الإمـــارات للمرطبـــات
Emirates Refreshments

Detailed analysis of accumulated losses

Date:	10th Nov'2021
Listed Company Name:	Emirates Refreshment (PSC)
Define the period of the financial statements	From 1st Jan'2021 to 30th Sept'2021
Accumulated losses:	AED 14,796,474
Accumulated losses to capital ratio:	49.32%
The main reasons leading to these accumulated losses and their history:	The operating losses of two years in 2018 and 2019 totaled to AED 18.05M majorly due to reduction in volumes year on year as well as reduction in the net selling price due to price competition. Introduction of toll tax by Sharjah Municipality, in q4 2018 on transportation of goods from our manufacturing units resulted in further worsening of bottom line. The Spread of Corona virus pandemic caused disruption of sales and business activities significantly due to economic slowdown thereby resulted in decline in sales by 46% in last three quarters of year 2020 vs same period previous year. Further in compliance of IFRS 9, company had to take the provision for expected credit loss, resulting in increase in provision. Additionally, the local transportation cost further increased due to addition of toll at RAK while transporting the goods from manufacturing facility. Constant increase in the fuel prices and tough price competition with big market leaders has further impacted the business as retaining the private label customers is becoming a challenge. Increase in oil prices globally has made huge impact in raw material prices specially Resin and other plastic related materials that has gone up by 10%-30%.
Measures to be taken to address accumulated losses:	During first quarter of year 2021, the company witnessed a drop in demand from food service, exports and contract manufacturing as still the recovery from COVID 19 impact is slower. During 2021 ERC has strategically managed to lock some good private label customers and a constant & gradual growth in both volumes & revenue has been practically visible. In terms of Volume Q3'21 is 44% better Vs Q1'21 & 24% Better Vs Q2'21. Apparently, Revenue in Q3 2021 is 34% better Vs Q1'21 & 17% Vs Q2'21 and a continues focus is there on cost reduction and optimization in order to improve the bottom line.

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	Board is reassessing the best option to address the liquidity and capital position of the company and will hire a financial advisor to support with the matter and assess the best option(s) that will be in the best interest of the company and its shareholders.

Authorized Signatory

Nader Al Hammadi

Chairman

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