

Emirates Refreshments (P.S.C.) and its subsidiaries

Condensed Consolidated Interim

Financial Statements (unaudited)

For the nine-month period ended September 30, 2019

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

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

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Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Emirates Refreshments (P.S.C.) (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the condensed consolidated interim statement of financial position as at September 30, 2019, and the related condensed consolidated interim statements of income, comprehensive income for the three and nine months period then ended and changes in equity and cash flows for the nine months period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Other matter

The financial statements for the three and nine months period ended September 30, 2018 and for the year ended December 31, 2018 were reviewed and audited by another auditor who expressed an unmodified conclusion and opinion on those statements on November 13, 2018 and March 27, 2019 respectively.

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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Grant Thornton

**Grant Thornton
Farouk Mohamed
Registration No.: 86
Dubai, November 6, 2019**



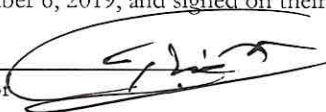
Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Consolidated statement of financial position
As at September 30, 2019

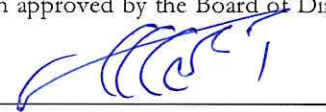
	Notes	September 30, 2019 AED (Unaudited)	December 31, 2018 AED (Audited) (Restated)	January 1, 2018 AED (Audited) (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	6	10,509,651	12,781,818	16,084,301
Investment properties	7	3,000,000	3,000,000	3,625,000
Right-of-use assets	8	7,329,931	-	-
Investment securities	9	1,669,019	1,863,946	2,741,974
Long-term prepayment		808,252	854,000	915,000
		<u>23,316,853</u>	<u>18,499,764</u>	<u>23,366,275</u>
Current assets				
Inventories	10	5,719,556	9,177,639	8,510,896
Trade and other receivables	11	10,499,834	11,905,408	10,952,166
Due from a related party	15.3	10,246	2,811	7,634
Cash and bank balances	12	15,662,718	15,727,549	16,202,284
		<u>31,892,354</u>	<u>36,813,407</u>	<u>35,672,980</u>
TOTAL ASSETS		<u>55,209,207</u>	<u>55,313,171</u>	<u>59,039,255</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		30,000,000	30,000,000	30,000,000
Statutory reserve		10,002,276	10,002,276	10,002,276
Obligatory reserve		1,500,000	1,500,000	1,500,000
Fair value reserve		1,042,185	1,237,112	2,115,140
(Accumulated losses)/ retained earnings		(14,236,719)	(6,194,065)	1,749,784
		<u>28,307,742</u>	<u>36,545,323</u>	<u>45,367,200</u>
Non-current liabilities				
Employees' end of service benefits		2,433,917	2,803,432	3,041,487
Lease liabilities	14	5,874,218	-	-
		<u>8,308,135</u>	<u>2,803,432</u>	<u>3,041,487</u>
Current liabilities				
Trade and other payables	13	9,049,244	10,794,878	10,630,568
Lease liabilities	14	2,147,672	-	-
Bank overdraft	12	7,396,414	5,169,538	-
		<u>18,593,330</u>	<u>15,964,416</u>	<u>10,630,568</u>
Total liabilities		<u>26,901,465</u>	<u>18,767,848</u>	<u>13,672,055</u>
TOTAL EQUITY AND LIABILITIES		<u>55,209,207</u>	<u>55,313,171</u>	<u>59,039,255</u>

The condensed consolidated interim financial statements have been approved by the Board of Directors on November 6, 2019, and signed on their behalf by:

Director



Director



The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Consolidated statement of income
For the nine-month period ended September 30, 2019

	Note	Nine-month period ended September 30,		Three-month period ended September 30,	
		2019 AED (Unaudited)	2018 AED (Unaudited) (Restated)	2019 AED (Unaudited)	2018 AED (Unaudited) (Restated)
Sales		30,465,428	37,986,131	9,972,239	12,955,296
Less: discount and marketing expense		(394,473)	(235,101)	(118,450)	(109,230)
Revenue		30,070,955	37,751,030	9,853,789	12,846,066
Cost of sales		(22,409,963)	(25,863,366)	(6,839,865)	(9,121,364)
GROSS PROFIT		7,660,992	11,887,664	3,013,924	3,724,702
Selling and distribution expenses		(10,698,968)	(11,081,569)	(3,752,066)	(3,820,714)
General and administrative expenses		(5,086,869)	(5,469,132)	(1,701,697)	(1,483,991)
OPERATING LOSS		(8,124,845)	(4,663,037)	(2,439,839)	(1,580,003)
Finance expense		(648,262)	(111,282)	(199,886)	(45,015)
Finance income		466,091	390,566	126,464	117,439
Other income		264,362	285,407	76,744	85,296
NET LOSS FOR THE PERIOD		(8,042,654)	(4,098,346)	(2,436,517)	(1,422,283)
Loss per share (in AED)	5	(0.268)	(0.137)	(0.081)	(0.047)

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Consolidated statement of other comprehensive income
For the nine-month period ended September 30, 2019

		<div> <div>Nine-month period</div> <div>ended September 30,</div> </div>		<div> <div>Three-month period</div> <div>ended September 30,</div> </div>	
	Note	2019	2018	2019	2018
		AED	AED	AED	AED
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
			(Restated)		(Restated)
Loss for the period		(8,042,654)	(4,098,346)	(2,436,517)	(1,422,283)
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Net change in fair value of investment securities measured at FVOCI, equity instruments	9	(194,927)	(524,813)	(18,004)	(26,979)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(8,237,581)	(4,623,159)	(2,454,521)	(1,449,262)

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Consolidated statement of changes in equity
For the nine-month period ended September 30, 2019

	Share capital AED (Unaudited)	Statutory reserve AED (Unaudited)	Obligatory reserve AED (Unaudited)	Fair value reserve AED (Unaudited)	(Accumulated losses)/ retained earnings AED (Unaudited)	Total AED (Unaudited)
Balance as of January 1, 2019	30,000,000	10,002,276	1,500,000	1,237,112	(7,181,720)	35,557,668
Restatement (note 19)	-	-	-	-	987,655	987,655
Restated balance as of January 1, 2019	30,000,000	10,002,276	1,500,000	1,237,112	(6,194,065)	36,545,323
<i>Loss for the period</i>	-	-	-	-	(8,042,654)	(8,042,654)
<i>Other comprehensive loss for the period</i>	-	-	-	(194,927)	-	(194,927)
Total comprehensive loss for the period	-	-	-	(194,927)	(8,042,654)	(8,237,581)
Balance as of September 30, 2019	30,000,000	10,002,276	1,500,000	1,042,185	(14,236,719)	28,307,742
Balance as of January 1, 2018	30,000,000	10,002,276	1,500,000	2,115,140	311,820	43,929,236
Restatement (note 19)	-	-	-	-	1,437,964	1,437,964
Restated balance as of January 1, 2018	30,000,000	10,002,276	1,500,000	2,115,140	1,749,784	45,367,200
<i>Loss for the period (as restated)</i>	-	-	-	-	(4,098,346)	(4,098,346)
<i>Other comprehensive loss for the period</i>	-	-	-	(524,813)	-	(524,813)
Total comprehensive loss for the period (as restated)	-	-	-	(524,813)	(4,098,346)	(4,623,159)
Balance as of September 30, 2018	30,000,000	10,002,276	1,500,000	1,590,327	(2,348,562)	40,744,041

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Consolidated statement of cash flows
For the nine-month period ended September 30, 2019

	Notes	Nine-month period ended September 30,	
		2019	2018
		AED	AED
		(Unaudited)	(Unaudited)
			(Restated)
OPERATING ACTIVITIES			
Loss for the period		(8,042,654)	(4,098,346)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	2,868,459	4,247,692
Depreciation of right-of-use assets	8	2,234,146	-
Amortisation of long-term prepayments		45,748	45,750
Provision for employees' end of service benefits		320,714	370,422
Finance expense		648,262	111,282
Finance income		(365,175)	(280,295)
Provision for doubtful debts		150,900	118,752
Provision for obsolete inventories		184,959	53,215
Dividend income from investment securities		(100,916)	(110,271)
		(2,055,557)	458,201
<i>Working capital changes:</i>			
Inventories		3,273,124	1,231,981
Trade and other receivables		1,221,862	(3,375,631)
Amount due from a related party		(7,435)	-
Trade and other payables		(1,515,859)	254,462
Cash used in operations		916,135	(1,430,987)
Employees' end of service benefits paid		(690,229)	(506,858)
Net cash generated from/ (used in) operating activities		225,906	(1,937,845)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(596,292)	(1,950,875)
Proceeds from sale of property, plant and equipment		-	1,930
Movement in fixed deposit from more than 3 months to 1 year		(154,495)	(3,644,528)
Dividend income received		100,916	110,271
Finance income received		365,175	280,295
Net cash used in investing activities		(284,696)	(5,202,907)
FINANCING ACTIVITIES			
Finance expense paid		(218,961)	(111,282)
Repayment of lease liabilities	14	(2,168,451)	-
Net cash used in financing activities		(2,387,412)	(111,282)
Net change in cash and cash equivalents		(2,446,202)	(7,252,034)
Cash and cash equivalents, beginning of the period		(4,616,989)	4,846,812
Cash and cash equivalents, end of the period	12	(7,063,191)	(2,405,222)

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Notes to the consolidated financial statements
For the nine-month period ended September 30, 2019

1 Legal status and nature of operations

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 July 1, 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.

The Company during the period formed two wholly owned subsidiaries; Jeema Refreshments LLC and Emirates Refreshments LLC in the UAE. These subsidiaries are engaged in the trading of mineral water, juice, soft drinks and carbonated drinks.

2 Basis of preparation

The condensed consolidated interim financial statements for the nine months period ended September 30, 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at December 31, 2018. In addition, results for the nine-months period ended September 30, 2019 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2019.

Basis of consolidation

The Group's condensed consolidated interim financial statements consolidate those of the Company and its Subsidiaries undertaking drawn up to September 30, 2019. Subsidiaries are all entities over which the Company has control. Control is presumed to exist when the Company:

- has power over the investee;
- is exposed, or has right, to variable return from its investment with the investee; and
- has the ability to use its power to affect the return.

The financial statements of the Subsidiaries are consolidated on a line-by-line basis from the date on which control is transferred to the Company and they are de-consolidated from the date that control ceases. The Subsidiaries have a reporting date of December 31.

All transactions and balances between Group companies are eliminated in full on consolidation, including unrealised gains and losses on transactions between them. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The condensed consolidated interim financial statements of the Group is presented in United Arab Emirates Dirhams (AED), which is the functional currency of the Group.

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Notes to the consolidated financial statements (continued)
For the nine-month period ended September 30, 2019

3 Standards, interpretations and amendments to existing standards

3.1 Standards, interpretations and amendments to existing standards that are effective in 2019

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019 and measurement of investment properties from cost model to fair value model. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the condensed consolidated interim financial statements of the Group.

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

The Group has adopted IFRS 16 using the prospective approach as of January 1, 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. All right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis except the Dibba land, which has been extended up to the useful life of the assets situated on the land.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

On adoption of IFRS 16 using the prospective approach as of January 1, 2019, as explained above, the Group recognised the following assets and liabilities:

	AED
	(Unaudited)
Leased assets based on future cashflows	11,092,882
Adjustment of prepayments	32,812
Right-of-use assets cost (note 8)	<u>11,125,694</u>
Leased liabilities based on future cashflows	(11,092,882)
Adjustment of accruals	(229,775)
Leased liabilities recognised (note 14)	<u>(11,322,657)</u>

There was no impact on the statement of equity of the Group as all right-of-use assets were measured at the amount of the lease liability based on further payments on the date of adoption (adjusted for prepaid or accrued lease expenses).

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Notes to the consolidated financial statements (continued)
For the nine-month period ended September 30, 2019

3 Standards, interpretations and amendments to existing standards (continued)

3.1 Standards, interpretations and amendments to existing standards that are effective in 2019 (continued)

Following is the impact on the condensed consolidated interim statement of income for the nine-month period ended September 30, 2019:

	AED (Unaudited)
Depreciation expense on right-of-use assets (under IFRS 16)	(2,234,146)
Finance costs (under IFRS 16)	(448,077)
Rental – operating lease (under IAS 17)	2,425,543
Net impact on profit for the period	<u>(256,680)</u>

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the respective lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of certain stores (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office vehicles that are considered of low value (i.e., below AED 18,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Notes to the consolidated financial statements (continued)
For the nine-month period ended September 30, 2019

3 Standards, interpretations and amendments to existing standards (continued)

3.1 Standards, interpretations and amendments to existing standards that are effective in 2019 (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three or more years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of land and building due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

Change in accounting policy

Fair valuation of investment properties

The Group re-assessed its accounting for investment properties after initial recognition. The Group had previously measured all investment properties using the cost model whereby, after initial recognition of the asset classified as investment property, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On September 30, 2019, the Group elected to change the method of accounting for investment properties as the Group believes that the fair value model provides more relevant information to the users of its financial statements as it is more realistic. In addition, available valuation techniques provide reliable estimates of the investment properties' fair value.

Set out below is the new accounting policy of the Group for investment properties:

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. Subsequent to initial recognition, investment properties are accounted for using the fair value model.

Investment properties are revalued annually and are included in the statement of financial position at their fair values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within 'change in fair value of investment property'.

Refer to note 19 for the impact on the financial statement as a result of the above change.

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Notes to the consolidated financial statements (continued)
For the nine-month period ended September 30, 2019

4 Operating segment information

The Group 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 condensed consolidated interim statement of financial position, condensed consolidated interim income statement and notes to the condensed consolidated interim financial information.

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

a) Information about geographical segments

During the period ended September 30, 2019 revenue from customers located in the Group's country of domicile (UAE) is AED 27.8 million (nine-month period ended September 30, 2018: AED 33.8 million) and revenue from customers outside the UAE (foreign customers) is AED 2.6 million (nine-month period ended September 30, 2018: AED 4.2 million).

b) Major customers

Revenue from one major customer amounts to AED 2.03 million (nine-month period ended September 30, 2018: AED 2.81 million) of the Group's total revenues. There were no customers of the Group with revenues greater than 10% of the total revenue of the Group (nine-month period ended September 30, 2018: AED Nil).

5 Loss per share

Basic loss per share is calculated by dividing the loss for the period attributable to the shareholders of the Group amounting to AED 8.04 million (period ended September 30, 2018: restated loss of AED 4.10 million) by the weighted average number of shares outstanding during the period of 30 million shares (period ended September 30, 2018: 30 million shares).

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

6 Property, plant and equipment

Additions

During the nine-month period ended September 30, 2019, the Group acquired assets amounting to AED 0.60 million (nine-month period ended September 30, 2018: AED 1.96 million).

Depreciation

The depreciation expense amounted to AED 2.87 million (nine-month period ended September 30, 2018: AED 4.25 million).

7 Investment properties

Investment properties comprises of warehouses on leasehold land situated in Fujairah and are re-valued independently each year.

Effective date of the revaluation was December 31, 2018. Revaluation was performed by valuer who is independent of the Group and possess relevant qualification and recent experience. The assumptions used by the independent valuer to arrive at the fair values are explained in detail in note 17.

Rental income from investment properties

The Group has earned rental income for the period of AED 0.19 million (nine-month period ended September 30, 2018: AED 0.2 million).

Emirates Refreshments (P.S.C.) and its subsidiaries
Condensed consolidated interim financial statements

Notes to the consolidated financial statements (continued)
For the nine-month period ended September 30, 2019

8 Right-of-use assets

	AED (Unaudited)
At January 1, 2019 (Note 3)	11,125,694
Add: additions during the period	45,955
Less: termination of lease contracts during the period	(1,607,572)
Less: depreciation for the period	(2,234,146)
At September 30, 2019	<u>7,329,931</u>

The Group has lease contracts for various items of land and motor vehicles. Before the adoption of IFRS 16, the Group classified each of its said leases (as lessee) at the inception date as operating leases. In an operating lease, the leased items were not capitalised and the lease payments were recognised as rent expense in the consolidated statement of income on a straight-line basis over the lease term.

9 Investment securities

	September 30, 2019 AED (Unaudited)	December 31, 2018 AED (Audited)
Opening balance	1,863,946	2,741,974
Change in market fair value through OCI	(194,927)	(878,028)
Closing balance	<u>1,669,019</u>	<u>1,863,946</u>

Investment securities are held in equity securities listed on G.C.C. stock exchanges and classified as FVOCI under IFRS 9.

10 Inventories

	September 30, 2019 AED (Unaudited)	December 31, 2018 AED (Audited)
Raw materials	2,024,565	4,523,052
Finished goods	2,075,446	2,746,230
Spare parts	3,800,073	3,971,844
Others	293,212	370,020
	<u>8,193,296</u>	<u>11,611,146</u>
Less: provision for slow moving inventories	(2,473,740)	(2,433,507)
	<u>5,719,556</u>	<u>9,177,639</u>

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11 Trade and other receivables

	September 30, 2019 AED (Unaudited)	December 31, 2018 AED (Audited)
Trade receivables	9,670,272	10,955,770
Less: allowance for impairment	(1,649,177)	(1,505,973)
	8,021,095	9,449,797
Prepayments	1,262,245	1,394,730
Advances to suppliers	184,409	19,908
Excise tax receivable	179,580	195,288
Other receivables	852,505	845,685
	<u>10,499,834</u>	<u>11,905,408</u>

12 Cash and cash equivalents

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

	September 30, 2019 AED (Unaudited)	December 31, 2018 AED (Audited)	September 30, 2018 AED (Unaudited)
Cash on hand	78,000	84,000	84,000
Other cash equivalents	52,837	44,204	41,072
Cash at bank- current accounts	202,386	424,345	279,487
Short-term deposits	15,329,495	15,175,000	15,000,000
Cash and bank balances	15,662,718	15,727,549	15,404,559
Bank overdrafts*	(7,396,414)	(5,169,538)	(2,809,781)
Less: Fixed deposit with original maturity of more than three months or hypothecated with bank	(15,329,495)	(15,175,000)	(15,000,000)
Cash and cash equivalents	<u>(7,063,191)</u>	<u>(4,616,989)</u>	<u>(2,405,222)</u>

*Bank overdraft carry interest at prevailing market interest rate and are secured against fixed deposit with banks amounting to AED 15.175 million at September 30, 2019 (September 30, 2018 and December 31, 2018: AED 6 million).

13 Trade and other payables

	September 30, 2019 AED (Unaudited)	December 31, 2018 AED (Audited)
Trade payables	6,162,633	8,273,066
Accrued expenses and other payables	2,643,083	2,326,544
VAT payable	243,528	195,268
	<u>9,049,244</u>	<u>10,794,878</u>

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14 Lease liabilities

	AED
	(Unaudited)
At January 1, 2019 (note 3)	11,322,657
Add: additions during the period	45,955
Add: finance cost	448,077
Less: termination of lease contracts during the period	(1,626,348)
Less: payments during the period	(2,168,451)
At September 30, 2019	<u>8,021,890</u>

Presented on condensed consolidated interim statement of financial position as follows:

	AED
	(Unaudited)
Current	2,147,672
Non-current	<u>5,874,218</u>
	<u>8,021,890</u>

15 Related parties

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

15.1 Related party transactions

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2019	2018	2019	2018
	AED	AED	AED	AED
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Entity under common control</i>				
Sales	27,824	26,542	10,245	26,542
<i>Key management personnel</i>				
Sitting fees	140,000	486,000	-	366,000

15.2 Compensation to key management personnel

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

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2019	2018	2019	2018
	AED	AED	AED	AED
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term benefits	372,368	418,914	93,092	139,638
Employees' end of service benefits	31,045	8,247	28,042	1,527

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15 Related parties (continued)

15.3 Amount due from a related party

	September 30, 2019	December 31, 2018
	AED	AED
	(Unaudited)	(Audited)
<i>Entity under common control</i>	10,246	2,811

16 Contingencies and commitments

	September 30, 2019	December 31, 2018
	AED	AED
	(Unaudited)	(Audited)
Letters of credit	-	2,686,903
Letters of guarantee	450,000	750,000
Capital commitments	83,657	195,101

17 Fair value measurement

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include investment securities, trade and other receivables, cash and bank balances and amount due from a related party. Financial liabilities of the Group 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 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 base on observable market data.

	September 30, 2019	Level 1	Level 2	Level 3
	AED	AED	AED	AED
Investment securities measured at FVTOCI				
(Unaudited)	1,669,019	1,669,019	-	-
	December 31, 2018	Level 1	Level 2	Level 3
	AED	AED	AED	AED
Investment securities measured at FVTOCI (Audited)	1,863,946	1,863,946	-	-

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17 Fair value measurement (continued)

Fair value measurement of non-financial assets and liabilities

Fair value of investment properties has been determined by an independent valuer (the 'Expert') using market valuation approach, based on the current property market condition in the UAE. The market has been assessed by the Expert and certain internal data has been provided by the management, therefore, the fair valuation falls under level 3. Following are some key valuation inputs and assumptions:

Approach	Fair value (AED)	Key inputs	Assumptions and data
Market valuation approach	3,000,000 (December 31, 2018: 3,000,000)	Source of data	Property brokers, internal research and web enquiries.

18 Subsequent events

The Group has subsequently stopped production at its Dibba plant due to lower demand in the market.

19 Reclassification and restatement

The table below summarizes the significant reclassifications and restatement for the line items affected in the statement of financial position and statement of income:

	As previously reported AED	Reclassification AED	Restatement AED	As reclassified/ restated AED
As at 1 January 2018				
Statement of financial position				
Property, plant and equipment	16,631,060	(546,759)	-	16,084,301
Investment properties	1,640,277	546,759	1,437,964	3,625,000
Retained earnings	311,820	-	1,437,964	1,749,784
<i>(Reclassification of warehouse intended to be rented from property, plant and equipment to investment properties. Restatement is on account of fair valuation of investment properties)</i>				
As at 31 December 2018				
Statement of financial position				
Property, plant and equipment	13,284,904	(503,086)	-	12,781,818
Investment properties	1,509,259	503,086	987,655	3,000,000
Retained earnings	(7,181,720)	-	987,655	(6,194,065)
<i>(Reclassification of warehouse intended to be rented from property, plant and equipment to investment properties. Restatement is on account of fair valuation of investment properties)</i>				

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19 Reclassification and restatement (continued)

	As previously reported AED	Reclassification AED	Restatement AED	As reclassified/ restated AED
Nine-month period ended September 30, 2018				
Statement of income				
Cost of sales	25,890,662	(27,296)	-	25,863,366
Selling and distribution expenses	11,187,040	(105,471)	-	11,081,569
General and administrative expenses	5,469,132	132,767	(132,767)	5,469,132
<i>(Restatement is on account of reversal of depreciation charge due to fair valuation of properties)</i>				

Three-month period ended September 30, 2018

Statement of income				
Cost of sales	9,113,380	7,984	-	9,121,364
Selling and distribution expenses	3,870,623	(49,909)	-	3,820,714
General and administrative expenses	1,483,991	41,924	(41,924)	1,483,991
<i>(Restatement is on account of reversal of depreciation charge due to fair valuation of properties)</i>				

Impact on loss per share

	As previously reported AED	As restated AED
Nine-month period ended September 30, 2018	(0.141)	(0.137)
Three-month period ended September 30, 2018	(0.049)	(0.047)