

Emirates Refreshments (P.S.C.)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2017

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 2017, and the related interim condensed statements of income, comprehensive income for the three and nine-months periods then ended and statements of 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.

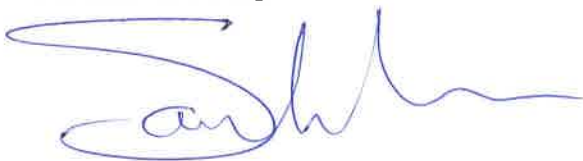
Scope of Review

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.

For Ernst & Young



Ashraf Abu-Sharkh
Partner
Registration No.: 690

8 November 2017

Dubai, United Arab Emirates

Emirates Refreshments (P.S.C.)

INTERIM CONDENSED STATEMENT OF INCOME

For the nine-month period ended 30 September 2017 (Unaudited)

	<i>Note</i>	<i>Nine-month period ended 30 September</i>		<i>Three-month period ended 30 September</i>	
		<i>2017 AED</i>	<i>2016 AED</i>	<i>2017 AED</i>	<i>2016 AED</i>
Sales		41,031,494	47,217,121	14,170,030	15,546,669
Cost of sales		(25,064,275)	(27,433,169)	(8,629,502)	(9,168,450)
GROSS PROFIT		15,967,219	19,783,952	5,540,528	6,378,219
Selling and distribution expenses		(12,131,228)	(11,258,130)	(3,999,851)	(3,924,994)
General and administrative expenses		(5,580,923)	(5,394,410)	(1,875,474)	(1,868,775)
OPERATING (LOSS) / PROFIT		(1,744,932)	3,131,412	(334,797)	584,450
Finance expense		(88,330)	(103,911)	(28,534)	(26,465)
Finance income		279,807	193,940	54,032	23,439
Other income		303,366	285,297	105,572	88,653
(LOSS) / PROFIT FOR THE PERIOD		(1,250,089)	3,506,738	(203,727)	670,077
(Loss) / earnings per share in AED	4	(0.042)	0.117	(0.007)	0.022

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 nine-month period ended 30 September 2017 (Unaudited)

	<i>Note</i>	<i>Nine-month period ended 30 September</i>		<i>Three-month period ended 30 September</i>	
		<i>2017 AED</i>	<i>2016 AED</i>	<i>2017 AED</i>	<i>2016 AED</i>
(Loss) / profit for the period		(1,250,089)	3,506,738	(203,727)	670,077
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	(180,210)	(38,297)	61,674	(24,283)
Total other comprehensive income for the period		(180,210)	(38,297)	61,674	(24,283)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,430,299)	3,468,441	(142,053)	645,794

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 30 September 2017

	<i>Notes</i>	<i>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,582,210	21,247,017
Investment properties	6	1,674,868	1,778,638
Available-for-sale investments	7	2,601,353	2,781,563
Long-term prepayment		930,250	976,000
		<u>22,788,681</u>	<u>26,783,218</u>
Current assets			
Inventories	8	6,802,764	7,935,328
Trade and other receivables	9	11,290,901	8,132,900
Due from a related party	12	-	1,762,748
Bank balances and cash	10	14,113,792	16,241,845
		<u>32,207,457</u>	<u>34,072,821</u>
TOTAL ASSETS		<u><u>54,996,138</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		1,974,519	2,154,729
Retained earnings		1,757,276	6,322,365
Total equity		<u>45,234,071</u>	<u>49,979,370</u>
Non-current liability			
Employees' end of service benefits		2,995,374	2,778,334
		<u>2,995,374</u>	<u>2,778,334</u>
Current liabilities			
Trade and other payables	11	5,185,234	8,098,335
Bank overdraft	10	1,581,459	-
		<u>6,766,693</u>	<u>8,098,335</u>
Total liabilities		<u>9,762,067</u>	<u>10,876,669</u>
TOTAL EQUITY AND LIABILITIES		<u><u>54,996,138</u></u>	<u><u>60,856,039</u></u>

The interim condensed financial statements have been approved by the Board of Directors on 7 NOVEMBER 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 nine-month period ended 30 September 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	-	-	-	-	(1,250,089)	(1,250,089)
Other comprehensive income for the period	-	-	-	(180,210)	-	(180,210)
Total comprehensive income for the period	-	-	-	(180,210)	(1,250,089)	(1,430,299)
Dividend paid*	-	-	-	-	(3,000,000)	(3,000,000)
Directors' remuneration paid (Note 12)	-	-	-	-	(315,000)	(315,000)
Balance as of 30 September 2017	30,000,000	10,002,276	1,500,000	1,974,519	1,757,276	45,234,071
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

* This relates to dividend for the year 2016 which was approved at Annual General Meeting on 1 March 2017 and was paid during the quarter ended 31 March 2017.

** 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 CONDENSED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2017 (Unaudited)

	Notes	Nine-month period ended 30 September	
		2017 AED	2016 AED
OPERATING ACTIVITIES			
(Loss) / profit for the period		(1,250,089)	3,506,738
Adjustments for:			
Depreciation	5	4,405,017	4,651,614
Depreciation of investment properties	6	103,770	103,769
Amortisation of long term prepayments		45,750	45,750
Provision for employees' end of service benefits		367,718	540,398
Finance expense		88,330	103,911
Finance income		(154,115)	(68,248)
Dividend income from available-for-sale investments		(125,692)	(125,692)
		<u>3,480,689</u>	<u>8,758,240</u>
Working capital changes:			
Inventories		1,132,564	2,761,864
Trade and other receivables		(3,158,001)	1,887,586
Due from related party		1,762,748	(1,001,354)
Trade and other payables		(2,913,101)	(7,430,635)
		<u>304,899</u>	<u>4,975,701</u>
Cash from operating activities		(150,678)	(120,459)
Employees' end of service benefits paid			
		<u>154,221</u>	<u>4,855,242</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(745,410)	(2,018,706)
Proceeds from sale of property, plant and equipment		5,200	-
Movement in fixed deposit from more than 3 months to 1 year		(110,051)	(8,194,975)
Dividend income received		125,692	125,692
Finance income received		154,115	68,248
		<u>(570,454)</u>	<u>(10,019,741)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Finance expense paid		(88,330)	(103,911)
Dividends paid		(3,000,000)	(1,500,000)
Directors' remuneration paid	12	(315,000)	(300,000)
		<u>(3,403,330)</u>	<u>(1,903,911)</u>
Net cash used in financing activities			
DECREASE IN CASH AND CASH EQUIVALENTS		(3,819,563)	(7,068,410)
Cash and cash equivalents at beginning of the period		3,015,265	7,619,619
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		(804,298)	551,209

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 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 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 nine months period ended 30 September 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 nine-months period ended 30 September 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 Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 2017 revenue from customers located in the Company's country of domicile (UAE) is AED 39.3 million (nine-month period ended 30 September 2016: AED 43 million) and revenue from customers outside the UAE (foreign customers) is AED 1.7 million (nine-month period ended 30 September 2016: AED 4.2 million).

b) Major customers

Revenue from one major customer amounts to AED 6.9 million (nine-month period ended 30 September 2016: AED 5.4 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 1.25 million (period ended 30 September 2016: Profit of AED 3.51 million) by the weighted average number of shares outstanding during the period of 30 million shares (period ended 30 September 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 30 September 2017 (Unaudited)

5 PROPERTY, PLANT AND EQUIPMENT

Additions and disposal

During the nine-month period ended 30 September 2017, the Company acquired assets amounting to AED 0.75 million (nine-month period ended 30 September 2016: AED 2.02 million). The depreciation expense amounted to AED 4.41 million (nine-month period ended 30 September 2016: AED 4.65 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 30 September 2017 is AED 1.7 million (nine-month period ended 30 September 2016: AED 1.81 million). The depreciation charge for the period ended is AED 103 thousand (nine-month period ended 30 September 2016: AED 103 thousand). The Company has earned rental income for the period of AED 0.2 million (nine-month period ended 30 September 2016: AED 0.2 million).

7 AVAILABLE-FOR-SALE INVESTMENTS

	<i>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Opening balance	2,781,563	2,680,309
Change in market fair value	(180,210)	101,254
Closing balance	<u>2,601,353</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>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Raw materials	3,564,559	4,005,048
Finished goods	1,492,330	2,270,670
Spare parts	3,893,863	3,579,963
Others	268,332	270,221
	<u>9,219,084</u>	<u>10,125,902</u>
Less: provision for slow moving inventories	(2,416,320)	(2,190,574)
	<u>6,802,764</u>	<u>7,935,328</u>

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

9 TRADE AND OTHER RECEIVABLES

	<i>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Trade receivables	9,451,186	6,901,628
Less: allowance for impairment	(778,347)	(731,557)
	<u>8,672,839</u>	<u>6,170,071</u>
Prepayments	1,527,481	987,544
Advances to suppliers	466,719	392,810
Other receivables	623,862	582,475
	<u>11,290,901</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>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Cash at bank and on hand	735,548	2,977,799
Other cash equivalents	41,613	37,466
Short-term deposits	13,336,631	13,226,580
	<u>14,113,792</u>	<u>16,241,845</u>
Bank overdrafts*	(1,581,459)	-
Short-term deposits with original maturity of more than three months	(13,336,631)	(13,226,580)
Cash and cash equivalents	<u>(804,298)</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 10 million.

11 TRADE AND OTHER PAYABLES

	<i>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Trade payables	3,184,780	5,858,133
Advance from customers	68,383	58,773
Accrued expenses and other payables	1,932,071	2,181,429
	<u>5,185,234</u>	<u>8,098,335</u>

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 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>Nine-month period ended 30 September</i>	
	<i>2017 AED (Unaudited)</i>	<i>2016 AED (Unaudited)</i>
Sales to a related party	1,393,504	2,456,566
Payment of expenses on behalf of a related party	50,613	201,224
Payment of expenses by a related party on behalf of the Company	(91,576)	-
	<u>1,352,541</u>	<u>2,657,790</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>2017 AED (Unaudited)</i>	<i>2016 AED (Unaudited)</i>
Short-term benefits	2,314,043	1,911,677
Employees' end of service benefits	67,853	109,952
Directors' remuneration*	315,000	300,000
Directors' fees	51,000	55,000

* Directors' remuneration of AED 0.315 million (2016: AED 0.30 million), which is governed by UAE Federal Law No (2) of 2015 was approved at Annual General Meeting on 1st March 2017 and was paid during the quarter ended 31 March 2017.

b Due from a related party:

	<i>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
<i>Other related party</i>		
Unikai Foods (PJSC)	-	1,762,748

Emirates Refreshments (P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

13 OPERATING LEASE COMMITMENT

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

	<i>30 September 2017 AED (Unaudited)</i>	<i>31 December 2016 AED (Audited)</i>
Less than 1 year	3,462,107	2,954,519
Later than 1 year and no later than 5 years	6,884,604	6,790,107
Later than 5 years	343,924	1,057,834
	<u>10,690,635</u>	<u>10,802,460</u>

14 CONTINGENCIES AND COMMITMENTS

	<i>30 September 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, 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>30 September 2017 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>
Available-for-sale investments (Unaudited)	<u>2,601,353</u>	<u>2,601,353</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>