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

Consolidated Financial Statements
For the year ended December 31, 2019

Emirates Refreshments (P.S.C) and its subsidiaries
Consolidated Financial Statements

Table of contents

الإمـــارات للمرطبـــات
Emirates Refreshments

Dear Shareholders,

It gives me great pleasure to welcome you to Emirates Refreshments Company's Annual General Meeting.

I will start by saying that 2019 has been a year of transformation of the company.

We have accomplished a set of serious restructuring steps, that will lead to transforming most of ERC's financial and operational dimensions.

At the start of 2019 our company was facing an uncomfortable financial position, business uncertainty, and severe challenges threatening our future performance. The main priority was to oppose and reverse the trend.

With that goal in mind, in July 2019 we redefined our Strategic Plan for 2019-2020. Which included: **cost reduction in distribution, trade channel restructuring; and hence improved productivity. We started new product lines with the goal of diversification and, finally, a cultural change.**

We continue to make progress in reducing production costs and overheads by concentrating suppliers and enhancing purchasing processes and cash management.

We are confident that the foundations of a properly reformed and efficient organization are laid. Moreover, we shall be in a strong position to grasp any prevailing opportunities that will add profitable growth.

Finally, these initiatives can be undertaken successfully only if there is also a cultural change. The company – including ourselves, the management, and all our people – have embraced a culture of innovation and creativity to improve the status quo.

<u>Acknowledgement</u>

Finally, ERC's Directors would like to express their grateful appreciation for the assistance and co-operation received from the Government Authorities, Shareholders and employees during the year 2019. As a chairman of the Board, I would also express my gratitude for your ongoing trust and support, and on behalf of ERC, I thank you for accompanying us on the exiting journey ahead. We will continuously seek and strive to act better, and do what is best for the company.

Yours Faithfully,

Mohammed Abdulaziz Al Owais
Chairman

29-03-2020

ص.ب. ٥٥٦٧، دبي، إ.ع.م • هاتف: ٣٣٣٥٥٦٦ (٩٧١٤+) • فاكس: ٣٣٣٥٥٥٨ (٩٧١٤+)
البريد الإلكتروني: info@erc.ae • الموقع الإلكتروني: www.erc.ae

P.O. Box 5567, Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae

Grant Thornton

An instinct for growth™

Grant Thornton
United Arab Emirates
Rolex Tower
Level 23
Sheikh Zayed Road
P.O. Box 1620
Dubai

T +971 4 388 9925
F +971 4 388 9915

Independent Auditor's Report
To the shareholders of Emirates Refreshments (P.S.C) and its subsidiaries

Report on audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Emirates Refreshments P.S.C. (the "Parent Company") and its subsidiaries (together the "Group"), which comprise the statement of financial position as at December 31, 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical and independence requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified conclusion and opinion on those statements on March 27, 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.
We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue is a material and an important determinant of the Group's performance and profitability. This gives rise to a risk of fraud in revenue recognition as there is an incentive to overstate revenue in order to increase profitability. The Group generates revenue from sale of goods when the control is transferred to customers (refer note 4.13 to the consolidated financial statements for the revenue recognition policy). Given the magnitude of the amount and inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.	To address the above risk, we performed the following procedures: • Tested the design effectiveness of controls in respect of the Group's revenue and accounts receivable processes; • Tested samples of sales invoices during the year; • Performed analytical procedures, including gross profit margin analysis, and obtained explanations for significant variances as compared to previous year; • Performed sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period; • Inquired of management at different levels and departments of their knowledge of fraud risk and actual fraud instances, if any; and • Performed journal entries testing for accounts related to identified risks of material misstatement and verified them with supporting documents.
Existence, collectability of trade receivable balance and adequacy of allowance for expected credit losses	
As at December 31, 2019, the Group had trade receivables of AED 9,738,280 before allowance for expected credit losses of AED 1,789,399 (refer note 11 to the consolidated financial statements), which is significant to the Group as it represents approximately 15% of its total assets. The determination as to whether a trade receivable is collectable involves significant management judgment. Specific factors that management considers include the age of the balance, location of customer, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparty. Management uses this information to determine whether an allowance for expected credit losses is required either for a specific transaction or for a customer's balance overall. We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved.	To address the above risk, we performed the following procedures: • Performed walkthroughs over the sales and trade receivables processes to determine whether controls are designed effectively; • Requested direct confirmations from customers for a sample of the outstanding balances, performed alternative procedures for non-replies, including testing of the supporting documents and subsequent cash collections; • We also obtained corroborative evidence of any disputes between the parties involved, attempts by management to recover the amounts outstanding; • In assessing the appropriateness of the overall provision for expected credit loss we considered the management's application of policy for recognizing provisions; • Further in addition to the above process, a forward-looking expected loss impairment model as prescribed in IFRS 9 "Financial Instruments" was also applied by the Group. This involves judgment as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions; and • Considered the completeness and accuracy of the disclosures.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment (PPE) and non-current assets held for sale	
As at December 31, 2019, the Group had PPE and non-current assets held for sale amounting to AED 10,266,310 which accounts for 19% of its total assets. Management's assessment of the valuation of property, plant and equipment and non-current assets held for sale and usability is significant to our audit because this process is complex and requires significant management judgment. Accordingly, it has been determined as a key audit matter. Please also refer to note 4 of the consolidated financial statements for disclosure of the related accounting policies including disclosure of the related critical estimates, assumptions and judgements. Refer note 5 and 14 for disclosures on PPE and non-current assets held for sale respectively.	To address the above risk, we performed the following procedures: • We reviewed the Group's PPE and non-current assets held for sale to determine where impairment indicators exist. Based on existing market conditions, impairment indicators were identified mainly for the plant and machinery category of the Group's bottling facilities; • Assessed the methodologies used by the external valuer to estimate the current market value of the facility; • Evaluated the independent external valuer's competence, capabilities and objectivity; and • Verified the accuracy and relevance of the data and assumptions used by the valuer;
Inventories	
As at December 31, 2019, the gross inventory balance amounts to AED 7,818,342 before the provision for slow moving inventories of AED 2,556,007 (refer note 10 to the consolidated financial statements), which were significant to the Group as it represents approximately 10% of the total assets of the Group. Due to the significance of the inventory balance and related estimation involved, this is considered as a key audit matter.	To address the above risk, we performed the following procedures: • Attended and observed physical inventory count performed by the store and finance department at year end. • Assessed the process, methods and assumptions used to develop the provision for slow moving, excess or obsolete items. • Tested the reliability of the underlying data used by management to calculate the inventory obsolescence provisions. • Performed net realisable value test to ensure that inventories are measured at the lower of cost and net realisable value.

Other information

Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Group's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2019 Annual Report after the date of our auditors' report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Parent Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Grant Thornton
An instinct for growth™

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) the Group has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Parent Company's Articles of Association and the UAE Federal Law No. (2) of 2015;

iv) the financial information included in the Chairman's report is consistent with the books of account of the Group;

v) investments in shares and stocks during the year ended December 31, 2019 are disclosed in note 8 to the consolidated financial statements;

vi) note 12 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Parent Company has contravened during the financial year ended December 31, 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position; and

viii) note 25 reflects the social contributions made during the year.

Grant Thornton

GRANT THORNTON
Farouk Mohamed
Registration No. 86

Dubai, 29 MAR 2020

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

Consolidated statement of financial position
As at December 31, 2019

	Note	2019 AED	2018 AED (As restated)	January 1, 2018 AED (As restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	**4,040,372**	12,781,818	16,084,301
Investment properties	6	**2,900,000**	3,000,000	3,625,000
Right-of-use assets	7	**6,356,975**	-	-
Investment securities	8	**1,538,818**	1,863,946	2,741,974
Long-term prepayment	9	**793,000**	854,000	915,000
		15,629,165	18,499,764	23,366,275
Current assets				
Inventories	10	**5,262,335**	9,177,639	8,510,896
Trade and other receivables	11	**10,020,317**	11,905,408	10,952,166
Due from a related party	12	**-**	2,811	7,634
Cash and bank balances	13	**15,640,960**	15,727,549	16,202,284
Non-current assets held for sale	14	**6,225,938**	-	-
		37,149,550	36,813,407	35,672,980
TOTAL ASSETS		**52,778,715**	55,313,171	59,039,255
EQUITY AND LIABILITIES				
Equity				
Share capital	15	**30,000,000**	30,000,000	30,000,000
Statutory reserve	16	**10,002,276**	10,002,276	10,002,276
Obligatory reserve	17	**1,500,000**	1,500,000	1,500,000
Fair value reserve		**911,984**	1,237,112	2,115,140
Accumulated losses		**(16,304,094)**	(6,194,065)	1,749,784
		26,110,166	36,545,323	45,367,200
Non-current liabilities				
Employees' end of service benefits	18	**2,075,602**	2,803,432	3,041,487
Lease liabilities	19	**5,120,303**	-	-
		7,195,905	2,803,432	3,041,487
Current liabilities				
Trade and other payables	20	**9,910,250**	10,794,878	10,630,568
Due to a related party	12	**412,797**	-	-
Lease liabilities	19	**2,025,962**	-	-
Bank overdraft	13	**7,123,635**	5,169,538	-
		19,472,644	15,964,416	10,630,568
Total liabilities		**26,668,549**	18,767,848	13,672,055
TOTAL EQUITY AND LIABILITIES		**52,778,715**	55,313,171	59,039,255

The consolidated financial statements have been approved by the Board of Directors on March 29, 2020, and signed on its behalf by:

Director

Director

29-03-2020

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of income
For the year ended December 31, 2019

	Note	2019 AED	2018 AED (As restated)
Sales		**40,114,521**	48,795,954
Less: Discount and marketing expenses		**(514,387)**	(441,077)
Revenue		**39,600,134**	48,354,877
Cost of sales		**(28,593,172)**	(33,797,049)
GROSS PROFIT		**11,006,962**	14,557,828
Selling and distribution expenses		**(14,431,883)**	(14,982,188)
Administrative and general expenses		**(6,688,897)**	(7,632,746)
Loss for the year		**(10,113,818)**	(8,057,106)
Finance expense	22	**(821,832)**	(166,155)
Loss on fair value of investment properties	6	**(100,000)**	(625,000)
Finance income		**589,478**	494,921
Other income		**336,143**	409,491
NET LOSS FOR THE YEAR		**(10,110,029)**	(7,943,849)
Loss per share (in AED)	21	**(0.337)**	(0.265)

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statement.

Consolidated statement of comprehensive income
For the year ended December 31, 2019

	Note	2019 AED	2018 AED (As restated)
NET LOSS FOR THE YEAR		**(10,110,029)**	(7,943,849)
Other comprehensive income:			
Other comprehensive income not to be reclassified to statement of income in subsequent years			
Net change in fair value of investment securities measured at FVOCI, equity instruments	8	**(325,128)**	(878,028)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(10,435,157)**	(8,821,877)

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements

Consolidated statement of changes in equity
For the year ended December 31, 2019

	Share capital AED	Legal reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
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
Loss for the year	-	-	-	-	(10,110,029)	(10,110,029)
Other comprehensive loss for the year	-	-	-	(325,128)	-	(325,128)
Total comprehensive loss for the year	-	-	-	(325,128)	(10,110,029)	(10,435,157)
Balance at December 31, 2019	**30,000,000**	**10,002,276**	**1,500,000**	**911,984**	**(16,304,094)**	**26,110,166**
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 31)	-	-	-	-	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
Loss for the year (as restated)	-	-	-	-	(7,943,849)	(7,943,849)
Other comprehensive loss for the year	-	-	-	(878,028)	-	(878,028)
Total comprehensive loss for the year (as restated)	-	-	-	(878,028)	(7,943,849)	(8,821,877)
Balance at December 31, 2018	30,000,000	10,002,276	1,500,000	1,237,112	(6,194,065)	36,545,323

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements

Consolidated statement of cash flows
For the year ended December 31, 2019

	Notes	2019 AED	2018 AED (As restated)
OPERATING ACTIVITIES			
Loss for the year		**(10,110,029)**	(7,943,849)
Adjustments for:			
Depreciation of property, plant and equipment	5	**3,441,692**	5,584,696
Depreciation of right-of-use assets	7	**2,717,533**	-
Gain on disposal of property, plant and equipment		**-**	(4,026)
Amortisation of long-term prepayments	9	**61,000**	61,000
Provision for employees' end of service benefits	18	**400,768**	469,844
Loss on fair value of investment property	6	**100,000**	625,000
Finance expense	22	**821,832**	166,155
Finance income		**(488,562)**	(384,651)
Allowance for expected credit losses	11	**291,121**	350,295
Provision for obsolete inventories	10	**308,691**	20,621
Dividend income from investment securities	8	**(100,916)**	(110,271)
		(2,556,870)	(1,165,186)
Working capital changes:			
Inventories		**3,606,613**	(687,364)
Trade and other receivables		**1,561,158**	(1,143,425)
Amount due from a related party		**2,811**	4,823
Amount due to a related party		**412,797**	-
Trade and other payables		**(654,853)**	164,310
Cash generated/ (used in) operations		**2,371,656**	(2,826,842)
Employees' end of service benefits paid	18	**(1,128,598)**	(707,899)
Net cash generated from/ (used in) operating activities		**1,243,058**	(3,534,741)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(926,184)**	(2,284,692)
Proceeds from sale of property, plant and equipment		**-**	6,505
Movement in fixed deposit from more than 3 months to 1 year		**(154,495)**	(3,819,528)
Dividend income received	8	**100,916**	110,271
Finance income received		**488,562**	224,539
Net cash used in investing activities		**(491,201)**	(5,762,905)
FINANCING ACTIVITIES			
Finance expense paid		**(291,854)**	(166,155)
Repayment of lease liabilities	19	**(2,655,184)**	-
Net cash used in financing activities		**(2,947,038)**	(166,155)
Net change in cash and cash equivalents		**(2,195,181)**	(9,463,801)
Cash and cash equivalents, beginning of the year		**(4,616,989)**	4,846,812
Cash and cash equivalents, end of the year	13	**(6,812,170)**	(4,616,989)

1 Legal status and nature of operations

Emirates Refreshments (P.S.C.) ("the Parent Company") is a Public Shareholding Company, incorporated in Dubai, United Arab Emirates under a decree issued by His Highness the Ruler of Dubai. The Group 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 Group are bottling and selling mineral water, carbonated soft drinks and evaporated milk as well as manufacturing plastic bottles and containers. The Group has two plants located in Dibba and Hatta, UAE. The Group markets, distributes and sells its products across the UAE, other Middle East countries and Africa.

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

The Group during the year 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

These consolidated financial statements have been issued on a going concern basis even though as at the reporting date, the Group's accumulated losses exceed 50% of the share capital. These indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. However, management has adopted a going concern basis of preparation on the understanding that the current asset ratio is positive and hence will be able to meet all its liabilities as and when they fall due.

Furthermore, as the accumulated losses as of December 31, 2019 exceed half of the Group's share capital, in order to comply with Article 302 of the Federal Law No. (2) of 2015, the Group's Board of Directors propose to pass a special resolution for the continuation of the Group in the forthcoming Annual General meeting which will be within 30 days from the issuance of these financial statements.

Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (IASB).

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 consolidated 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 consolidated financial statements of the Group.

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

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

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 statement of income 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
Leased assets based on future cashflows	**11,092,882**
Adjustment of prepayments	**32,812**
Right-of-use assets cost (note 7)	**11,125,694**
Leased liabilities based on future cashflows	**(11,092,882)**
Adjustment of accruals	**(229,775)**
Leased liabilities recognised (note 19)	**(11,322,657)**

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).

Following is the impact on the consolidated statement of income for the year ended December 31, 2019:

	AED
Depreciation expense on right-of-use assets (under IFRS 16) (note 7)	**(2,717,533)**
Finance costs (under IFRS 16)	**(556,728)**
Rental – operating lease (under IAS 17)	**2,957,365**
Net impact on profit for the year	**(316,896)**

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

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

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.

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.

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 (continued)

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.

During the year, 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 the statement of income within 'change in fair value of investment property'.

Refer to note 31 for the impact on the consolidated financial statement as a result of the above change.

4 Summary of significant accounting policies

4.1 Overall considerations

These consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

4.2 Basis of consolidation

The Group's consolidated financial statements consolidate those of the Company and its Subsidiaries undertaking drawn up to December 31, 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 consolidated financial statements of the Group is presented in United Arab Emirates Dirhams (AED), which is the functional currency of the Group.

4.3 Foreign currency translation

Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Group's functional currency.

4.4 Property, plant and equipment and depreciation

Property and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write-down the cost less estimated residual value of property and equipment other than freehold land. The following estimated useful lives are applied:

• Building and improvements	3-20 years
• Plant, machinery and equipment	2-10 years
• Furniture and fixtures	2-5 years
• Transport vehicles	2-5 years

4 Summary of significant accounting policies

4.4 Property, plant and equipment and depreciation (continued)

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of income within 'other income'.

4.5 Investment property

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 28.

4.6 Long-term prepayment – Intangible assets

Long-term prepayment is measured initially at cost, including transaction costs. Subsequent to initial recognition, long-term prepayment is stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is charged on a straight-line basis over the estimated useful lives of 25 years.

The useful lives and amortisation method are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefits from these assets.

4.7 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

Raw materials
The cost of raw materials includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Valuation of the raw material is determined on a weighted average cost basis.

Finished goods
The cost of finished goods is arrived at on a weighted average cost basis and includes cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity.

Spares and consumables
Cost is determined on a weighted average cost basis and comprises the purchase cost of such materials.

When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

4 Summary of significant accounting policies (continued)

4.8 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs, except for those carried at fair value through other comprehensive income (OCI) which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured subsequently as described below.

Classification and subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified as following;

- Financial assets at amortised cost
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

(a) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of income. Dividends are recognised as other income in the statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(b) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of income when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, due from a related party and cash and bank balances.

All income and expenses relating to financial assets measured at amortised cost are recognised in the statement of income and presented within 'finance costs - net' or 'other income – net', except for impairment of trade receivables which is presented within 'administrative and general expenses'.

4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECL). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 360 days past due unless external or internal information indicates that the Group can recover the amount. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Classification and subsequent measurement of financial liabilities

Financial liabilities comprise trade and other payables, amount due to a related party, bank overdraft and lease liabilities.

Financial liabilities are measured subsequently at amortised cost using the effective interest method. Discounting is omitted if the impact is immaterial.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense when the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur.

Employees' end of service benefit

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

4 Summary of significant accounting policies (continued)

4.10 Provisions

Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

4.11 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency ("AED") at exchange rates at the dates of the transactions.

4.12 Finance income and finance cost

Finance income comprises interest income on fixed deposits with banks. Interest income is recognised as it accrues in the statement of income, using the effective interest method.

Finance expenses comprise interest expense on bank borrowings and bank charges and commission.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in statement of income using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4.13 Revenue from contracts with customers

The Group has agreements with various customers for bottling and selling mineral water and trading of evaporated milk.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

4.14 Operating expenses

Operating expenses are recognised in statement of income upon utilisation of the service or at the date of their origin.

4.15 Significant accounting estimates and judgement

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management estimates and judgments in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

4 Summary of significant accounting policies (continued)

4.15 Significant accounting estimates and judgement (continued)

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Group. The carrying amounts are analysed in note 5. Actual results, however, may vary due to technical obsolescence.

Fair value of investment properties

Investment properties ("the Properties") are fair valued independently every year. Fair valuation is carried out by an independent valuation expert ("the Expert") after taking into account relevant factors affecting valuation of the Properties as explained in relevant notes. The Expert uses best available data from the market; however, the assumptions used are always subjective. The Expert uses market valuation approach to determine fair value of the Properties. While fair valuing the Properties using market valuation approach, the Expert considers latest transactions in the market through brokers or online databases.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in notes 11 and 27.2.

Inventories

Inventories are measured at the lower of cost or net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognised in the statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is any future recoverability of an item and the net realizable value for such item.

5 Property, plant and equipment

2019	Building and improvements AED	Plant, machinery and equipment AED	Furniture and fixtures AED	Transport vehicles AED	Capital work in progress AED	Total AED
Gross carrying amount						
Balance at January 1, 2018	17,906,095	57,027,183	5,413,561	187,290	60,322	80,594,451
Additions	99,599	484,224	9,400	-	332,961	926,184
Transfer to non-current assets held for sale (note 14)	(9,464,347)	(19,416,745)	(3,946,989)	-	-	(32,828,081)
Transfers from capital work in progress	-	43,624	-	-	(43,624)	-
As on December 31, 2019	**8,541,347**	**38,138,286**	**1,475,972**	**187,290**	**349,659**	**48,692,554**
Accumulated depreciation						
Balance at January 1, 2018	11,719,786	50,584,581	5,321,276	186,990	-	67,812,633
Charge for the year	559,957	2,835,934	45,601	200	-	3,441,692
Transfer to non-current assets held for sale (note 14)	(4,813,971)	(17,841,183)	(3,946,989)	-	-	(26,602,143)
As on December 31, 2019	**7,465,772**	**35,579,332**	**1,386,931**	**187,190**	**-**	**44,652,182**
Net carrying amount at December 31, 2019	**1,075,575**	**2,558,954**	**56,084**	**100**	**349,659**	**4,040,372**

2018	Building and improvements AED	Plant, machinery and equipment AED	Furniture and fixtures AED	Transport vehicles AED	Capital work in progress AED	Total AED
Gross carrying amount						
Balance at January 1, 2018	18,173,138	55,373,923	5,441,717	187,290	69,175	79,245,243
Additions	445,582	1,741,982	36,806	-	60,322	2,284,692
Transfers	8,290	60,885	-	-	(69,175)	-
Disposals	(720,915)	(149,607)	(64,962)	-	-	(935,484)
As on December 31, 2018	17,906,095	57,027,183	5,413,561	187,290	60,322	80,594,451
Accumulated depreciation						
Balance at January 1, 2018	11,604,423	46,079,368	5,292,442	184,709	-	63,160,942
Charge for the year	836,275	4,652,525	93,615	2,281	-	5,584,696
Charge on disposals	(720,912)	(147,312)	(64,781)	-	-	(933,005)
As on December 31, 2018	11,719,786	50,584,581	5,321,276	186,990	-	67,812,633
Net carrying amount at December 31, 2018	6,186,309	6,442,602	92,285	300	60,322	12,781,818

5 Property, plant and equipment (continued)

(a) Depreciation has been allocated as follows:

	2019 AED	2018 AED
Cost of sales	**2,905,590**	4,806,954
Selling and distribution expenses	**427,080**	554,527
Administrative and general expenses	**109,022**	223,215
	3,441,692	5,584,696

(b) As per management's assessment, there has been no impairment in the carrying amount of the Group's property, plant and equipment as at December 31, 2019 (2018: nil).

6 Investment properties

Investment properties comprises of warehouses on leasehold land situated in Fujairah.

	2019 AED	2018 AED (As restated)	January 1, 2018 AED (As restated)
At January 1, 2019	**3,000,000**	3,625,000	3,625,000
Less: loss on fair value of investment properties	**(100,000)**	(625,000)	-
At December 31, 2019	**2,900,000**	3,000,000	3,625,000

Effective date of the revaluation was December 31, 2019. Revaluation was performed by a 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 28.

Rental income from investment properties

The Group has earned rental income for the year of AED 0.24 million (2018: AED 0.26 million). This is included in the statement of income under 'Other income'.

7 Right-of-use assets

	AED
At January 1, 2019 (note 3)	**11,125,694**
Add: additions during the year	**45,955**
Less: termination of lease contracts during the year	**(2,097,141)**
Less: depreciation for the year	**(2,717,533)**
At December 31, 2019	**6,356,975**

7 Right-of-use assets (continued)

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.

Depreciation has been allocated as follows:

	2019 AED	2018 AED
Cost of sales	**334,922**	-
Selling and distribution expenses	**2,269,744**	-
Administrative and general expenses	**112,867**	-
	2,717,533	-

8 Investment securities

	2019 AED	2018 AED
At January 1,	**1,863,946**	2,741,974
Change in market fair value	**(325,128)**	(878,028)
At December 31,	**1,538,818**	1,863,946

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

Dividend income amounting to AED 100,916 (2018: AED 110,271) is included in the statement of income under 'finance income'.

9 Long term prepayment

This represents a payment made to obtain leasehold rights for a land located in Fujairah, UAE. The lease term is 25 years which is renewable on expiry at market rates prevailing at that time.

	2019 AED	2018 AED
Cost	**1,525,000**	1,525,000
Accumulated amortisation:		
At January 1,	**(671,000)**	(610,000)
Charge for the year	**(61,000)**	(61,000)
At December 31,	**(732,000)**	(671,000)
Net book value:		
At December 31,	**793,000**	854,000

10 Inventories

	2019 AED	2018 AED
Raw materials	**2,643,870**	4,523,052
Finished goods	**1,133,294**	2,746,230
Spare parts	**3,782,267**	3,971,844
Others	**258,911**	370,020
	7,818,342	11,611,146
Less: Provision for slow moving inventories	**(2,556,007)**	(2,433,507)
	5,262,335	9,177,639

Movements in the provision for slow moving inventories were as follows:

	2019 AED	2018 AED
Balance at January 1,	**2,433,507**	2,584,428
Charge during the year	**308,691**	20,621
Write off during the year	**(186,191)**	(171,542)
Balance at December 31,	**2,556,007**	2,433,507

11 Trade and other receivables

	2019 AED	2018 AED
Trade receivables	**9,738,280**	10,955,770
Less: Allowance for expected credit losses	**(1,789,399)**	(1,505,973)
Trade receivables, net	**7,948,881**	9,449,797
Other receivables	**671,979**	845,685
Financial assets	**8,620,860**	10,295,482
Prepayments	**1,321,467**	1,394,730
Advances to suppliers	**77,990**	19,908
Excise tax receivable	**-**	195,288
Non-financial asset	**1,399,457**	1,609,926
	10,020,317	11,905,408

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and net provision for expected credit losses of AED 1,789,399 (2018: AED 1,505,973) has been recorded.

The movement in the allowance for expected credit losses can be reconciled as follows:

	2019 AED	2018 AED
Balance at January 1,	**1,505,973**	1,155,678
Write off of provision	**(7,695)**	-
Charge for the year	**291,121**	350,295
Balance at December 31,	**1,789,399**	1,505,973

11 Trade and other receivables (continued)

The ageing of trade receivables which are not impaired at the reporting date are as shown below:

		Not past due nor	Past due				
	Total	Impaired	<90 days	91-120 days	121-180 days	181-360 days	>360 days
	AED	AED	AED	AED	AED	AED	AED
2019	**7,948,881**	**4,729,531**	**2,026,275**	**160,780**	**409,578**	**43,419**	**579,298**
2018	9,449,797	5,318,759	3,568,574	280,332	140,788	141,056	288

12 Related parties

The Group in the normal course of business carries on business with other entities that fall within the definition of a related party in accordance with IFRS.

For the purpose of these consolidated financial statements, entities are considered to be related to the Group if the Group has the ability, directly or indirectly, to exercise significant influence over the entities in making financial and operating decisions, or vice versa, or where the Group are subject to common control or significant influence and includes key management personnel.

The Group's related parties include shareholders and key management personnel of the Group and entity under common control.

	Due from a related party		Due to a related party	
	2019	2018	**2019**	2018
	AED	AED	**AED**	AED
Entity under common control	-	2,811	**412,797**	-

12.1 Transactions with related parties

	2019	2018
	AED	AED
Sales to a related party	**34,459**	35,141
Purchases from a related party	**(164,818)**	-
Payment of expenses by a related party	**(658,996)**	(11,214)
Payment of expenses on behalf of a related party	**210**	77,232

Key management personnel

Key management personnel of the Group are the members of the Group's Board of Directors and members of the executive council. Key management personnel compensation includes the following expenses:

	2019	2018
	AED	AED
Short term benefits	**372,368**	558,552
Provision towards employees' terminal benefits	**31,045**	9,773
Sitting fees	**140,000**	646,000

13 Cash and bank balances

Cash and bank balances include the following components:

	2019 AED	2018 AED
Cash on hand	**71,000**	84,000
Other cash equivalents	**54,086**	44,204
Cash at bank – current accounts	**186,379**	424,345
Fixed deposits	**15,329,495**	15,175,000
Cash and bank balances	**15,640,960**	15,727,549
Less: Fixed deposits with original maturity of more than three months or hypothecated with bank	**(15,329,495)**	(15,175,000)
Bank overdraft	**(7,123,635)**	(5,169,538)
Cash and cash equivalents	**(6,812,170)**	(4,616,989)

(i) Fixed deposits carry interest at normal commercial rates.

(ii) Fixed deposits of AED 15.32 million (2018: AED 15.17 million) with banks are hypothecated against bank overdraft facility.

14 Non-current assets held for sale

During the year, the Board of Directors of the Group decided to stop production at its Dibba plant due to lower demand in the market and put it up for sale. The sale of Dibba plant is expected to be completed within a year from the reporting date as the management has started looking for an active buyer.

The carrying amount of the plant as at December 31, 2019 is AED 6,225,938 (note 5). There was no impairment as the carrying amount of the plant is lower than its fair value less costs to sell.

15 Share capital

The share capital of the Parent Company consists only of fully paid ordinary shares with a par value of AED 1 (2018: AED 1) each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Group.

	2019 AED	2018 AED
Issued and fully paid up:		
30 million ordinary shares of AED 1 each	**30,000,000**	30,000,000

16 Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 and the Parent Company's Articles of Association, a minimum of 10% of the profit of the Group is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. During the current year, an amount of AED Nil (2018: AED Nil) was transferred to the reserve.

17 Obligatory reserve

In accordance with the Articles of Association of the Parent Company, 10% of the annual profit is required to be transferred to the obligatory reserve until the Parent Company's members pass a general resolution for the discontinuance of such transfer or such reserve equals 5% of the Group's paid up share capital. As the obligatory reserve has equaled 5% of the paid-up share capital, no transfer has been made to the reserve during the current year and the previous year.

This reserve can be utilised by the Parent Company based on a board resolution which has to be approved by the shareholders.

18 Employees' end of service benefits

The movement is as follows:

	2019 AED	2018 AED
Balance at January 1,	**2,803,432**	3,041,487
Charge for the year	**400,768**	469,844
Payments made during the year	**(1,128,598)**	(707,899)
Balance at December 31,	**2,075,602**	2,803,432

19 Lease liabilities

	AED
At January 1, 2019 (note 3)	**11,322,657**
Add: additions during the year	**45,955**
Add: finance cost	**556,728**
Less: termination of lease contracts during the year	**(2,123,891)**
Less: payments during the year	**(2,655,184)**
At December 31, 2019	**7,146,265**

Presented on consolidated statement of financial position as follows:

	AED
Current	**2,025,962**
Non-current	**5,120,303**
	7,146,265

20 Trade and other payables

	2019 AED	2018 AED
Trade payables	**6,812,935**	8,273,066
Accrued expenses and other payables	**2,660,177**	2,298,392
Financial liabilities	**9,473,112**	10,571,458
Advance from customers	**164,391**	28,152
VAT payable	**272,747**	195,268
Non-financial liabilities	**437,138**	223,420
	9,910,250	10,794,878

21 Loss per share

	2019 AED	2018 AED
Loss for the year	**(10,110,029)**	(7,943,849)
Weighted average number of shares outstanding during the year	**30,000,000**	30,000,000
Loss per share	**(0.337)**	(0.265)

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

22 Finance expense

	2019 AED	2018 AED
Interest on lease liabilities	**529,978**	-
Interest on overdraft	**222,657**	68,999
Bank commission and charges	**69,197**	97,156
	821,832	166,155

23 Contingent liabilities and commitments

	2019 AED	2018 AED
Letter of guarantees	**55,000**	750,000
Letter of credit	**1,703,321**	2,686,903
Capital commitments	**391,664**	195,101

24 Categories of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	2019 AED	2018 AED
Financial assets measured at FVOCI	8	**1,538,818**	1,863,946
Financial assets measured at amortised cost:			
Trade and other receivables	11	**8,620,860**	10,295,482
Cash and bank balances	13	**15,640,960**	15,727,549
Amount due from a related party	12	**-**	2,811
		24,261,820	26,025,842
		25,800,638	27,889,788
Financial liabilities measured at amortised cost:			
Bank overdraft	13	**7,123,635**	5,169,538
Trade and other payables	20	**9,473,112**	10,571,458
Lease liabilities	19	**7,146,265**	-
Amount due to a related party	12	**412,797**	-
		24,155,809	15,740,996

24 Categories of financial assets and liabilities (continued)

The carrying amount of these financial assets and liabilities is considered a reasonable approximation of fair value.

A description of the Group's financial instrument risk, including risk management objectives and policies is given in note 27.

25 Social contributions

The Group during the year made social contributions amounting to AED 1,346 (2018: AED 7,828).

26 Segment reporting

The Group operates in a single reporting segment of bottling, distribution and trading of mineral water, carbonated soft drinks and evaporated milk. All the relevant information relating to this reporting/operating segment is disclosed in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and notes to the consolidated financial statements.

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

a) Information about geographical segments

During the year ended December 31, 2019, revenue from customers located in the Group's country of domicile (UAE) is AED 36.86 million (year ended December 31, 2018: AED 43.87 million) and revenue from customers outside the UAE (foreign customers) is AED 3.25 million (year ended December 31, 2018: AED 4.92 million).

b) Major customers

During the year ended December 31, 2019 revenue from no customers exceed 10% or more of the Group's total revenue (2018: nil).

27 Financial instrument risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are below.

27.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

27 Financial instrument risk management objectives and policies (continued)

27.1 Market risk (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Most of the Group's transactions are carried out in AED and USD; hence, the foreign currency risk is minimal as the AED is pegged to USD.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest rate risk is not considered significant.

The Group is not exposed to any interest rate risk as the interest on bank overdraft and fixed deposit is fixed.

27.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to this risk for various financial instruments such as trade and other receivables. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2019 AED	2018 AED
Financial assets measured at FVOCI	**1,538,818**	1,863,946
Financial assets measured at amortised cost		
Trade and other receivables	**8,620,860**	10,295,482
Amount due from a related party	**-**	2,811
Cash at bank	**15,515,874**	15,599,345
	24,136,734	25,897,638
	25,675,552	27,761,584

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Company and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.
The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements.

Related party receivable balances are considered fully recoverable by the management and thus the credit risk is considered minimal.

Cash is placed with reputable national and international banks. Hence, the credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

27 Financial instrument risk management objectives and policies (continued)

27.2 Credit risk (continued)

Expected credit losses on trade receivables

The Group uses an allowance matrix to measure the ECLs of trade receivables from customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in different customer segments based on the common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Management has used loss rate of 100% for the balances outstanding for more than 360 days and for remaining outstanding balances, management has determined loss rate based on the actual recoverability.

A summary of the Group's exposure to credit risk for trade receivables is disclosed in note 11.

27.3 Liquidity risk

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared, and adequate utilisation of borrowing facilities are monitored, including the need for additional borrowings, as required. Based on the cash flow forecast prepared by the Group, which specifically take into account the forecast operating cash flows, and other strategic plans of the Group, management is of the view that the Group will meet its liabilities as and when they fall due.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see note 24) exceed the current cash outflow requirements. Cash flows from trade and other receivables are all due within three months.

The Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Repayable on demand	Within 6 months	6 – 12 months	Over 12 months	Total
December 31, 2019	**AED**	**AED**	**AED**	**AED**	**AED**
Trade and other payables	-	9,473,112	-	-	9,473,112
Amount due to a related party	-	412,797	-	-	412,797
Lease liabilities	-	994,419	1,031,543	5,120,303	7,146,265
Bank overdraft	7,123,635	-	-	-	7,123,635
	7,123,635	**10,880,328**	**1,031,543**	**5,120,303**	**24,155,809**
December 31, 2018					
Trade and other payables	-	10,571,458	-	-	10,571,458
Bank overdraft	5,169,538	-	-	-	5,169,538
	5,169,538	**10,571,458**	**-**	**9,473,112**	**15,740,996**

28 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, amount due to a related party 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.

	2019 AED	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**
Investment securities measured at FVTOCI (note 8)	**1,538,818**	**1,538,818**	**-**	**-**

	2018 AED	Level 1 AED	Level 2 AED	Level 3 AED
Investment securities measured at FVTOCI (note 8)	1,863,946	1,863,946	-	-

Fair value measurement of non-financial assets

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 (2018: 3,000,000)**	Source of data	Property brokers, internal research and web enquiries.

29 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and bank balances and borrowings as presented on the face of the statement of financial position.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain debt or sell assets.

The Group is not subject to any externally imposed capital requirements.

Capital for the reporting periods under review is summarised as follows:

	2019	2018
	AED	AED
Total equity	26,110,166	36,545,323
Cash and bank balances	(15,640,960)	(15,727,549)
Capital	10,469,206	20,817,774
Total equity	26,110,166	36,545,323
Bank overdraft	7,123,635	5,169,538
Overall financing	33,233,801	41,714,861
Capital-to-overall financing ratio	32%	50%

30 Subsequent events

The Board has subsequently proposed to merge statutory and obligatory reserve with accumulated losses and the proposal will be put forward for Shareholder's approval in the upcoming general meeting.

31 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.

The reclassification is on account of two warehouse building which the management intends to rent out from property, plant and equipment to investment properties. The restatement is on account of change in accounting policy for valuing investment properties from cost model to fair value model as mentioned in note 3 of these consolidated financial statements.

	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
(Reclassification of warehouse intended to be rented from property, plant and equipment to investment properties. Restatement is on account of change in valuation of investment properties from cost to fair value model)				
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)
(Reclassification of warehouse intended to be rented out from property, plant and equipment to investment properties. Restatement is on account of change in valuation of investment properties from cost to fair value model)				
Statement of income				
Cost of sales	(33,839,987)	42,938	-	(33,797,049)
Selling and distribution expenses	(15,113,941)	131,753	-	(14,982,188)
Administrative and general expenses	(7,632,746)	(174,691)	174,691	(7,632,746)
Loss on fair valuation of Investment properties	-	-	(625,000)	(625,000)
(Adjustment of depreciation and fair value of investment properties on account of change in valuation of investment properties from cost to fair value model)				
Finance income	384,650	110,271	-	494,921
Other income	519,762	(110,271)	-	409,491
(Reclassification of dividend income from other income to finance income)				

Impact on loss per share

	As previously reported AED	As restated AED
Year ended December 31, 2018	(0.250)	(0.265)