



الإمارات للمرطبات
Emirates Refreshments

Detailed analysis of accumulated losses

Date:	09-Feb-2022
Listed Company Name:	Emirates Refreshment (PSC)
Define the period of the financial statements	From January 2021 to 31st December 2021
Accumulated losses:	AED 9,672,967
Accumulated losses to capital ratio:	32.24%
The main reasons leading to these accumulated losses and their history:	The operating losses of three years in 2018-2020 totaled to AED 25.23M 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. Post approval by shareholders at AGM held on 22nd June 20, the Statutory and obligatory reserves were merged with the accumulated losses. The Spread of Coronavirus 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 has gone up by 10%-30%.



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Measures to be taken to address accumulated losses:

During Q4 2020 and in first quarter of year 2021, the company witnessed a drop in demand from food service, exports and contract manufacturing due to the impact of COVID 19 outspread & worldwide lockdown situations.

In 2021 ERC has managed to reduce the losses by constantly improving its volumes & revenue throughout the year. Volumes have increased by 48% and revenue by 35% in second half of year 2021 Vs first half of the same year. Export sales have increased by 14% in 2021. Company's continues focus is there on cost reduction and optimization in order to improve the bottom line.

Strategic decision of investing in investment securities has contributed significantly in company's growth. Despite increasingly difficult economic conditions and competitive pressures, ERC recorded net profit of AED 1.87M in 2021 Vs net loss of (AED 7.18M) in 2020 and net loss of (AED 10.11M) in 2019.

While assessing the best option to address the liquidity and capital position of the company, Board hired 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

