due from a related party	**371**	615
Other receivables	**57,680**	28,886
	266,613	282,399

Bank balances
The Company limits its credit risk with regard to bank balances by dealing only with reputable banks. The credit risk is limited to the carrying values of the financial assets.

Trade receivables and contract assets
Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal criteria. Outstanding trade receivables and contract assets are regularly monitored. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients.

25 RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables and contract assets (continued)

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., geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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.

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. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. 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 Company evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries.

Liquidity risk

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

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

At 31 December 2018

	Less than 6 months AED'000	***6 to 12 months AED'000***	***1 to 5 years AED'000***	***Total AED'000***
Trade and other payables	**115,649**	**-**	**-**	**115,649**
Term loans	**22,694**	**22,900**	**21,088**	**66,682**
Total	**138,343**	**22,900**	**21,088**	**182,331**

At 31 December 2017

	Less than 6 months AED'000	*6 to 12 months AED'000*	*1 to 5 years AED'000*	*Total AED'000*
Trade and other payables	118,267	894	-	119,161
Term loans	22,009	22,270	60,920	105,199
Total	140,276	23,164	60,920	224,360

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 898 million as at 31 December 2018 (2017: AED 950 million).

26 FAIR VALUE OF DERIVATIVES

Cash flow hedges

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

The cash flow hedges were assessed to be effective and as at 31 December 2018, a net unrealised loss of AED 2,511 thousand (2017: net unrealised gain of AED 579 thousand) was included in other comprehensive income in respect of these contracts.

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

				Notional amounts by term to maturity	
	Positive fair value AED'000	***Negative fair value AED'000***	***Notional amount AED'000***	***Within 1 year AED'000***	***1-5 years AED'000***
Derivatives					
Designated as cash flow hedge	-	**1,281**	**17,060**	**17,060**	-
31 December 2018	-	**1,281**	**17,060**	**17,060**	-

				Notional amounts by term to maturity	
	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amount AED'000*	*Within 1 year AED'000*	*1-5 years AED'000*
Derivatives					
Designated as cash flow hedge	1,230	-	10,898	10,898	-
31 December 2017	1,230	-	10,898	10,898	-

The fair value of derivatives is presented in the statement of financial position as:

	2018 AED'000	*2017 AED'000*
Negative fair value of derivatives – current liabilites (Note 12)	**1,281**	-
Positive fair value of derivatives – current assets (Note 10)	-	1,230

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, receivables, contract assets, derivatives and investment securities. Financial liabilities consist of bank borrowings, payables, contract liabilities and derivatives.

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not base on observable market data.

As at 31 December 2018, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 Dec 2018 *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
Investment securities				
Quoted equity shares				
Consumer products sector (Note 8)	**115,001**	**115,001**	-	-

	31 Dec 2018 *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
Negative fair value of derivatives				
- held as cash flow hedge (Note 12)	**1,281**	-	**1,281**	-

As at 31 December 2017, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 Dec 2017 *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
Investment securities				
Quoted equity shares				
Consumer products sector (Note 8)	138,838	138,838	-	-

	31 Dec 2017 *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
Positive fair value of derivatives				
- held as cash flow hedge (Note 10)	1,230	-	1,230	-

During the years ended 31 December 2018 and 31 December 2017, there were no transfers between the various levels of fair value measurements.

28 NON-CASH TRANSACTIONS

The following non-cash transactions have been excluded from the statement of cash flows:

	31 December 2018 AED'000	*31 December 2017 AED'000*
Transfer of Mosque from property, plant and equipment (Note 6)	**5,913**	-

29 OTHER INFORMATION

The Company did not have any investments in or business relationship with the Abraaj Group as of 31 December 2018.