

Emirates Refreshments (P.S.C.)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2016

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 30 September 2016, and the related interim condensed statements of income, comprehensive income for the three and nine-month periods then ended and changes in equity and cash flows for the nine-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.

Other matters

- The interim condensed financial statements of the Company as of 30 September 2015 were reviewed by another auditor whose report dated 10 November 2015 expressed an unqualified conclusion on those interim condensed financial statements; and
- The financial statements of the Company as of 31 December 2015 were audited by another auditor whose report dated 14 February 2016 expressed an unqualified opinion on those financial statements.

Ernst & Young

Signed by:
Thodla Hari Gopal
Partner
Registration No.: 689

13 November 2016

Dubai, United Arab Emirates

Emirates Refreshments (P.S.C.)

INTERIM STATEMENT OF INCOME

For the nine-month period ended 30 September 2016 (Unaudited)

	<i>Note</i>	<i>Nine-month period ended 30 September</i>		<i>Three-month period ended 30 September</i>	
		<i>2016 AED</i>	<i>2015 AED</i>	<i>2016 AED</i>	<i>2015 AED</i>
Sales		47,217,121	53,653,218	15,546,669	19,334,901
Cost of sales		(27,433,169)	(32,414,995)	(9,168,450)	(10,526,088)
GROSS PROFIT		19,783,952	21,238,223	6,378,219	8,808,813
Selling and distribution expenses		(11,258,130)	(12,250,805)	(3,924,994)	(4,041,777)
General and administrative expenses		(5,394,410)	(5,838,870)	(1,868,775)	(1,814,641)
OPERATING PROFIT		3,131,412	3,148,548	584,450	2,952,395
Finance expense		(103,911)	(241,583)	(26,465)	(74,115)
Net loss on disposal/write-off of property, plant and equipment		-	(630,470)	-	(630,470)
Finance income		193,940	176,334	23,439	22,805
Other income		285,297	304,390	88,653	201,924
PROFIT FOR THE PERIOD		3,506,738	2,757,219	670,077	2,472,539
Earnings per share in AED	4	0.117	0.092	0.022	0.082

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

Emirates Refreshments (P.S.C.)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2016 (Unaudited)

	Note	<i>Nine-month period ended 30 September</i>		<i>Three-month period ended 30 September</i>	
		<i>2016 AED</i>	<i>2015 AED</i>	<i>2016 AED</i>	<i>2015 AED</i>
Profit for the period		3,506,738	2,757,219	670,077	2,472,539
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	(38,297)	218,620	(24,283)	(339,824)
Total other comprehensive income for the period		(38,297)	218,620	(24,283)	(339,824)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,468,441	2,975,839	645,794	2,132,715

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


Emirates Refreshments (P.S.C.)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	<i>Notes</i>	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	5	22,643,914	25,276,822
Investment properties	6	1,813,228	1,916,997
Available-for-sale investments	7	2,642,012	2,680,309
Long-term prepayment		930,250	976,000
		<u>28,029,404</u>	<u>30,850,128</u>
Current assets			
Inventories	8	8,373,262	11,135,126
Trade and other receivables	9	9,634,647	11,522,233
Due from a related party	12	1,001,354	-
Bank balances and cash	10	12,892,609	11,633,855
		<u>31,901,872</u>	<u>34,291,214</u>
TOTAL ASSETS		<u><u>59,931,276</u></u>	<u><u>65,141,342</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		30,000,000	30,000,000
Statutory reserve		9,650,497	9,650,497
Obligatory reserve		1,500,000	1,500,000
Fair value reserve		2,015,178	2,053,475
Retained earnings		6,663,091	4,956,353
Total equity		<u>49,828,766</u>	<u>48,160,325</u>
Non-current liability			
Employees' end of service benefits		2,646,737	2,226,798
		<u>2,646,737</u>	<u>2,226,798</u>
Current liabilities			
Trade and other payables	11	7,323,584	14,754,219
Bank overdraft	10	132,189	-
		<u>7,455,773</u>	<u>14,754,219</u>
Total liabilities		<u>10,102,510</u>	<u>16,981,017</u>
TOTAL EQUITY AND LIABILITIES		<u><u>59,931,276</u></u>	<u><u>65,141,342</u></u>

The interim condensed financial statements have been approved by the Board of Directors on 12 NOVEMBER 2016, 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 STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2016 (Unaudited)

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
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	-	-	-	-	3,506,738	3,506,738
Other comprehensive income for the period	-	-	-	(38,297)	-	(38,297)
Total comprehensive income for the period	-	-	-	(38,297)	3,506,738	3,468,441
Dividend paid*	-	-	-	-	(1,500,000)	(1,500,000)
Directors' remuneration paid (Note 12)	-	-	-	-	(300,000)	(300,000)
Balance as of 30 September 2016	30,000,000	9,650,497	1,500,000	2,015,178	6,663,091	49,828,766
	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
Balance as of 1 January 2015	30,000,000	9,229,965	1,500,000	2,272,917	1,171,563	44,174,445
Profit for the period	-	-	-	-	2,757,219	2,757,219
Other comprehensive income for the period	-	-	-	218,620	-	218,620
Total comprehensive income for the period	-	-	-	218,620	2,757,219	2,975,839
Balance as of 30 September 2015	30,000,000	9,229,965	1,500,000	2,491,537	3,928,782	47,150,284

* This relates to dividend for the year 2015 which was approved at Annual General Meeting on 14 April 2016 and was paid during the quarter ended 30 June 2016.

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 nine-month period ended 30 September 2016 (Unaudited)

	Notes	Nine-month period ended 30 September	
		2016 AED	2015 AED
OPERATING ACTIVITIES			
Profit for the period		3,506,738	2,757,219
Adjustments for:			
Depreciation	5	4,651,614	5,059,759
Depreciation of investment properties	6	103,769	103,771
Amortisation of long term prepayments		45,750	45,750
Provision for employees' end of service benefits		540,398	518,202
Finance expense		103,911	158,028
Finance income		(68,248)	(53,424)
Dividend income from available-for-sale investments		(125,692)	(122,910)
Loss on disposal/write off of property, plant and equipment		-	630,470
		<u>8,758,240</u>	<u>9,096,865</u>
Working capital changes:			
Inventories		2,761,864	89,377
Trade and other receivables		1,887,586	(1,264,872)
Due from a related party		(1,001,354)	-
Trade and other payables		(7,430,635)	(7,861,739)
		<u>4,975,701</u>	<u>59,631</u>
Cash from operating activities		(120,459)	(381,066)
Employees' end of service benefits paid			
		<u>4,855,242</u>	<u>(321,435)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(2,018,706)	(6,716,817)
Movement in capital advances		-	3,883,861
Proceeds from sale of property, plant and equipment		-	358,125
Movement in fixed deposit from more than 3 months to 1 year		(8,194,975)	(6,135,347)
Dividend income received		125,692	122,910
Finance income received		68,248	53,424
		<u>(10,019,741)</u>	<u>(8,433,844)</u>
FINANCING ACTIVITIES			
Finance expense paid		(103,911)	(158,028)
Dividends paid		(1,500,000)	-
Directors' remuneration paid	12	(300,000)	-
		<u>(1,903,911)</u>	<u>(158,028)</u>
Net cash used in financing activities			
		<u>(7,068,410)</u>	<u>(8,913,307)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		7,619,619	1,894,759
		<u>551,209</u>	<u>(7,018,548)</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER			

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 30 September 2016 (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. Bottling of carbonated soft drinks has been commenced in the previous period under a co-packing agreement. 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 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 2015. In addition, results for the period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2016 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 30 September 2016, revenue from customers located in the Company’s country of domicile (UAE) is AED 43.0 million (nine-month period ended 30 September 2015: AED 49.1 million) and revenue from customers outside the UAE (foreign customers) is AED 4.2 million (nine-month period ended 30 September 2015: AED 4.6 million).

b) Major customers

Revenue from Dubai Refreshments (P.J.S.C) amounts to AED 5.4 million (period ended 30 September 2015: AED 3.5 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 profit for the period attributable to the shareholders of the Company amounting to AED 3.507 million (period ended 30 September 2015: Profit of AED 2.757 million) by the weighted average number of shares outstanding during the period of 30 million shares (period ended 30 September 2015: 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 30 September 2016 (Unaudited)

5 PROPERTY, PLANT AND EQUIPMENT

Additions and disposal

During the nine-month period ended 30 September 2016, the Company acquired assets amounting to AED 2.02 million (nine-month period ended 30 September 2015: AED 6.69 million) and disposed of assets with a nil net book value (nine-month period ended 30 September 2015: AED 1.38 million). The depreciation expense amounted to AED 4.65 million (nine-month period ended 30 September 2015: AED 5.16 million).

6 INVESTMENT PROPERTIES

Investment properties include warehouse buildings (6 sheds) transferred from property, plant and equipment during 2014. The warehouse buildings were valued on an open market basis by a firm of independent property valuers. In their assessment report dated 31 December 2015, they placed a total value of AED 2.8 million on the warehouse buildings. Valuation of properties was carried out using sales comparative valuation approach 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 1.81 million (Nine-month period ended 30 September 2015: AED 1.92 million). The depreciation charge for the period ended is AED 103 thousand (nine-month period ended 30 September 2015: AED 103 thousand). The Company has earned rental income for the period of AED 0.2 million (nine-month period ended 30 September 2015: AED 0.2 million).

7 AVAILABLE-FOR-SALE INVESTMENTS

	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
Opening balance	2,680,309	2,899,751
Change in market fair value	(38,297)	(219,442)
Closing balance	<u>2,642,012</u>	<u>2,680,309</u>

Significant investments in available-for-sale financial assets are held in equity securities listed on GCC stock exchanges.

8 INVENTORIES

	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
Raw materials	4,215,125	7,630,864
Finished goods	2,589,738	2,167,404
Spare parts	3,547,377	3,151,810
Others	266,178	186,229
	<u>10,618,418</u>	<u>13,136,307</u>
Less: provision for slow moving inventories	(2,245,156)	(2,001,181)
	<u>8,373,262</u>	<u>11,135,126</u>

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

9 TRADE AND OTHER RECEIVABLES

	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
Trade receivables	8,075,755	10,041,424
Less: allowance for impairment	(760,457)	(737,705)
	<u>7,315,298</u>	<u>9,303,719</u>
Prepayments	1,127,119	1,190,260
Advances to suppliers	555,790	495,130
Other receivables	636,440	533,124
	<u>9,634,647</u>	<u>11,522,233</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>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
Cash at bank and on hand	640,624	1,463,463
Other cash equivalents	42,774	34,663
Short-term deposits	12,209,211	10,135,729
	<u>12,892,609</u>	<u>11,633,855</u>
Bank balance and cash	12,892,609	11,633,855
Bank overdrafts*	(132,189)	-
Short-term deposits with original maturity of more than three months	(12,209,211)	(4,014,236)
	<u>551,209</u>	<u>7,619,619</u>
Cash and cash equivalents	<u>551,209</u>	<u>7,619,619</u>

*Bank overdrafts carry interest at prevailing market interest rate and are secured against fixed deposit with banks amounting to AED 12 million.

11 TRADE AND OTHER PAYABLES

	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
Trade payables	4,324,764	11,197,344
Accrued expenses and other payables	2,937,154	3,421,170
Advances from customers	61,666	135,705
	<u>7,323,584</u>	<u>14,754,219</u>

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent 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>Nine-month period ended 30 September</i>	
	<i>2016 AED (Unaudited)</i>	<i>2015 AED</i>
Sales to a related party	2,456,566	-
Payment on expense on behalf of the company	201,224	-
	<u>2,657,790</u>	<u>-</u>

Compensation of key management personnel

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

	<i>Nine-month period ended 30 September</i>	
	<i>2016 AED (Unaudited)</i>	<i>2015 AED</i>
Short-term benefits	1,911,677	1,966,615
Employees' end of service benefits	527,646	265,501
Directors' remuneration*	300,000	-
Directors' fees	95,000	55,000
	<u>2,834,323</u>	<u>2,287,116</u>

* Directors' remuneration of AED 0.3 million, which is governed by UAE Federal Law No (2) of 2015 was approved at Annual General Meeting on 14 April 2016 and was paid during the quarter ended 30 June 2016.

b Due from a related party:

	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
<i>Other related party (Common directors)</i>		
Unikai Foods (PJSC)	<u>1,001,354</u>	<u>-</u>

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

13 OPERATING LEASE COMMITMENT

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

	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
Less than 1 year	1,864,098	1,623,821
Later than 1 year and no later than 5 years	2,958,372	3,327,306
Later than 5 years	1,207,246	1,793,173
	<u>6,029,716</u>	<u>6,744,300</u>

14 CONTINGENCIES AND COMMITMENTS

	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
Bank 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 borrowings.

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

Fair value hierarchy

The Group 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>30 September 2016 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>
Available-for-sale investments (Unaudited)	<u>2,642,012</u>	<u>2,642,012</u>	<u>-</u>	<u>-</u>
	<i>31 December 2015 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>
Available-for-sale investments (Audited)	<u>2,680,309</u>	<u>2,680,309</u>	<u>-</u>	<u>-</u>