

Emirates Refreshments (P.S.C.)
(formerly Jeema Mineral Water (P.S.C.))

Financial statements
31 December 2010

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Financial statements

31 December 2010

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الإمارات للمرطبات Emirates Refreshments

Dear Shareholders,

It gives me immense pleasure to announce that Emirates Refreshments Company PSC (ERC) has conquered through the most crucial and difficult year successfully. In the beginning of 2010, ERC shareholders appointed new members in the Board and gave us the responsibility to resolve all the deep rooted issues in the company and turn it to an efficient and profitable company.

During the year 2010, we incurred significant losses due to certain prior years errors identified in the financial statements which also resulted to the restatement of profits of previous years. Moreover, we took lot of decisions and initiatives to eradicate and fix the problems and build the foundation for a solid company. Some of these crucial decisions taken are as follows:-

Change of name of the Company:

In order to reflect the long term vision of the company to enter into other beverage product categories and become a full Beverage Solution Company, it has been decided and legally achieved the change of its name from "*Jeema Mineral Water Company PSC*" to "*Emirates Refreshments Company PSC*". All the formalities and approval has been taken to implement the above decision.

Appointment of New Management:

The company aggressively recruited highly qualified and top caliber staff at all levels to implement its aggressive plans and to meet the increased demand of our products. Most importantly, the company has hired experienced managers to head its Sales, Finance, IT, HR, Operations, Procurement and Exports departments.

Moreover, we have recently appointed Mr. Yasser Omar as General Manager to lead the day to day operations of the Company and execute the strategy laid down by the Board, Mr. Yasser has more than 25 years of experience in several multinational companies, where he spent most of them in this region working on beverage. Prior to joining ERC, he was leading the Pepsi Lipton International operations in Africa, ME and Asia.

Centralization of all the warehouses and offices:

ERC has consolidated its offices and warehousing operation into a brand new state of art Distribution facility in Dubai. The new facility is more than one and a half bigger than the warehousing space the company was holding earlier. This has been done to streamline the operations into one big warehouse to have better operating controls.

The new bigger centralized warehouses and offices are considered one of the most vital steps to accommodate the aggressive growth plans of the company. The new centralized warehouse will be

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الإمارات للمرطبات Emirates Refreshments

equipped with the latest technologies and systems. It contains several offices, yards, stores and all facilities necessary to run the business efficiently, which in turn will lead to reduce the cost and the optimal use of all available resources.

Outsourcing of Fleet:

The company has disposed off its entire old fleet and replaced it with a brand new one to improve the distribution and logistics capabilities of the company. In order to have a more professional fleet management, the company has entered into contracts with leading vehicle fleet management and leasing companies to outsource the handling of the entire vehicle. With this outsourcing of fleet the management of ERC will be able to focus more on the core business and at the same time the vehicle fleet will be handled by Specialist Company.

With these major resolutions, the company will definitely improve its production, warehousing and distribution capacity and certainly develop the market share and profits.

I hope the above decisions will help the new management to run the operations smoothly and more efficiently. Also the new management shall be committed to add value to the shareholder's wealth in coming years.

At the end, I would like to express our gratitude and appreciation to His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister of U.A.E. and Ruler of Dubai and His Highness Sheikh Hamdan Bin Rashid Al Maktoum, UAE Minister of Finance & Industry for providing us with a business environment and an infrastructure where we can grow and contribute to the UAE economy and for providing us with their continuous support.

In addition, I would like to thank all the people who supported and showed their commitment and dedication to help achieve our objectives. Our employees, shareholders, customers and suppliers are all equally important to us in all our endeavours. It is pertinent to mention here that the challenges ahead are enormous for the company and require a clear vision and expanded creative thinking. It is even more important in this challenging & competitive environment to grow our business and improve profitability. I hope that we shall meet all the future challenges with strength and vigour as always.

Thank you,

Chairman of the Board
Ali Humaid Ali Al Owais

1(b)

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Independent auditors' report

The Shareholders
Emirates Refreshments (P.S.C.)

Report on the financial statements

We have audited the accompanying financial statements of Emirates Refreshments (P.S.C.) (formerly Jeema Mineral Water (P.S.C.)) ("the Company"), which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Independent auditors' report *(continued)*

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that the corresponding figures presented, excluding the adjustments described in Note 5 to the financial statements, are based on the financial statements of the Company as at and for the year ended 31 December 2009, which were audited by other auditors who expressed an unmodified opinion on those statements on 16 March 2010. As part of our audit, we have audited the adjustments described in Note 5 that were applied to restate the corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, a physical count of inventories was carried out by the management in accordance with established principles, and the contents of the Directors' report which relate to these financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2010, which may have had a material adverse effect on the business of the Company or its financial position.


KPMG

Date: 3 MAR 2011
Vijendranath Malhotra
Registration No: 48 B

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Income statement

for the year ended 31 December 2010

	Note	2010 AED	2009 AED Restated*
Revenue		52,395,082	55,226,141
Cost of sales	6	(32,593,666)	(34,665,960)
Gross profit		19,801,416	20,560,181
Selling and distribution expenses	7	(22,973,768)	(17,139,579)
Administrative and general expenses	8	(11,601,088)	(3,102,423)
Profit on disposal of available for sale investments	13	2,975,191	1,852,582
Finance expense	9	(1,091,281)	(918,865)
Other income	10	1,633,144	1,725,815
(Loss)/profit for the year		(11,256,386)	2,977,711
Earnings per share – basic and diluted	27	(0.375)	0.099

The notes set out on pages 10 to 36 form part of these financial statements.

* Refer note 5 for details.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Statement of comprehensive income

for the year ended 31 December 2010

	Note	2010 AED	2009 AED Restated*
(Loss)/profit for the year		(11,256,386)	2,977,711
Other comprehensive income:			
Net change in fair value of available for sale investments	13	(878,239)	7,497,568
Transfer of fair value reserve on investments sold during the year to profit or loss	13	(2,975,191)	(1,600,701)
Distribution to directors		-	(75,000)
Total other comprehensive income for the year		(3,853,430)	5,821,867
Total comprehensive income for the year		(15,109,816)	8,799,578

The notes set out on pages 10 to 36 form part of these financial statements.

* Refer note 5 for details.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

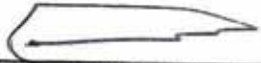
Statement of financial position

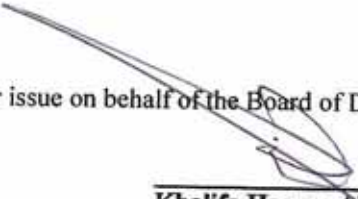
as at 31 December 2010

	Note	2010 AED	2009 AED Restated*
ASSETS			
Non-current assets			
Property, plant and equipment	11	36,813,292	47,453,098
Investment property	12	4,293,800	-
Available for sale investments	13	27,182,833	31,776,993
Long-term prepayment	14	1,281,000	1,342,000
Total non-current assets		69,570,925	80,572,091
Current assets			
Inventories	15	8,126,899	7,786,603
Trade and other receivables	16	10,145,030	19,435,228
Due from a related party	17	963,069	-
Cash at bank and in hand	18	179,276	537,346
Assets classified as held for sale	19	1,306,003	-
Total current assets		20,720,277	27,759,177
Total assets		90,291,202	108,331,268
EQUITY			
Share capital	23	30,000,000	30,000,000
Statutory reserve	24	8,615,519	8,615,519
Obligatory reserve	25	1,500,000	1,500,000
Fair value reserve	26	16,723,994	20,577,424
(Accumulated losses)/retained earnings		(4,358,447)	8,397,939
Total equity		52,481,066	69,090,882
LIABILITIES			
Non-current liabilities			
Staff terminal benefits	22	1,179,209	1,413,791
Long-term payable to a related party – non current portion	17	-	6,500,000
Bank loans – non current portion	21	13,000,000	6,250,000
Total non-current liabilities		14,179,209	14,163,791
Current liabilities			
Trade and other payables	20	20,334,386	11,273,247
Due to a related party	17	-	1,392,835
Long-term payable to a related party – current portion	17	-	4,016,818
Short-term portion of long-term bank loans	21	3,250,000	3,750,000
Bank overdraft		46,541	4,643,695
Total current liabilities		23,630,927	25,076,595
Total liabilities		37,810,136	39,240,386
Total equity and liabilities		90,291,202	108,331,268

These financial statements were authorised for issue on behalf of the Board of Directors on

3 MAR 2011


Ali Humaid Ali Al Owais
Chairman


Khalifa Hassan Abdulla Al Daboos
Vice-Chairman

The notes set out on pages 10 to 36 form part of these financial statements.

* Refer note 5 for details.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Statement of cash flows

for the year ended 31 December 2010

	2010 AED	2009 AED Restated*
Operating activities		
(Loss)/profit for the year	(11,256,386)	2,977,711
<i>Adjustments for:</i>		
Depreciation	5,351,626	5,801,690
Loss on disposal of property, plant and equipment	173,399	-
Write off of property, plant and equipment	1,844,742	-
Impairment loss on investment property	2,750,924	-
Impairment loss on available for sale investments	170,730	-
Amortisation of long-term prepayment	61,000	61,000
Provision for staff terminal benefits	614,131	509,805
Interest expense	1,091,281	918,865
Profit on disposal of available for sale investments	(2,975,191)	(1,852,582)
<i>Operating (loss)/profit before changes in working capital</i>	<u>(2,173,744)</u>	<u>8,416,489</u>
Change in inventories	(340,296)	1,543,292
Change in trade and other receivables	9,290,198	(561,102)
Change in due from a related party	(963,069)	-
Change in trade and other payables	9,061,139	(213,789)
Change in due to a related party	(1,392,835)	1,392,835
Staff terminal benefits paid	(848,713)	(101,482)
Distribution to directors	-	(75,000)
Sales to a related party adjusted against long-term payable	(6,075,001)	(5,983,182)
<i>Net cash from operating activities</i>	<u>6,557,679</u>	<u>4,418,061</u>
Investing activities		
Purchase of property, plant and equipment	(5,480,907)	(4,962,621)
Proceeds from disposal of property, plant and equipment	400,219	-
Proceeds from disposal of available for sale investments	3,545,191	2,250,126
<i>Net cash used in investing activities</i>	<u>(1,535,497)</u>	<u>(2,712,495)</u>
Financing activities		
Term loan obtained from a bank	10,000,000	10,000,000
Repayment of bank loan	(3,750,000)	-
Interest expense paid	(1,091,281)	(918,865)
Repayment of long term payable to a related party	(4,441,817)	(10,000,000)
Dividend paid	(1,500,000)	-
<i>Net cash used in financing activities</i>	<u>(783,098)</u>	<u>(918,865)</u>
Net increase in cash and cash equivalents	4,239,084	786,701
Cash and cash equivalents at the beginning of the year	(4,106,349)	(4,893,050)
Cash and cash equivalents at the end of the year	<u>132,735</u>	<u>(4,106,349)</u>
<i>Cash and cash equivalents comprise:</i>		
Cash at bank and in hand	179,276	537,346
Bank overdraft	(46,541)	(4,643,695)
	<u>132,735</u>	<u>(4,106,349)</u>

The notes set out on pages 10 to 36 form part of these financial statements.

* Refer note 5 for details.

Statement of changes in equity
for the year ended 31 December 2010

Statement of changes in equity
for the year ended 31 December 2010

The notes set out on pages 10 to 36 form part of these financial statements.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Statement of changes in equity (continued) for the year ended 31 December 2010

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	(Accumulated losses)/ retained earnings AED	Total AED
At 1 January 2010 – as previously stated	30,000,000	8,615,519	1,500,000	16,643,866	15,578,685	72,338,070
Effect of prior period adjustments (refer note 5)	-	-	-	3,933,558	(7,180,746)	(3,247,188)
At 1 January 2010 – restated	30,000,000	8,615,519	1,500,000	20,577,424	8,397,939	69,090,882
Total comprehensive income for the year	-	-	-	-	(11,256,386)	(11,256,386)
Loss for the year	-	-	-	-	-	-
Other comprehensive income	-	-	-	(878,239)	-	(878,239)
Net change in fair value of available for sale investments	-	-	-	-	-	-
Transfer of fair value reserve on investments sold during the year to profit or loss	-	-	-	(2,975,191)	-	(2,975,191)
Total other comprehensive income	-	-	-	(3,853,430)	-	(3,853,430)
Total comprehensive income for the year	-	-	-	(3,853,430)	(11,256,386)	(15,109,816)
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	(1,500,000)	(1,500,000)
Dividend paid	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	(1,500,000)	(1,500,000)
Total transactions with owners	-	-	-	-	(1,500,000)	(1,500,000)
At 31 December 2010	30,000,000	8,615,519	1,500,000	16,723,994	(4,358,447)	52,481,066

The notes set out on pages 10 to 36 form part of these financial statements.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Notes to the financial statements for the year ended 31 December 2010

1. Reporting entity

Emirates Refreshments (P.S.C.) ("the Company") is a Public Shareholding Company incorporated in the Emirate of 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 shareholders of the Company at an extraordinary general meeting held on 20 June 2010, have resolved that the name of the Company be changed from Jeema Mineral Water (P.S.C.) to Emirates Refreshments (P.S.C.).

The principal activity of the Company is bottling and selling mineral water as well as manufacturing plastic bottles and containers. The Company has two plants, each located in Dibba and Hatta, UAE. The Company mainly markets, distributes and sells its products across the UAE and Sultanate of Oman.

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

2. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as available for sale which are measured at fair value.

Functional and presentation currency

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

Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 32.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Notes *(continued)*

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Certain comparative amounts have been reclassified to conform to the current period's presentation.

Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/administrative and general expenses in profit or loss.

Capital work in progress

Capital work in progress is stated at cost less any impairment and not depreciated until such time the assets are ready for intended use and transferred to the respective category under property, plant and equipment.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Notes (continued)

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Asset	Life (years)
Buildings	20
Plant, machinery and equipments	10
Furniture and fixtures	5
Vehicles	5

The depreciation method, useful lives and residual values are reviewed at the reporting date and adjusted if appropriate.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is accounted for using the "Cost Model" in accordance with the *International Accounting Standard 40-Investment Property* and is stated at cost less impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Notes (continued)

3. Significant accounting policies (continued)

Inventories

Inventories are measured at the lower of cost and estimated 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 and work-in-progress

The cost of finished goods and work-in-progress 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.

Financial instruments

(i) . Non derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets comprise loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Notes (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

(i) Non derivative financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances including fixed deposits with an original maturity of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Impairment losses on available for sale financial assets are recognised in profit and loss.

Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise loans from banks, bank overdraft, trade and other payables, due to a related party and long term payable to a related party.

Bank overdraft that is repayable on demand and form an integral part of the Company's cash management is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Emirates Refreshments (P.S.C.)

(formerly Jeema Mineral Water (P.S.C.))

Notes (continued)

3. Significant accounting policies (continued)

Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or economic conditions that correlate with defaults.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

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Notes (continued)

3. Significant accounting policies (continued)

Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. All impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Staff terminal benefits

The provision for staff terminal benefits, disclosed as a long-term liability, is calculated in accordance with the UAE Labour Law and is based on the liability that would arise if the employment of the Company's staff were terminated at the reporting date.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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Notes *(continued)*

3. Significant accounting policies *(continued)*

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to AED at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Finance income and finance expenses

Finance expenses comprise interest expense on bank borrowings.

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

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

Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (if any). Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held (if any), for the effects of all dilutive potential ordinary shares.

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Notes (continued)

3. Significant accounting policies (continued)

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements:

- *IAS 24 (Revised) - Related Party Disclosures*: The revised IAS 24 *Related Party Disclosures* amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment becomes effective for annual periods beginning on or after 1 January 2011; and
- *IFRS 9 Financial instruments: Classification and measurement (issued in November 2009)*: The Board issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset and subsequently measures the financial assets as either at amortised cost or fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013.

The Company is currently in the process of evaluating the potential effect of these standards and interpretations.

4. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and principally from the Company's receivables from customers and cash with banks.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring of outstanding receivables. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company's cash is placed with banks of repute.

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Notes *(continued)*

4. Financial risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant transactions in any currency other than the functional currency.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk other than relating to its bank overdraft and bank loans.

Equity price risk

Equity price risk arises from available-for sale equity securities. Investments within the portfolio are managed on an individual basis and buy and sell decisions are approved by the audit committee. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of portfolio is done in accordance with the limits set by the Board of Directors. The Company is also exposed to commodity price risk in respect of the raw materials used by the Company in the production process. The Company does not hedge its commodity price risk.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earnings. The Board of Directors monitors the return on capital.

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Notes (continued)

5. Prior period errors

Certain prior period errors in the financial statements of prior years have been identified during the current year. These are as follows:

- (i) The Company holds investments in quoted equity securities which are classified as available-for-sale and stated at fair value. As per International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement*, when a decline in the fair value of an available for sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised in other comprehensive income shall be reclassified from equity to profit or loss.

Certain quoted equity securities held by the Company and classified as available for sale were impaired as at 31 December 2008 for which no impairment loss was recognised in profit or loss. As a result of this error, retained earnings were overstated and fair value reserve was understated by AED 3.93 million at 1 January and 31 December 2009. This has now been corrected in these financial statements. However, the error does not impact and therefore does not require restatement of the profit or loss or earnings per share for the comparative periods presented in these financial statements.

- (ii) During the current year, management has carried out a physical verification of 'other inventory' items mainly comprising wooden pallets and has noted significant differences in the actual stock as compared to the book stock. Consequently, management has reassessed the existence of inventories of these items at prior reporting dates to determine whether such inventory balances were correctly reported at those dates.

Based on such analysis, management has concluded that certain inventories did not exist in the prior periods and were erroneously included in the inventory balances as at those dates. Consequently, this has resulted in the overstatement of inventories as at 1 January and 31 December 2009 and an understatement of selling and distribution expenses for the year ended 31 December 2009. Accordingly, the error has been corrected in the corresponding figures as at 1 January and 31 December 2009 included in the statement of financial position with the associated charge recorded in the corresponding figures of selling and distribution expenses for the year ended 31 December 2009 included in profit or loss.

- (iii) During the current year, management has reviewed the balance of prepaid employee costs and, based on the calculations, has noted that these balances were significantly overstated in prior periods mainly because the amortisation of these costs was not recorded correctly. As a result, the balance of prepayments in prior periods included costs pertaining to employees who were no longer employed by the Company and these costs should have been charged to profit or loss in prior periods. Management has recalculated the balance of prepayments at 31 December 2009 in order to correct this error. Accordingly, the error has been corrected in the corresponding figures of prepayments and retained earnings as at 31 December 2009 included in the statement of financial position. However, as the relevant employee records and details of these costs for periods prior to 31 December 2009 are not available, it is impracticable to retrospectively restate periods prior to 31 December 2009.
- (iv) During the current year, management has reconciled the balances of suppliers as recorded in the books of account with balance confirmations / statements of account obtained from certain suppliers of the Company. Based on the reconciliation of balances, management has identified that certain goods and services were received in prior periods but were not accounted for in the relevant periods. Consequently, this has resulted in the understatement of trade payables as at 1 January and 31 December 2009 and cost of sales for the prior period ended 31 December 2009. The corresponding figures have been restated to correct this error.

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Notes (continued)

5. Prior period errors (continued)

The effect of the above restatements on the financial information of the corresponding periods is as follows:

Statement of financial position

	31 December 2009 AED	1 January 2009 AED
Increase in fair value reserve (refer note (i) above)	3,933,558	3,933,558
Decrease in inventories (refer note (ii) above)	1,507,366	948,110
Decrease in prepayments (refer note (iii) above)	1,002,034	-
Increase in trade payables (refer note (iv) above)	737,788	331,583
	<u>7,180,746</u>	<u>5,213,251</u>
Decrease in retained earnings		

Statement of comprehensive income

	Year ended 31 December 2009 AED
Increase in selling and distribution expenses (refer note (ii) above)	559,256
Increase in cost of sales (refer note (iv) above)	406,205
	<u>965,461</u>
Decrease in profit for the year	

The statement of financial position as at the beginning of the earliest restated comparative period, i.e. as at 1 January 2009, has not been disclosed in the financial statements as, in the view of management, the restatement does not have a material impact on the statement of financial position as at that date.

6. Cost of sales

	2010 AED	2009 AED Restated*
<i>These include:</i>		
Raw materials consumed	17,580,234	20,535,144
Staff costs	3,999,307	3,348,051
Depreciation	4,488,874	4,884,320
Water and electricity charges	3,494,621	3,252,890

* Refer note 5(iv) for details.

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Notes (continued)

7. Selling and distribution expenses

	2010 AED	2009 AED Restated*
<i>These include:</i>		
Staff costs	6,704,141	5,121,682
Advertisement and marketing expenses	2,349,503	1,561,534
Depreciation	839,613	787,034
Repair and maintenance	3,497,477	2,677,012
Fuel expense	1,937,791	2,083,037
Rent	1,092,808	916,743
Travelling and conveyance	3,014,891	2,822,750
Provision for slow moving and obsolete inventories	452,362	559,256

* Refer note 5(ii) for details.

8. Administrative and general expenses

	2010 AED	2009 AED
<i>These include:</i>		
Staff costs	2,709,976	1,887,955
Depreciation	23,139	130,336
Loss on disposal of property, plant and equipment	173,399	-
Impairment loss on investment property (refer note 12)	2,750,924	-
Write off of property, plant and equipment (refer note 11(b))	1,844,742	-
Impairment loss on available for sale investments (refer note 13)	170,730	-
Impairment loss on trade receivables	1,922,954	448,724

9. Finance expense

	2010 AED	2009 AED
Interest on bank overdraft	193,240	203,579
Interest on long-term loan	898,041	715,286
	<u>1,091,281</u>	<u>918,865</u>

10. Other income

	2010 AED	2009 AED
Dividend income from available for sale investments	1,447,103	1,657,605
Miscellaneous income	186,041	68,210
	<u>1,633,144</u>	<u>1,725,815</u>

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Notes (continued)

11. Property, plant and equipment

	Land AED	Buildings AED	Plant, machinery, and equipments AED	Furniture and fixtures AED	Vehicles AED	Capital work in progress AED	Total AED
Cost							
At 1 January 2009	7,044,724	6,737,923	27,981,863	907,849	7,568,423	1,488,490	51,729,272
Additions (refer note (c) below)	-	8,625,880	14,591,596	3,760,428	452,013	4,032,704	31,462,621
Disposals	-	-	(295,222)	-	-	-	(295,222)
At 31 December 2009	7,044,724	15,363,803	42,278,237	4,668,277	8,020,436	5,521,194	82,896,671
At 1 January 2010	7,044,724	15,363,803	42,278,237	4,668,277	8,020,436	5,521,194	82,896,671
Additions	-	520,800	1,424,024	103,929	145,000	3,287,154	5,480,907
Transfers/ reclassifications	-	(3,214,441)	2,519,641	3,726,122	(34,435)	(2,996,887)	-
Assets classified as held for sale (refer note 19)	-	-	-	-	(6,157,399)	-	(6,157,399)
Transfer to investment property (refer note 12)	(7,044,724)	-	-	-	-	-	(7,044,724)
Written off (also refer note (b) below)	-	-	-	-	-	(1,844,742)	(1,844,742)
Disposals	-	-	(1,029,812)	-	(181,795)	-	(1,211,607)
At 31 December 2010	-	12,670,162	45,192,090	8,498,328	1,791,807	3,966,719	72,119,106
Depreciation							
At 1 January 2009	-	5,791,102	18,777,492	601,129	4,767,382	-	29,937,105
Charge for the year	-	581,368	3,705,849	687,466	827,007	-	5,801,690
On disposals	-	-	(295,222)	-	-	-	(295,222)
At 31 December 2009	-	6,372,470	22,188,119	1,288,595	5,594,389	-	35,443,573
At 1 January 2010	-	6,372,470	22,188,119	1,288,595	5,594,389	-	35,443,573
Charge for the year	-	507,815	3,132,788	915,014	796,009	-	5,351,626
Assets classified as held for sale (refer note 19)	-	-	-	-	(4,851,396)	-	(4,851,396)
On disposals	-	-	(616,389)	-	(21,600)	-	(637,989)
At 31 December 2010	-	6,880,285	24,704,518	2,203,609	1,517,402	-	35,305,814
Net book value							
At 31 December 2010	-	5,789,877	20,487,572	6,294,719	274,405	3,966,719	36,813,292
At 31 December 2009	7,044,724	8,991,333	20,090,118	3,379,682	2,426,047	5,521,194	47,453,098

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Notes (continued)

11. Property, plant and equipment (continued)

(a) Depreciation has been allocated as follows:

	2010 AED	2009 AED
Cost of sales	4,488,874	4,884,320
Selling and distribution expenses	839,613	787,034
Administrative and general expenses	23,139	130,336
	<u>5,351,626</u>	<u>5,801,690</u>

- (b) During the current year, the Company has written off AED 1.8 million against a project under capital work in progress involving the construction of a warehouse. The construction of the warehouse was discontinued by management due to its non feasibility. Consequently, the land owned by the Company has been classified as investment property due to its undetermined use (refer note 12).
- (c) Also refer note 17 for the purchase of certain property, plant and equipment in 2009 from a related party for a consideration of AED 26.5 million.
- (d) Capital work in progress at 31 December 2010 mainly comprises the following:
- cost of AED 2.85 million (2009: AED 1.32 million) incurred on a warehouse under construction at 31 December 2010. The warehouse is being constructed in Fujairah, UAE on a leasehold land;
 - construction of the Company's new office and installation of furniture and fixtures therein on a leasehold premises, in Ras Al Khor, Dubai with a total cost of AED 0.54 million (2009: Nil) at 31 December 2010; and
 - import of machineries amounting to AED 0.58 million (2009: Nil) at 31 December 2010.
- (e) Plant and machinery with a net book value of AED 7.8 million has been mortgaged to a bank (unregistered chattel mortgage) including the insurance thereon against a loan obtained from a bank. Furthermore, the Company's plant in Fujairah with net book value of AED 21.8 million has been mortgaged to a bank including assignment of insurance policy thereon. Also refer note 21.
- (f) A building is constructed on a plot of land leased for a period of 15 years. Upon its expiry, the lease can be renewed for a further period to be decided mutually by the parties at that time.

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Notes (continued)

12. Investment property

During the current year, the Company has transferred land with a cost of AED 7 million from property, plant and equipment to investment property as it was held for undetermined use. At 31 December 2010, the Company carried out an impairment test by determining the market value based on a valuation of the land carried out by an independent valuer. Based on such valuation, management has determined that the value of land is impaired. Accordingly, an impairment loss of AED 2.75 million has been recorded in profit or loss of the current year which represents the difference between the carrying value and market value of land as at 31 December 2010.

	2010 AED	2009 AED
Cost of investment property (transferred from property, plant and equipment (refer note 11))	7,044,724	-
Less: Impairment loss (refer note 8)	(2,750,924)	-
	<u>4,293,800</u>	<u>-</u>
At 31 December	<u>4,293,800</u>	<u>-</u>

The fair value of the investment property at 31 December 2010 approximates the carrying amount.

13. Available for sale investments

	2010 AED	2009 AED
At 1 January	31,776,993	26,277,670
Change in fair value	(878,239)	7,497,568
Impairment loss recognised (refer note 8)	(170,730)	-
Sale of investments	(3,545,191)	(1,998,245)
	<u>27,182,833</u>	<u>31,776,993</u>
At 31 December	<u>27,182,833</u>	<u>31,776,993</u>

All the investments in available for sale financial assets are held in equity securities listed on recognised stock exchanges. Included in the investments above are 1.7 million shares (2009: 2 million shares) of Etisalat with a fair value of AED 18.4 million (2009: AED 22 million) which are held in the name of a Director of the Company in trust and for the beneficial interest of the Company.

During the current year, the Company sold certain investments in securities with original cost of AED 570,000 (2009: AED 397,544) for a consideration of AED 3,545,191 (2009: AED 2,250,126) resulting in a gain of AED 2,975,191 (2009: AED 1,852,582) which is recorded in profit or loss. This gain includes AED 2,975,191 (2009: AED 1,600,701) representing the fair value reserve on such investments at the date of disposal, which has now been transferred to profit or loss.

Investments with a fair value of AED 2.44 million are specifically pledged against a loan obtained by the Company. Furthermore, the Company has a general pledge of the investment in equity securities towards the loan from a bank (refer note 21).

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Notes (continued)

14. Long term prepayment

This represents a payment made (net of cumulative amortisation) 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.

	2010 AED	2009 AED
Total payment	1,525,000	1,525,000
Less: Cumulative amortisation	(183,000)	(122,000)
Balance at 31 December	1,342,000	1,403,000
Less: Current portion of prepayment classified under trade and receivables	(61,000)	(61,000)
Non-current portion	1,281,000	1,342,000

15. Inventories

	2010 AED	2009 AED Restated*
Raw materials	4,079,632	3,762,349
Finished goods	951,398	981,789
Spare parts	3,470,909	2,976,011
Others	562,322	1,720,620
	9,064,261	9,440,769
Less: Provision for slow moving inventories	(937,362)	(1,654,166)
	8,126,899	7,786,603

* Refer note 5(ii) for details.

16. Trade and other receivables

	2010 AED	2009 AED Restated*
Trade receivables	9,224,133	12,537,737
Less: Allowance for impairment	(3,215,000)	(1,292,046)
	6,009,133	11,245,691
Prepayments	2,826,328	2,699,043
Advances to suppliers	43,088	2,658,203
Other receivables	1,266,481	2,832,291
	10,145,030	19,435,228

* Refer note 5(iii) for details.

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Notes (continued)

17. Related party transactions and balances

Significant related party transactions were as follows:

	2010 AED	2009 AED
Sales	6,075,001	5,983,182
Purchase of property, plant and equipment	-	26,500,000
Expenses paid to a related party	170,440	1,410,833

Compensation to key management personnel is as follows:

Short term benefits	332,500	489,000
Provision towards employees' terminal benefits	17,500	23,000

In 2009, the Company entered into a co-packing agreement ("the Co-Packing Agreement") with Dubai Refreshments PSC, a related party, to act as a bottler and co-packer of a beverage. As per the terms of the Co-Packing Agreement, the parties have undertaken to sell/purchase a minimum quantity of the beverage at a mutually agreed price. Also refer note 29.

	2010 AED	2009 AED
Due from a related party		
Dubai Refreshments (PSC) *	963,069	-
Due to a related party		
Dubai Refreshments (PSC)	-	1,392,835

* Assigned to a bank against a loan obtained (refer note 21).

Long term payable to a related party

On 22 February 2009, the Company had entered into an agreement ("the Assets Sale Purchase Agreement") with Dubai Refreshments PSC, a related party, for the purchase of certain property, plant and equipment for a total consideration of AED 26.5 million. Under the terms of the Assets Sale Purchase Agreement, the payment of AED 26.5 million was to be made in three annual installments commencing from 1 March 2009 with the last installment becoming due on 1 March 2011. Any amounts due from Dubai Refreshments PSC under the Co-Packing Agreement were to be adjusted from the annual installment due under the Assets Sale Purchase Agreement. Upto 31 December 2010, the full purchase consideration of AED 26.5 million has been paid to/adjusted against sales made to Dubai Refreshments PSC.

	2010 AED	2009 AED
Purchase of property, plant and equipment from Dubai Refreshments (PSC)	26,500,000	26,500,000
Less: Cumulative repayments/adjustments to date	(26,500,000)	(15,983,182)
	-	10,516,818
Less: Current portion	-	(4,016,818)
	-	6,500,000
Long-term portion	-	-

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Notes (continued)

18. Cash at bank and in hand

	2010 AED	2009 AED
Cash in hand	58,258	37,495
Cash at bank	121,018	499,851
	<u>179,276</u>	<u>537,346</u>

19. Assets classified as held for sale

On 29 September 2010, the Company has entered into an agreement for the sale of certain vehicles with a net book value of AED 1.31 million as at that date which were mainly utilised in the distribution of the Company's goods. The Company plans to carry out its future distribution activities by using vehicles which will be obtained on an operating lease. As per the agreement, these vehicles will be sold for a consideration of AED 1.67 million against which the Company has received an advance of AED 1.5 million. The legal formalities for the transfer of vehicles in the name of the buyer are in progress at the reporting date.

20. Trade and other payables

	2010 AED	2009 AED Restated*
Trade payables	11,054,922	9,169,971
Accrued expenses, other payables and provisions	9,279,464	2,103,276
	<u>20,334,386</u>	<u>11,273,247</u>

* Refer note 5 for details.

21. Bank loans

	2010 AED	2009 AED
Balance at 1 January	10,000,000	-
Loans obtained during the year	10,000,000	10,000,000
Less: Repayments made during the year	(3,750,000)	-
	<u>16,250,000</u>	<u>10,000,000</u>
Balance at 31 December	(3,250,000)	(3,750,000)
Less: Current portion of loans		
	<u>13,000,000</u>	<u>6,250,000</u>

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Notes (continued)

21. Bank loans (continued)

A term loan of AED 10 million was obtained in 2009. As per the original loan agreement, the loan was repayable in eight equal quarterly installments starting from 1 April 2010. However, during the current year, the Company has rescheduled the repayment terms. As a result, the outstanding balance of the loan as at 31 December 2010 is repayable in equal monthly installments over five years. The loan carries a fixed interest rate of 9% per annum. The loan is secured by the following:

- Pledge of certain available for sale investments with a fair value of AED 2.44 million at 31 December 2010 (refer note 13).
- General pledge of shares included under available for sale investments (refer note 13).
- An undertaking to the bank to pledge any shares issued under rights entitlement or bonus shares in relation to the shares mortgaged to the bank including any dividend entitlement.
- Unregistered chattel mortgage and insurance over the Company's plant and machinery at Hatta, Dubai.
- Assignment of leasehold rights over the Company's leasehold property located in Dibba, Al Fujairah starting from 10 January 2010.
- Personal guarantee of a director of the Company.

Another term loan of AED 10 million was obtained during the current year. The loan is repayable in equal monthly installments over five years. The loan carries interest at the rate of 3 month EIBOR plus 2.5% (per annum) with a minimum rate of 6.5% per annum. The loan is secured by the following:

- Chattel mortgage and assignment of insurance over the Company's bottling plant in Dibba, Fujairah (refer note 11(e)).
- Assignment of receivables from Dubai Refreshment Company under the Co Packing Agreement (valid till February 2012) (refer note 17).
- An undertaking to re-assign the receivables from Dubai Refreshment Company upon renewal of the Co Packing Agreement.

22. Staff terminal benefits

	2010 AED	2009 AED
Balance at 1 January	1,413,791	1,005,468
Provision made during the year	614,131	509,805
Payments made during the year	(848,713)	(101,482)
Balance at 31 December	<u>1,179,209</u>	<u>1,413,791</u>

23. Share capital

	2010 AED	2009 AED
Authorised, issued and fully paid up: 30 million ordinary shares of AED 1 each	<u>30,000,000</u>	<u>30,000,000</u>

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Notes (continued)

24. Statutory reserve

In accordance with the UAE Company Law No. 8 of 1984 (as amended), a minimum of 10% of the profit of the Company 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. As the Company has incurred a loss, no transfer has been made to statutory reserve during the current year (2009: AED 394,317).

25. Obligatory reserve

In accordance with the Articles of association of the Company, 10% of the annual profit is required to be transferred to the obligatory reserve until the Company's members pass a general resolution for the discontinuance of such transfer or such reserve equals 5% of the Company's paid up share capital. As the obligatory reserve has equalled 5% of the paid up share capital, no transfer has been made to the reserve during the current and previous years (2009: Nil).

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

26. Fair value reserve

The fair value reserve represents the unrealised gains and losses arising from changes in the fair value for available-for-sale financial assets which are recognised in fair value reserve in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in profit or loss. During the year an unrealised gain of AED 0.88 million was credited to other comprehensive income (2009: AED 7.5 million).

27. Earnings per share

	2010	2009 Restated*
(Loss)/profit for the year (AED)	(11,256,386)	2,977,711
Weighted average number of shares outstanding	30,000,000	30,000,000
Earnings per share in AED – basic and diluted	(0.375)	0.099

* Refer note 5 for details.

28. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2010 AED	2009 AED
Less than 1 year	2,079,240	2,120,561
Later than 1 year and no later than 5 years	5,197,112	1,942,267
Later than 5 years	5,075,207	5,582,292
	12,351,559	9,645,120

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Notes (continued)

29. Contingent liabilities and commitments

	2010 AED	2009 AED
Letters of guarantees	1,016,590	1,016,590
Letters of credit	-	843,128
Capital commitments	<u>1,437,531</u>	<u>11,327,712</u>

- a) The Company has undertaken to sell a minimum quantity of beverage to a related party as per a co-packing agreement at a mutually agreed price (refer note 17).
- b) During the current year, the Company has terminated the distribution agreement with the agent in Oman ("the Agent"). Consequently, the Agent has brought various legal cases against the Company, as follows:

Cases filed by the Agent in the Courts of Dubai

- 1) Claim of AED 1.76 million for indemnification for the termination of agency agreement. This claim is based on the grounds that the termination was without sufficient notice and has resulted in damage to the Agent's company and loss of customers.
- 2) Claim of AED 0.46 million for payment of the Agent's sums due for providing transport services between UAE and Oman.
- 3) Claim of AED 9 million for compensation from the Company for filling water of a brand which was owned by the Agent, without their permission.

Cases filed by the Agent in the Courts of Oman

- 1) Case filed against the Managing Director of the Company for defamation claiming OMR 50K (AED 475K).
- 2) Claim of OMR 141K (AED 1.34 million) for indemnification for the termination of agency agreement. This claim is based on the grounds that the termination was without sufficient notice and has resulted in damage to the Agent's company and loss of customers.

All claims above are excluding a claim for reimbursement of all legal costs of the Agent.

Currently these cases are in their initial stages and management, based on the advice from the legal experts of the Company and the lawyers, believe that they have strong grounds to defend these cases in the Courts. Management is of the view that, currently, there is no significant financial implication arising from these legal cases over and above the existing provision recorded in the books of account. Accordingly, no additional provision has been recorded against these legal cases in profit or loss.

30. Segment reporting

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

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

a) Information about geographical segments

During the year ended 31 December 2010, revenue from customers located in the Company's country of domicile (UAE) is AED 45 million (*year ended 31 December 2009: AED 45.2 million*) and revenue from customers outside the UAE (foreign customers) is AED 7.4 million (*year ended 31 December 2009: AED 10 million*).

b) Major customers

During the year ended 31 December 2010, no customers have contributed revenues greater than 10% of the total revenue of the Company.

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Notes (continued)

31. Financial instruments

a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 AED	2009 AED
Trade receivables	6,009,133	11,245,691
Other receivables	1,266,481	2,832,291
Due from a related party	963,069	-
Cash at bank	121,018	499,851
	<u>8,359,701</u>	<u>14,577,833</u>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2010 AED	2009 AED
Domestic	8,591,655	10,721,042
Other GCC countries	619,838	1,798,312
Other regions	12,640	18,383
	<u>9,224,133</u>	<u>12,537,737</u>

The age of trade receivables at the reporting date was:

	2010 Gross AED	2010 Impairment AED	2009 Gross AED	2009 Impairment AED
0-90 days	4,960,196	-	3,585,972	-
91-180 days	372,807	-	3,498,371	-
121-180 days	367,006	79,569	1,717,378	-
181 - 360 days	474,054	163,607	592,049	71,168
More than one year	3,050,070	2,971,824	3,143,967	1,220,878
	<u>9,224,133</u>	<u>3,215,000</u>	<u>12,537,737</u>	<u>1,292,046</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010 AED	2009 AED
Balance at 1 January	1,292,046	843,322
Impairment loss recognised	1,922,954	448,724
Balance at 31 December	<u>3,215,000</u>	<u>1,292,046</u>

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Notes (continued)

31. Financial instruments (continued)

b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2010	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	Between 1 to 2 years AED	More than 2 years AED
Non-derivative financial liabilities					
Payable to a related party	-	-	-	-	-
Long-term bank loans	16,250,000	19,230,730	4,331,146	4,088,646	10,810,938
Trade and other payables	17,999,870	17,999,870	17,999,870	-	-
Bank overdraft	46,541	46,541	46,541	-	-
	<u>34,296,411</u>	<u>37,277,141</u>	<u>22,377,557</u>	<u>4,088,646</u>	<u>10,810,938</u>
31 December 2009	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	Between 1 to 2 years AED	More than 2 years AED
Non-derivative financial liabilities					
Payable to a related party	11,909,653	11,909,653	5,409,653	6,500,000	-
Long-term bank loan	10,000,000	11,125,000	4,406,250	5,437,500	1,281,250
Trade and other payables	11,273,247	11,273,247	11,273,247	-	-
Bank overdraft	4,643,695	4,643,695	4,643,695	-	-
	<u>37,826,595</u>	<u>38,951,595</u>	<u>25,732,845</u>	<u>11,937,500</u>	<u>1,281,250</u>

The Company does not have any derivative financial liabilities at the end of the current year and previous year.

c) Market risk

Interest rate risk

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2010 AED	2009 AED
Fixed rate instruments		
Financial liabilities	<u>6,250,000</u>	<u>10,000,000</u>
Variable rate instruments		
Financial liabilities	<u>10,046,541</u>	<u>4,643,695</u>

Fair value sensitivity analysis for fixed interest rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

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Notes (continued)

31. Financial instruments (continued)

c) Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss	
	100 bp increase AED	100 bp decrease AED
31 December 2010	(100,465)	100,465
31 December 2009	(46,437)	46,437

d) Equity price risk

The Company is exposed to equity securities price risk in respect of investments held by the Company classified as available for sale in the statement of financial position. The Company's investments in equity securities are publicly traded and are listed in Muscat Securities Market and Dubai Financial Market.

Sensitivity analysis

The following table demonstrates the sensitivity of the Company's equity and profit or loss to a 10 percent change in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	Effect on profit or loss AED	Effect on equity AED
31 December 2010		
Effect of changes in quoted equity portfolio of the Company	9,018	2,709,265
31 December 2009		
Effect of changes in quoted equity portfolio of the Company	-	3,177,699

A 10 percent weakening of the equity indexes against as at 31 December would have had the equal but opposite effect to the amounts shown above on the basis that all the other variables remain constant.

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Notes (continued)

31. Financial instruments (continued)

e) Fair values

The Company's management believes that fair value of its financial assets and liabilities are not materially different from the carrying amount at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2010

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale investments	27,182,833	-	-	27,182,833
	<u>27,182,833</u>	<u>-</u>	<u>-</u>	<u>27,182,833</u>

31 December 2009

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale investments	31,776,993	-	-	31,776,993
	<u>31,776,993</u>	<u>-</u>	<u>-</u>	<u>31,776,993</u>

32. Significant accounting estimates and judgements

Estimating useful lives of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and on the historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

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Notes (continued)

32. Significant accounting estimates and judgements (continued)

c) Market risk (continued)

Provision for inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the past movement of the inventory.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables and due from a related party. In determining whether impairment losses should be reported in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Impairment losses on available for sale financial assets

The Company reviews its available for sale financial assets to assess impairment at least on an annual basis. In determining whether impairment losses should be reported in profit or loss, the Company makes judgments as to determine whether there is any significant or prolonged decline in the fair value of available for sale financial assets. If the decline in the fair value of any available for sale financial asset is considered by management as significant or prolonged, an impairment loss is recorded in profit or loss.