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

Condensed Consolidated Interim Financial Statements (unaudited)
For the three-month period ended March 31, 2020

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

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An instinct for growth™

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

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 March 31, 2020, and the related condensed consolidated interim statements of income, comprehensive income for the three months period then ended and changes in equity and cash flows for the three 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 condensed interim financial statements for the three month period ended March 31, 2019 were reviewed by another auditor who expressed an unmodified conclusion on those statements on May 13, 2019.

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
P.O. Box: 1620
DUBAI-U.A.E.
Public Accountants

GRANT THORNTON
Farouk Mohamed
Registration No.: 86
Dubai, June 17, 2020

Consolidated statement of financial position
As at March 31, 2020

	Notes	March 31, 2020 AED (Unaudited)	December 31, 2019 AED (Audited)
ASSETS			
Non-current			
Property, plant and equipment	5	**4,006,783**	4,040,372
Investment properties	6	**2,900,000**	2,900,000
Right-of-use assets	7	**5,896,467**	6,356,975
Investment securities	8	**559,037**	1,538,818
Long-term prepayment		**777,750**	793,000
		14,140,037	15,629,165
Current			
Inventories	9	**4,644,228**	5,262,335
Trade and other receivables	10	**9,484,715**	10,020,317
Cash and bank balances	11	**15,819,170**	15,640,960
Amount due from a related party	14.4	**4,445**	-
Non-current assets held for sale		**6,225,938**	6,225,938
		36,178,496	37,149,550
TOTAL ASSETS		**50,318,533**	52,778,715
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		**164,091**	911,984
Accumulated losses		**(16,356,558)**	(16,304,094)
		25,309,809	26,110,166
Non-current			
Employees' end of service benefits		**2,046,482**	2,075,602
Lease liabilities	13	**4,761,271**	5,120,303
		6,807,753	7,195,905
Current			
Trade and other payables	12	**8,032,739**	9,555,441
Amount due to a related party	14.3	**363,227**	412,797
Lease liabilities	13	**1,915,677**	2,380,771
Bank overdraft	11	**7,889,328**	7,123,635
		18,200,971	19,472,644
Total liabilities		**25,008,724**	26,668,549
TOTAL EQUITY AND LIABILITIES		**50,318,533**	52,778,715

The condensed consolidated interim financial statements have been approved by the Board of Directors on June 17, 2020, and signed on their behalf by:

Director　　　　　　　　　　Director

The attached notes 1 to 18 form part of these condensed consolidated interim financial statements.

Consolidated statement of income
For the three-month period ended March 31, 2020

	Note	Three-month period ended March 31, 2020 AED (Unaudited)	2019 AED (Unaudited) *(Restated)*
Sales		**8,098,690**	8,884,046
Less: Discount and marketing expense		**(68,136)**	(130,277)
Revenue		**8,030,554**	8,753,769
Cost of sales		**(4,540,421)**	(6,912,888)
GROSS PROFIT		**3,490,133**	1,840,881
Selling and distribution expenses		**(2,726,244)**	(3,471,730)
General and administrative expenses		**(1,432,439)**	(1,805,975)
OPERATING LOSS		**(668,550)**	(3,436,824)
Finance expense		**(178,884)**	(215,319)
Finance income		**102,642**	167,340
Other income		**64,715**	101,990
NET LOSS FOR THE PERIOD		**(680,077)**	(3,382,813)
Loss per share	4	**(0.023)**	(0.113)

Consolidated statement of other comprehensive income
For the three-month period ended March 31, 2020

	Note	Three-month period ended March 31, 2020 AED (Unaudited)	2019 AED (Unaudited) *(Restated)*
Loss for the period		**(680,077)**	(3,382,813)
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	8	**(120,280)**	46,496
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(800,357)**	(3,336,317)

Consolidated statement of changes in equity
For the three-month period ended March 31, 2020

	Share capital AED (Unaudited)	Statutory reserve AED (Unaudited)	Obligatory reserve AED (Unaudited)	Fair value reserve AED (Unaudited)	Accumulated losses AED (Unaudited)	Total AED (Unaudited)
Balance as of January 1, 2020	**30,000,000**	**10,002,276**	**1,500,000**	**911,984**	**(16,304,094)**	**26,110,166**
Loss for the period	-	-	-	-	(680,077)	(680,077)
Other comprehensive income for the period	-	-	-	(120,280)	-	(120,280)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	-	(627,613)	627,613	-
Total comprehensive loss for the period	**-**	**-**	**-**	**(747,893)**	**(52,464)**	**(800,357)**
Balance as of March 31, 2020	**30,000,000**	**10,002,276**	**1,500,000**	**164,091**	**(16,356,558)**	**25,309,809**
Balance as of January 1, 2019	30,000,000	10,002,276	1,500,000	1,237,112	(6,194,065)	36,545,323
Loss for the period (restated)	-	-	-	-	(3,382,813)	(3,382,813)
Other comprehensive income for the period	-	-	-	46,496	-	46,496
Total comprehensive loss for the period (restated)	-	-	-	46,496	(3,382,813)	(3,336,317)
Balance as of March 31, 2019 (restated)	**30,000,000**	**10,002,276**	**1,500,000**	**1,283,608**	**(9,576,878)**	**33,209,006**

The attached notes 1 to 18 form part of these condensed consolidated interim financial statements.

Consolidated statement of cash flows
For the three-month period ended March 31, 2020

	Notes	Three-month period ended March 31, 2020 AED (Unaudited)	2019 AED (Unaudited) *(Restated)*
OPERATING ACTIVITIES			
Loss for the period		**(680,077)**	(3,382,813)
Adjustments for:			
Depreciation on property, plant and equipment	5	**423,757**	1,106,704
Depreciation on right-of-use assets	7	**460,508**	782,688
Amortisation of long-term prepayments		**15,250**	15,250
Provision for employees' end of service benefits		**90,339**	104,765
Finance expense		**178,884**	215,319
Finance income		**(102,642)**	(113,621)
Dividend income from investment securities		**-**	(53,719)
Provision for doubtful debts		**84,475**	59,965
Provision for obsolete inventories		**36,799**	67,818
Reversal of excess provision for obsolete inventories		**(278,815)**	-
Gain on sale of investments	8	**(3,580)**	-
		224,898	(1,197,644)
Working capital changes:			
Inventories		**860,123**	(609,045)
Trade and other receivables		**451,127**	1,171,991
Amount due from a related party		**(4,445)**	-
Amount due to a related party		**(49,570)**	(7,181)
Trade and other payables		**(1,522,702)**	(1,768,674)
Cash used in operations		**(40,569)**	(2,410,553)
Employees' end of service benefits paid		**(119,459)**	(273,523)
Net cash used in operating activities		**(160,028)**	(2,684,076)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(390,168)**	(22,870)
Sale of investments	8	**863,081**	-
Movement in fixed deposit from more than 3 months to 1 year		**-**	(154,495)
Dividend income received		**-**	53,719
Finance income received		**102,642**	113,621
Net cash generated from/ (used in) investing activities		**575,555**	(10,025)
FINANCING ACTIVITIES			
Finance expense paid		**(76,792)**	(58,935)
Repayment of lease liabilities	13	**(926,218)**	(599,011)
Net cash used in financing activities		**(1,003,010)**	(657,946)
Net change in cash and cash equivalents		**(587,483)**	(3,352,047)
Cash and cash equivalents, beginning of the period		**(6,812,170)**	(4,616,989)
Cash and cash equivalents, end of the period	11	**(7,399,653)**	(7,969,036)

The attached notes 1 to 18 form part of these condensed consolidated interim financial statements.

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.

The Group has not yet held the Annual general meeting for the year ending December 31, 2019 due to the outbreak of a global pandemic (Novel Coronavirus disease).

2 Basis of preparation

The condensed consolidated interim financial statements for the three months period ended March 31, 2020 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, 2019. In addition, results for the three-months period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

Basis of consolidation

The Group's condensed consolidated interim financial statements consolidate those of the Company and its Subsidiaries undertaking drawn up to March 31, 2020. 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.

3 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 March 31, 2020 revenue from customers located in the Group's country of domicile (UAE) is AED 7.76 million (three-month period ended March 31, 2019: AED 8.04 million) and revenue from customers outside the UAE (foreign customers) is AED 0.34 million (three-month period ended March 31, 2019: AED 0.84 million).

b) Major customers

Revenue from one major customer amounts to AED 0.83 million (three-month period ended March 31, 2019: AED 0.6 million) of the Group's total revenues. There is one customer of the Group with revenue greater than 10% of the total revenue of the Group amounting to AED 0.82 million (three-month period ended March 31, 2019: AED Nil).

4 Loss per share

Basic loss per share is calculated by dividing the loss for the period attributable to the shareholders of the Parent Company amounting to AED 0.68 million (period ended March 31, 2019: AED 3.39 million) by the weighted average number of shares outstanding as at the reporting date of 30 million shares (period ended March 31, 2019: 30 million shares).

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

5 Property, plant and equipment

Additions
During the three-month period ended March 31, 2020, the Group acquired assets amounting to AED 0.39 million (three-month period ended March 31, 2019: AED 0.023 million).

Depreciation
The depreciation expense amounted to AED 0.42 million (three-month period ended March 31, 2019: AED 1.11 million).

6 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, 2019. 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 16.

7 Right-of-use assets

	March 31, 2020 AED (Unaudited)	December 31, 2019 AED (Audited)
Opening balance	**6,356,975**	11,125,694
Add: additions during the period/ year	**-**	45,955
Less: depreciation for the period/ year	**(460,508)**	(2,717,533)
Less: termination of lease contracts during the period/ year	**-**	(2,097,141)
	5,896,467	6,356,975

The Group has lease contracts for various items of land and motor vehicles.

8 Investment securities

	March 31, 2020 AED (Unaudited)	December 31, 2019 AED (Audited)
Opening balance	**1,538,818**	1,863,946
Change in fair value	**(120,280)**	(325,128)
Disposal of investment	**(859,501)**	-
	559,037	1,538,818

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

9 Inventories

	March 31, 2020 AED (Unaudited)	December 31, 2019 AED (Audited)
Raw materials	**1,951,861**	2,643,870
Finished goods	**1,077,423**	1,133,294
Spare parts	**3,635,572**	3,782,267
Others	**256,285**	258,911
	6,921,141	7,818,342
Less: provision for slow moving inventories	**(2,276,913)**	(2,556,007)
	4,644,228	5,262,335

10 Trade and other receivables

	March 31, 2020	December 31, 2019
	AED	AED
	(Unaudited)	(Audited)
Trade receivables	**9,083,672**	9,738,280
Less: Allowance for expected credit losses	**(1,873,874)**	(1,789,399)
Trade receivables, net	**7,209,798**	7,948,881
Other receivables	**547,244**	671,979
Prepayments	**1,664,086**	1,321,467
Advances to suppliers	**63,587**	77,990
	9,484,715	10,020,317

11 Cash and bank balances

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

	March 31, 2020	March 31, 2019	December 31, 2019
	AED	AED	AED
	(Unaudited)	(Unaudited)	(Audited)
Cash on hand	**81,000**	84,000	71,000
Other cash equivalents	**57,253**	45,441	54,086
Cash at bank- current accounts	**351,422**	211,422	186,379
Short-term deposits	**15,329,495**	15,329,495	15,329,495
Cash and bank balances	**15,819,170**	15,670,358	15,640,960
Bank overdrafts*	**(7,889,328)**	(8,309,899)	(7,123,635)
Less: Fixed deposits with original maturity of more than three months or hypothecated with bank	**(15,329,495)**	(15,329,495)	(15,329,495)
Cash and cash equivalents	**(7,399,653)**	(7,969,036)	(6,812,170)

*Bank overdraft carry interest at prevailing market interest rate and are secured against fixed deposit with banks amounting to AED 15.175 million at March 31, 2020 (December 31, 2019: AED 15.175 million).

12 Trade and other payables

	March 31, 2020	December 31, 2019
	AED	AED
	(Unaudited)	(Audited)
Trade payables	**5,578,904**	6,812,935
Accrued expenses and other payables	**2,158,489**	2,305,368
Advances from customers	**131,231**	164,391
VAT payable	**164,115**	272,747
	8,032,739	9,555,441

13 Lease liabilities

	March 31, 2020 AED (Unaudited)	December 31, 2019 AED (Audited)
Opening balance	**7,501,074**	11,322,657
Add: additions during the period/year	**-**	45,955
Add: finance cost	**102,092**	556,728
Less: termination of lease contracts during the period/ year	**-**	(2,123,891)
Less: payments during the period/ year	**(926,218)**	(2,300,375)
	6,676,948	7,501,074

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

	March 31, 2020	December 31, 2019
Current	**1,915,677**	2,380,771
Non-current	**4,761,271**	5,120,303
	6,676,948	7,501,074

14 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.

14.1 Related party transactions

	Three-month period ended March 31,	
	2020 AED (Unaudited)	2019 AED (Unaudited)
Entity under common control		
Sales to a related party	**12,450**	9,661
Purchases of goods and services from a related party	**(247,919)**	(121,640)
Payment of expenses by a related party	**(186)**	-
Payment of expenses on behalf of a related party	**10,050**	-
Key management personnel		
Sitting fees	**-**	(150,000)

14 Related parties (continued)

14.2 Compensation to key management personnel

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

	Three-month period ended March 31,	
	2020	2019
	AED	AED
	(Unaudited)	(Unaudited)
Short-term benefits	**-**	139,638
Employees' end of service benefits	**-**	1,493

14.3 Amount due to a related party

	March 31, 2020	December 31, 2019
	AED	AED
	(Unaudited)	(Audited)
Entity under common control	**363,227**	412,797

14.4 Amount due from a related party

	March 31, 2020	December 31, 2019
	AED	AED
	(Unaudited)	(Audited)
Entity under common control	**4,445**	-

15 Contingencies and commitments

	March 31, 2020	December 31, 2019
	AED	AED
	(Unaudited)	(Audited)
Letters of credit	**745,844**	1,703,321
Letters of guarantee	**55,000**	55,000
Capital commitments	**83,000**	391,664

16 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.

16 Fair value measurement (continued)

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.

	March 31, 2020 AED	Level 1 AED	Level 2 AED	Level 3 AED
Investment securities measured at FVOCI (Unaudited)	**559,037**	**559,037**	**-**	**-**

	December 31, 2019 AED	Level 1 AED	Level 2 AED	Level 3 AED
Investment securities measured at FVOCI (Audited)	1,538,818	1,538,818	-	-

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	**2,900,000 (December 31, 2019: 2,900,000)**	Source of data	Property brokers, internal research and web enquiries.

17 Events affecting the operations

There was an outbreak of a global pandemic (Novel Coronavirus disease), causing significant financial and economic impact on major economies across the globe and affecting multiple industries. As at the date of approval of the financial statements, management is in the process of assessing the impact of the said event on its subsequent period's financial results.

18 Reclassification and restatement

	As previously reported AED	Reclassification AED	Restatement AED	As reclassified/ restated AED
As at December 31, 2019				
Trade and other payables	9,910,250	(354,809)	-	9,555,441
Lease liabilities- current portion	2,025,962	354,809	-	2,380,771
Three-month period ended March 31, 2019				
Accumulated losses	(9,618,802)	-	41,924	(9,576,878)
General and administrative expenses	1,847,899	-	(41,924)	1,805,975

(Restatement is on account of reversal of depreciation charge due to fair valuation of properties)

Impact on loss per share

	As previously reported AED	As restated AED
Three-month period ended March 31, 2019	(0.114)	(0.113)