Emirates Refreshments (P.S.C.)

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

Condensed interim financial information

30 June 2012

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Independent auditors' report on review of condensed interim financial information

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

Introduction

We have reviewed the accompanying condensed statement of financial position of Emirates Refreshments (P.S.C.) (formerly Jeema Mineral Water (P.S.C.)) ("the Company") as at 30 June 2012, the condensed statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, *'Interim Financial Reporting'*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'*. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six month period ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

Vijendranath Malhotra
Registration No. 48B
Dubai, United Arab Emirates
Date: 08 AUG 2012

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

Condensed income statement
for the six month period ended 30 June 2012

	Note	Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
		2012	2011	**2012**	2011
		AED	AED	**AED**	AED
Revenue		**15,132,118**	12,670,199	**27,008,251**	22,219,074
Cost of sales	*6*	**(10,180,385)**	(9,547,767)	**(18,946,314)**	(16,659,387)
Gross profit		**4,951,733**	3,122,432	**8,061,937**	5,559,687
Distribution expenses	*7*	**(3,060,137)**	(3,050,230)	**(5,888,095)**	(6,152,525)
Administrative and general expenses	*8*	**(1,285,323)**	(2,092,618)	**(3,090,390)**	(4,224,958)
Profit on sales of available for sale investments	*11*	**385,694**	-	**1,168,582**	15,516,460
Finance expense		**(748,698)**	(361,539)	**(699,264)**	(721,320)
Finance income		**180,021**	106,335	**290,599**	475,878
Other income		**48,004**	71,851	**110,812**	551,841
Profit /(loss) for the period		**471,294**	(2,203,769)	**(45,819)**	11,005,063
Earnings per share – basic	*18*	0.016	(0.073)	(0.002)	0.367

The notes set out on pages 7 to 13 are an integral part of the condensed interim financial information.

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

Condensed statement of comprehensive income
for the six month period ended 30 June 2012

		Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
	Note	**2012 AED**	**2011 AED**	**2012 AED**	**2011 AED**
Profit/ (loss) for the period		**471,294**	(2,203,769)	**(45,819)**	11,005,063
Other comprehensive income:					
Net change in fair value of available for sale investments	*11*	**63,712**	247,366	**1,264,322**	1,301,041
Transfer of reserve on available for sale investments sold during the period to profit or loss	*11*	**(385,694)**	-	**(1,168,582)**	(15,516,460)
Total other comprehensive income for the period		**(321,982)**	247,366	**95,740**	(14,215,419)
Total comprehensive income for the period		**149,312**	(1,956,403)	**49,921**	(3,210,356)

The notes set out on pages 7 to 13 are an integral part of the condensed interim financial information.

Emirates Refreshments (P.S.C.)

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

Condensed statement of financial position

at 30 June 2012

ASSETS	Note	30 June 2012 AED (Unaudited)	31 December 2011 AED (Audited)	30 June 2011 AED (Unaudited)
Non-current assets				
Property, plant and equipment	*9*	**32,981,375**	35,245,515	36,840,932
Investment property	*10*	**-**	3,757,075	4,293,800
Available for sale investments	*11*	**2,794,677**	8,189,425	9,737,414
Long-term prepayment		**1,189,500**	1,220,000	1,250,500
Non-current portion of fixed deposits with bank	*15*	**3,600,000**	4,200,000	-
Total non-current assets		**40,565,552**	52,612,015	52,122,646
Current assets				
Inventories	*12*	**8,227,716**	7,681,248	9,368,971
Trade and other receivables	*13*	**9,139,416**	8,284,951	8,646,819
Due from a related party	*14*	**1,647,355**	1,336,674	192,148
Cash in hand and at bank	*15*	**17,495,212**	16,882,697	19,566,789
Total current assets		**36,509,699**	34,185,570	37,774,727
Total assets		**77,075,251**	86,797,585	89,897,373
EQUITY AND LIABILITIES				
EQUITY				
Share capital		**30,000,000**	30,000,000	30,000,000
Statutory reserve		**8,998,499**	8,998,499	8,615,519
Obligatory reserve		**1,500,000**	1,500,000	1,500,000
Fair value reserve		**1,056,326**	960,586	2,508,575
(Accumulated losses)/retained earnings		**(957,447)**	(911,628)	6,646,616
Total equity		**40,597,378**	40,547,457	49,270,710
LIABILITIES				
Non-current liabilities				
Provision for employee terminal benefits		**1,340,560**	1,229,605	1,202,241
Bank loans – non current portion	*17*	**8,600,000**	10,200,000	11,800,000
Total non-current liabilities		**9,940,560**	11,429,605	13,002,241
Current liabilities				
Trade and other payables	*16*	**11,086,506**	18,912,187	17,911,629
Short term portion of long-term bank loans	*17*	**3,200,000**	3,200,000	3,200,000
Bank overdraft	*17*	**12,250,807**	12,708,336	6,512,793
Total current liabilities		**26,537,313**	34,820,523	27,624,422
Total liabilities		**36,477,873**	46,250,128	40,626,663
Total equity and liabilities		**77,075,251**	86,797,585	89,897,373

The condensed interim financial information was authorised for issue on behalf of the Board of Directors on 08 AUG 20

Chairman

Director

The notes set out on pages 7 to 13 are an integral part of the condensed interim financial information.

Emirates Refreshments (P.S.C.)

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

Condensed statement of cash flows

for the six month period ended 30 June 2012

	Unaudited Six month period ended 30 June 2012 AED	2011 AED
Operating activities		
(Loss)/profit for the period	**(45,819)**	11,005,063
Adjustments for:		
Depreciation	**2,901,847**	2,459,441
Loss/(gain) on disposal of assets held for sale	**-**	(263,997)
Amortisation of long-term prepayment	**30,500**	30,500
Provision for staff terminal benefits	**459,893**	325,097
Gain on disposal of property, plant and equipment	**(36,600)**	(30,340)
Dividend income from available for sale investments	**(172,468)**	(443,537)
Loss on disposal of investment property	**462,564**	-
Profit on disposal of available for sale investments	**(1,168,582)**	(15,516,460)
Interest expense	**491,161**	721,320
	2,922,496	(1,712,913)
Change in inventories	**(546,468)**	(1,242,072)
Change in trade and other receivables	**(854,465)**	1,498,211
Change in due from a related party	**(310,681)**	770,921
Change in trade and other payables	**(7,825,681)**	(2,422,757)
Staff terminal benefits paid	**(348,938)**	(302,065)
Net cash used in operating activities	**(6,963,737)**	(3,410,675)
Investing activities		
Purchase of property, plant and equipment	**(644,107)**	(2,487,081)
Proceeds from disposal of assets held for sale	**-**	1,570,000
Proceeds from sale of available for sale investments	**6,659,070**	18,746,460
Proceeds from disposal of property, plant and equipment	**43,000**	30,340
Funds invested in fixed deposit with a bank	**(159,972)**	(18,750,000)
Proceeds from sale of investment property	**3,294,511**	-
Dividend received on investment on equity securities	**172,468**	443,537
Net cash from/(used)in investing activities	**9,364,970**	(446,744)
Financing activities		
Bank loan obtained	**-**	6,000,000
Repayment of bank loans	**(1,600,000)**	(7,250,000)
Interest expense paid	**(491,161)**	(721,320)
Net cash used in financing activities	**(2,091,161)**	(1,971,320)
Net increase/(decrease) in cash and cash equivalents	**310,072**	(5,828,739)
Cash and cash equivalents at the beginning of the period	**(6,222,142)**	132,735
Cash and cash equivalents at the end of the period	**(5,912,070)**	(5,696,004)
Cash and cash equivalents comprise:		
Cash in hand and at bank	**297,322**	816,789
Fixed deposit *(less than three months excluding deposits under lien)*	**6,041,415**	-
Bank overdraft	**(12,250,807)**	(6,512,793)
	(5,912,070)	(5,696,004)

The notes set out on pages 7 to 13 are an integral part of the condensed consolidated interim financial information.

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

Condensed statement of changes in equity
for the six month period ended 30 June 2012

	Share capital	Statutory reserve	Obligatory reserve	Fair value reserve	Retained earnings/ (accumulated losses)	Total
	AED	AED	AED	AED	AED	AED
At 1 January 2011 (audited)	30,000,000	8,615,519	1,500,000	16,723,994	(4,358,447)	52,481,066
Total comprehensive income for the period						
Profit for the period	-	-	-	-	11,005,063	11,005,063
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	1,301,041	-	1,301,041
Transfer to profit or loss of reserve on available for sale investments sold during the period	-	-	-	(15,516,460)	-	(15,516,460)
Total other comprehensive income	-	-	-	(14,215,419)	-	(14,215,419)
Total comprehensive income for the period	-	-	-	(14,215,419)	11,005,063	(3,210,356)
At 30 June 2011 (unaudited)	**30,000,000**	**8,615,519**	**1,500,000**	**2,508,575**	**6,646,616**	**49,270,710**
At 1 January 2012 (audited)	30,000,000	8,998,499	1,500,000	960,586	(911,628)	40,547,457
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(45,819)	(45,819)
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	1,264,322	-	1,264,322
Transfer to profit or loss of reserve on available for sale investments sold during the period	-	-	-	(1,168,582)	-	(1,168,582)
Total other comprehensive income	-	-	-	95,740	-	95,740
Total comprehensive income for the period	-	-	-	95,740	(45,819)	49,921
At 30 June 2012 (unaudited)	**30,000,000**	**8,998,499**	**1,500,000**	**1,056,326**	**(957,447)**	**40,597,378**

The notes set out on pages 7 to 13 are an integral part of the condensed interim financial information.

1. Reporting entity

Emirates Refreshments (P.S.C.) (formerly Jeema Mineral Water (P.S.C.)) ("the Company") is a Public Shareholding Company, incorporated in Dubai, United Arab Emirates under a decree issued by His Highness The Ruler of Dubai. The Company is listed on the Dubai Financial Market.

The 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.

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

2. Statement of compliance

The condensed interim financial information for the six month period ended 30 June 2012 has been prepared in accordance with the International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2011.

3. Significant accounting policies

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those applied by the Company in its financial statements as at and for the year ended 31 December 2011.

4. Accounting estimates and judgements

The preparation of condensed interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the financial statements of the Company as at and for the year ended 31 December 2011.

5. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2011.

6. Cost of sales

	Unaudited Three month period ended 30 June		**Unaudited Six month period ended 30 June**	
	2012	2011	**2012**	2011
	AED	AED	**AED**	AED
These include:				
Materials consumed	**5,870,878**	5,863,607	**10,949,903**	9,411,168
Staff costs	**1,198,999**	961,770	**2,350,557**	2,161,197
Depreciation	**1,169,241**	1,109,013	**2,376,601**	2,141,719
Water and electricity charges	**1,218,280**	825,030	**2,202,379**	2,235,173

7. Distribution expenses

	Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
	2012	2011	**2012**	2011
	AED	AED	**AED**	AED
These include:				
Staff costs	**1,115,689**	1,251,240	**2,147,064**	2,429,268
Transportation expenses	**1,279,512**	1,140,880	**2,498,349**	2,150,500
Advertisement and marketing expenses	**33,275**	346,808	**70,848**	363,852
Depreciation	**150,068**	85,293	**252,832**	211,248
Provision for slow moving and obsolete inventories	**-**	112,054	**-**	117,990

8. Administrative and general expenses

	Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
	2012	2011	**2012**	2011
	AED	AED	**AED**	AED
These include:				
Staff costs	**760,250**	1,343,422	**1,655,619**	2,678,978
Depreciation	**159,238**	53,508	**272,414**	106,474
Loss on disposal of investment property (refer note 10)	**462,564**	-	**462,564**	-

9. Property, plant and equipment

During the six month period ended 30 June 2012, the Company acquired assets amounting to AED 0.64 million *(six month period ended 30 June 2011: AED 0.88 million)* and incurred depreciation expense of AED 2.9 million *(six month period ended 30 June 2011: AED 2.4 million)*. Furthermore, the Company disposed asset with net book value of AED 0.01 million *(six month period ended 30 June 2011: AED 0.60 million)*.

10. Investment property

Investment property comprised a land at Sharjah which was held for undetermined use. During the period, the Company sold this land for a consideration of AED 3,327,788. The Company has also incurred a transaction cost of AED 33,278 in respect of this sale. The Company has recognised a loss on sale of investment property of AED 462,564 in the profit or loss (refer note 8).

11. Available for sale investments

	30 June 2012 AED (Unaudited)	31 December 2011 AED (Audited)	30 June 2011 AED (Unaudited)
Opening balance	**8,189,425**	27,182,833	27,182,833
Change in fair value	**1,264,322**	1,191,529	1,301,041
Sale of investments	**(6,659,070)**	(20,184,937)	(18,746,460)
	2,794,677	8,189,425	9,737,414

Significant investments in available for sale financial assets are held in equity securities listed on recognised stock exchanges.

During the current period, the Company sold certain investments in securities with original cost of AED 5,490,488 *(2011: AED 3,230,000)* for a consideration of AED 6,659,070 *(2011: AED 18,746,460)* resulting in a gain of AED 1,168,582 *(2011: AED 15,516,460)* which is recorded in profit or loss.

12. Inventories

	30 June 2012 AED (Unaudited)	31 December 2011 AED (Audited)	30 June 2011 AED (Unaudited)
Raw materials	**3,965,433**	2,402,735	4,732,425
Finished goods	**1,160,136**	1,851,837	979,496
Spare parts	**3,360,707**	3,805,798	3,925,531
Others	**166,463**	222,724	194,675
	8,652,739	8,283,094	9,832,127
Less: Provision for slow moving inventories	**(425,023)**	(601,846)	(463,156)
	8,227,716	7,681,248	9,368,971

13. Trade and other receivables

	30 June 2012 AED (Unaudited)	31 December 2011 AED (Audited)	30 June 2011 AED (Unaudited)
Trade receivables	**7,737,661**	7,160,921	6,322,645
Less: Allowance for impairment	**(940,183)**	(790,183)	(1,033,062)
	6,797,478	6,370,738	5,289,583
Prepayments	**974,435**	721,530	2,287,498
Advances to suppliers	**197,311**	43,694	-
Other receivables	**1,170,192**	1,148,989	1,069,738
	9,139,416	8,284,951	8,646,819

14. Related party transactions and balances

Significant related party transactions were as follows:

	Unaudited Three month period ended 30 June		**Unaudited Six month period ended 30 June**	
	2012	2011	**2012**	2011
	AED	AED	**AED**	AED
Sales	**1,762,205**	1,270,411	**3,129,748**	2,344,759
Payment of expenses on behalf of the Company	**82,687**	81,925	**82,687**	192,140
Compensation to key management personnel is as follows:				
- Short term benefits	**345,048**	588,048	**828,395**	1,098,096
- Provision towards employee terminal benefits	**18,040**	6,232	**64,911**	13,354

In 2009, the Company had entered into a co-packing agreement ("the Co-Packing Agreement") with Dubai Refreshments (P.S.C.), 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. The agreement was valid until February 2012. The Company has entered into a new agreement with Dubai Refreshments (P.S.C.) on 22 February 2012 with a validity of 2 years. The amount receivable from Dubai Refreshments (P.S.C.) under the Co-Packing Agreement is assigned to banks against facilities obtained by the Company.

	30 June 2012 AED (Unaudited)	31 December 2011 AED (Audited)	30 June 2011 AED (Unaudited)
Due from a related party			
Dubai Refreshments (P.S.C.)	**1,647,355**	1,336,674	192,148

15. Cash at bank and in hand

	30 June 2012 AED (Unaudited)	31 December 2011 AED (Audited)	30 June 2011 AED (Unaudited)
Cash in hand	**199,136**	133,386	260,693
Other cash equivalents	**51,663**	48,454	-
Cash at bank – current account	**46,523**	304,354	556,096
Cash at bank – fixed deposit	**20,797,890**	20,596,503	18,750,000
Cash at bank – fixed deposit	**21,095,212**	21,082,697	19,566,789
Less: Non-current portion of fixed deposits	**(3,600,000)**	(4,200,000)	-
	17,495,212	16,882,697	19,566,789

15. Cash at bank and in hand *(continued)*

(i) Fixed deposits include AED 6.04 million with a maturity of less than three months from the reporting date. Fixed deposits carry interest at normal commercial rates.

(ii) Fixed deposits with banks amounting to AED 20.80 million are hypothecated against bank borrowings obtained comprising loans and overdraft. Fixed deposits of AED 3.6 million corresponding to the non-current portion of bank loans are classified as non-current assets.

16. Trade and other payables

	30 June 2012 AED (Unaudited)	31 December 2011 AED (Audited)	30 June 2011 AED (Unaudited)
Trade payables	**7,950,425**	8,932,282	12,239,679
Accrued expenses and other payables	**3,136,081**	9,979,905	5,671,950
	11,086,506	18,912,187	17,911,629

17. Bank loans

	30 June 2012 AED (Unaudited)	31 December 2011 AED (Audited)	30 June 2011 AED (Unaudited)
Term loans from bank	**11,800,000**	13,400,000	15,000,000
Less: Short term portion of bank loans	**(3,200,000)**	(3,200,000)	(3,200,000)
Long term portion of bank loans	**8,600,000**	10,200,000	11,800,000
Bank overdraft	**12,250,807**	12,708,336	6,512,793

The details of the bank loans including the terms of repayment, interest rate and security provided are mentioned in the financial statements of the Company as at and for the year ended 31 December 2011.

18. Earnings per share

	Unaudited Three month period ended 30 June		**Unaudited Six month period ended 30 June**	
	2012	2011	**2012**	2011
Profit/(loss) for the period (AED)	**471,294**	(2,203,769)	**(45,819)**	11,005,063
Weighted average number of shares outstanding	**30,000,000**	30,000,000	**30,000,000**	30,000,000
Earnings per share in AED	**0.016**	(0.073)	**(0.002)**	0.367

19. Operating lease commitments

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

	30 June 2012 AED Unaudited	31 December 2011 AED Audited
Less than 1 year	**2,103,181**	2,068,210
Later than 1 year and no later than 5 years	**2,885,760**	3,669,149
Later than 5 years	**3,753,574**	4,024,227
	8,742,515	9,761,586

20. Contingent liabilities and commitments

	30 June 2012 AED Unaudited	31 December 2011 AED Audited
Letters of guarantee	**3,328,641**	1,025,000
Capital commitments	**145,999**	372,942

At 31 December 2011, the Company was a defendant in respect of various legal cases filed against it in the UAE and Oman by its former agent in Oman, the details of which are contained in note 28 of the financial statements for the year ended 31 December 2011. The status of the significant cases is as follows:

1) Claim of AED 1.76 million against the Company for indemnification for the termination of the agency agreement. This claim was based on the grounds that the termination was without sufficient notice and had resulted in damage to the Agent and loss of customers. The Court of First Instance in Dubai ruling obligated the Company to pay part of the claim. The Company and the Agent filed an appeal against the ruling and the Court of Appeal obligated the Company to pay the full claim of AED 1.76 million and legal costs. The Company had created the provision for this in 2011. Furthermore, the Company has paid the amount during the period and filed an appeal in the Court of Cassation.

2) 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. The Court of First Instance in Dubai pronounced a judgement in favour of the Agent and had obligated the Company to pay AED 2.2 million and legal costs of 0.2 million. The Company had created the provision for this in 2011. The Company had filed an appeal against the ruling which was rejected by the Court of Appeal. The Company has paid the amount during the period and filed an appeal in the Court of Cassation.

20. Contingent liabilities and commitments *(continued)*

3) Furthermore, during 2011, the Company was also a defendant in a case filed in a Court in the UAE by a former employee of the Company in relation to the termination of the employee claiming AED 5.4 million. The Court had dismissed the claim and an appeal has been filed by the employee in the current quarter which was rejected by the appellate court. Based on the review of legal proceedings, management is of the view that there will be no significant financial liability towards the Company.

21. 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 condensed interim statement of financial position, condensed interim income statement and notes to the condensed interim financial information.

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

a) Information about geographical segments

During the quarter ended 30 Jun 2012, revenue from customers located in the Company's country of domicile (UAE) is AED 23.22 million *(quarter ended 30 June 2011: AED 17.54 million)* and revenue from customers outside the UAE (foreign customers) is AED 3.78 million *(quarter ended 30 June 2011: AED 4.68 million).*

b) Major customers

Revenue from a related party represents AED 3.1 million *(quarter ended 30 June 2011: AED 2.34 million)* of the Company's total revenues. Apart from Dubai Refreshments (P.S.C.) there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.