

Emirates Refreshments (P.S.C.)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2017



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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF EMIRATES REFRESHMENTS (P.S.C.)

Introduction

We have reviewed the accompanying interim condensed financial statements of Emirates Refreshments (P.S.C.) (“the Company”), which comprise the interim condensed statement of financial position as at 31 March 2017, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

Thodla Hari Gopal
Partner
Registration No.: 689

7 May 2017

Dubai, United Arab Emirates

Emirates Refreshments (P.S.C.)

INTERIM CONDENSED STATEMENT OF INCOME

For the three-month period ended 31 March 2017 (Unaudited)

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Sales		12,417,878	15,459,470
Cost of sales		(8,104,986)	(8,941,590)
GROSS PROFIT		4,312,892	6,517,880
Selling and distribution expenses		(4,025,710)	(3,767,473)
General and administrative expenses		(1,816,447)	(1,741,887)
OPERATING (LOSS) / PROFIT		(1,529,265)	1,008,520
Finance expense		(25,469)	(38,996)
Finance income		110,290	93,361
Other income		94,230	101,448
(LOSS) / PROFIT FOR THE PERIOD		(1,350,214)	1,164,333
Earnings per share in AED	4	(0.045)	0.039

The attached notes 1 to 15 form part of these interim condensed financial statements.

Emirates Refreshments (P.S.C.)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2017 (Unaudited)

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
(Loss) / profit for the period		(1,350,214)	1,164,333
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Net change in fair value of available-for-sale investments	7	6,206	110,083
Total other comprehensive Income for the period		6,206	110,083
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,344,008)	1,274,416

The attached notes 1 to 15 form part of these interim condensed financial statements.

Emirates Refreshments (P.S.C.)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	<i>Notes</i>	<i>31 March 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	5	19,922,609	21,247,017
Investment properties	6	1,744,048	1,778,638
Available-for-sale investments	7	2,787,769	2,781,563
Long-term prepayment		960,750	976,000
		<u>25,415,176</u>	<u>26,783,218</u>
Current assets			
Inventories	8	8,855,163	7,935,328
Trade and other receivables	9	9,025,100	8,132,900
Due from a related party	12	400,918	1,762,748
Bank balances and cash	10	15,463,182	16,241,845
		<u>33,744,363</u>	<u>34,072,821</u>
TOTAL ASSETS		<u><u>59,159,539</u></u>	<u><u>60,856,039</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		30,000,000	30,000,000
Statutory reserve		10,002,276	10,002,276
Obligatory reserve		1,500,000	1,500,000
Fair value reserve		2,160,935	2,154,729
Retained earnings		1,657,151	6,322,365
Total equity		<u>45,320,362</u>	<u>49,979,370</u>
Non-current liability			
Employees' end of service benefits		2,901,862	2,778,334
		<u>2,901,862</u>	<u>2,778,334</u>
Current liabilities			
Trade and other payables	11	8,301,145	8,098,335
Bank overdraft	10	2,636,170	-
		<u>10,937,315</u>	<u>8,098,335</u>
Total liabilities		<u>13,839,177</u>	<u>10,876,669</u>
TOTAL EQUITY AND LIABILITIES		<u><u>59,159,539</u></u>	<u><u>60,856,039</u></u>

The interim condensed financial statements have been approved by the Board of Directors on 7 MAY 2017, and signed on their behalf by:



Director



Director

The attached notes 1 to 15 form part of these interim condensed financial statements.

Emirates Refreshments (P.S.C.)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2017 (Unaudited)

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
Balance as of 1 January 2017	30,000,000	10,002,276	1,500,000	2,154,729	6,322,365	49,979,370
Loss for the period	-	-	-	-	(1,350,214)	(1,350,214)
Other comprehensive income for the period	-	-	-	6,206	-	6,206
Total comprehensive income for the period	-	-	-	6,206	(1,350,214)	(1,344,008)
Dividend paid*	-	-	-	-	(3,000,000)	(3,000,000)
Directors' remuneration paid (Note 12)	-	-	-	-	(315,000)	(315,000)
Balance as of 31 March 2017	30,000,000	10,002,276	1,500,000	2,160,935	1,657,151	45,320,362
Balance as of 1 January 2016	30,000,000	9,650,497	1,500,000	2,053,475	4,956,353	48,160,325
Profit for the period	-	-	-	-	1,164,333	1,164,333
Other comprehensive income for the period	-	-	-	110,083	-	110,083
Total comprehensive income for the period	-	-	-	110,083	1,164,333	1,274,416
Balance as of 31 March 2016	30,000,000	9,650,497	1,500,000	2,163,558	6,120,686	49,434,741

* This relates to dividend (AED 0.10 per share) for the year 2016, which was approved at Annual General Meeting on 1 March 2017 and paid during the quarter ended 31 March 2017.

The attached notes 1 to 15 form part of these interim condensed financial statements.

Emirates Refreshments (P.S.C.)

INTERIM STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2017 (Unaudited)

		<i>Three months ended</i>	
		31 March 2017 AED	31 March 2016 AED
	<i>Notes</i>		
OPERATING ACTIVITIES			
(Loss) / profit for the period		(1,350,214)	1,164,333
Adjustments for:			
Depreciation	5	1,495,345	1,570,140
Depreciation of investment properties	6	34,590	34,588
Amortisation of long term prepayments		15,250	15,250
Provision for employees' end of service benefits		138,102	283,957
Finance expense		25,469	38,996
Finance income		(39,040)	(22,111)
Dividend income from available-for-sale investments		(71,250)	(71,250)
		248,252	3,013,903
Working capital changes:			
Inventories		(919,835)	592,171
Trade and other receivables		(892,200)	(691,327)
Due from a related party		1,361,830	(150,249)
Trade and other payables		202,810	(5,205,333)
Cash generated from / (used in) operating activities		857	(2,440,835)
Employees' end of service benefits paid		(14,574)	(57,386)
Net cash flows used in operating activities		(13,717)	(2,498,221)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(170,937)	(623,893)
Movement in fixed deposit from more than 3 months to 1 year, net		(56,451)	(4,060,114)
Dividend income received		71,250	71,250
Finance income received		39,040	22,111
Net cash used in investing activities		(117,098)	(4,590,646)
FINANCING ACTIVITIES			
Finance expense paid		(25,469)	(38,996)
Dividends paid		(3,000,000)	-
Directors' remuneration paid	12	(315,000)	-
Net cash used in financing activities		(3,340,469)	(38,996)
DECREASE IN CASH AND CASH EQUIVALENTS		(3,471,284)	(7,127,863)
Cash and cash equivalents at beginning of the period		3,015,265	7,619,619
CASH AND CASH EQUIVALENTS AT 31 MARCH		(456,019)	491,756

The attached notes 1 to 15 form part of these interim condensed financial statements.

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

1 ACTIVITIES

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

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

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

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the three months period ended 31 March 2017 have been prepared in accordance with IAS 34 "*Interim Financial Reporting*".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2016. In addition, results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2017 has had no effect on the interim financial statements of the Company.

3 OPERATING SEGMENT INFORMATION

The Company operates in a single reporting segment of bottling, distribution and trading of mineral water and carbonated soft drink. All the relevant information relating to this reporting / operating segment is disclosed in the interim condensed statement of financial position, interim condensed income statement and notes to the interim condensed financial information.

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

a) Information about geographical segments

During the period ended 31 March 2017 revenue from customers located in the Company's country of domicile (UAE) is AED 11.9 million (three month period ended 31 March 2016: AED 14.1 million) and revenue from customers outside the UAE (foreign customers) is AED 0.5 million (three month period ended 31 March 2016: AED 1.38 million).

b) Major customers

Revenue from one major customer amounts to AED 1.6 million (period ended 31 March 2016: AED 1.7 million) of the Company's total revenues. Apart from this customer, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company

4 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss for the period attributable to the shareholders of the Company amounting to AED 1.35 million (period ended 31 March 2016: Profit of AED 1.16 million) by the weighted average number of shares outstanding during the period of 30 million shares (period ended 31 March 2016: 30 million shares).

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

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

5 PROPERTY, PLANT AND EQUIPMENT

Additions and disposal

During the three-month period ended 31 March 2017, the Company acquired assets amounting to AED 0.17 million (three month period ended 31 March 2016: AED 0.62 million). The depreciation expense amounted to AED 1.49 million (three-month period ended 31 March 2016: AED 1.57 million).

6 INVESTMENT PROPERTIES

Investment properties include warehouse buildings (6 sheds) transferred from the property, plant and equipment during 2014. The warehouse buildings were valued on an open market basis by an independent professional firm for property valuation. In their assessment report dated 31 December 2016, the fair value of the investment property is AED 2.8 million. The valuation of properties was carried out by independent valuer using market value basis of valuation taking into account transactional evidence, and prevailing market conditions.

Investment properties are measured at cost on initial recognition and subsequently using the 'cost model' in accordance with International Accounting Standard 40- "Investment Property" and its stated at cost less impairment losses, if any. The net book value of the investment property for the period ended is AED 1.7 million (three-month period ended 31 March 2016: AED 1.88 million). The depreciation charge for the period ended is AED 0.035 million (three month period ended 31 March 2016: AED 0.035 million). The Company has earned rental income for the period of AED 0.07 million (three month period ended 31 March 2016: AED 0.07 million).

7 AVAILABLE-FOR-SALE INVESTMENTS

	<i>31 March 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Opening balance	2,781,563	2,680,309
Change in market fair value	6,206	101,254
Closing balance	<u>2,787,769</u>	<u>2,781,563</u>

Investments in available-for-sale financial assets are held in equity securities listed on G.C.C. stock exchanges.

8 INVENTORIES

	<i>31 March 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Raw materials	4,408,835	4,005,048
Finished goods	2,901,162	2,270,670
Spare parts	3,659,384	3,579,963
Others	277,082	270,221
	<u>11,246,463</u>	<u>10,125,902</u>
Less: provision for slow moving inventories	<u>(2,391,300)</u>	<u>(2,190,574)</u>
	<u>8,855,163</u>	<u>7,935,328</u>

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

9 TRADE AND OTHER RECEIVABLES

	<i>31 March 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Trade receivables	7,328,491	6,901,628
Less: allowance for impairment	(731,557)	(731,557)
	<u>6,596,934</u>	<u>6,170,071</u>
Prepayments	1,226,738	987,544
Advances to suppliers	615,528	392,810
Other receivables	585,900	582,475
	<u>9,025,100</u>	<u>8,132,900</u>

10 CASH AND CASH EQUIVALENTS

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

	<i>31 March 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Cash at bank and on hand	2,140,872	2,977,799
Other cash equivalents	39,279	37,466
Short-term deposits	13,283,031	13,226,580
	<u>15,463,182</u>	<u>16,241,845</u>
Bank overdrafts*	(2,636,170)	-
Short-term deposits with original maturity of more than three months	(13,283,031)	(13,226,580)
Cash and cash equivalents	<u>(456,019)</u>	<u>3,015,265</u>

*Bank overdraft carry interest at prevailing market interest rate and are secured against fixed deposit with banks amounting AED 13 million.

11 TRADE AND OTHER PAYABLES

	<i>31 March 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Trade payables	5,834,891	5,858,133
Advance from customers	72,009	-
Accrued expenses and other payables	2,394,245	2,240,202
	<u>8,301,145</u>	<u>8,098,335</u>

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

12 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:

	<i>Three-month period ended 31 March</i>	
	<i>2017 AED (Unaudited)</i>	<i>2016 AED (Unaudited)</i>
Sales to a related party	1,393,504	143,274
Payment of expenses on behalf of a related Party	50,613	6,975
Payment of expenses by a related Party on behalf of the Company	(91,576)	-

Compensation of key management personnel

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

	<i>Three-month period ended 31 March</i>	
	<i>2017 AED (Unaudited)</i>	<i>2016 AED (Unaudited)</i>
Short-term benefits	713,581	591,281
Employees' end of service benefits	584,902	461,207

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

b Due from a related party:

	<i>31 March 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
<i>Other related party</i> Unikai Foods (PJSC)	400,918	1,762,748

13 OPERATING LEASE COMMITMENT

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

	<i>31 March 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Less than 1 year	3,746,330	4,170,652
Later than 1 year and no later than 5 years	7,051,335	8,628,472
Later than 5 years	1,057,834	1,793,173
	11,855,499	14,592,297

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

14 CONTINGENCIES AND COMMITMENTS

	<i>31 March 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Letter of guarantees	<u>750,000</u>	<u>750,000</u>

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Company include available-for-sale investments, trade and other receivables, due from a related party and cash in hand and at bank. Financial liabilities of the Company include trade and other payables and bank overdraft.

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 based on observable market data.

Assets measured at fair value

	<i>31 March 2017 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>
Available-for-sale investments (Unaudited)	<u>2,787,769</u>	<u>2,787,769</u>	<u>-</u>	<u>-</u>
	<i>31 December 2016 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>
Available-for-sale investments (Audited)	<u>2,781,563</u>	<u>2,781,563</u>	<u>-</u>	<u>-</u>