Jeema Mineral Water (P.S.C.)

Condensed interim financial information

30 June 2010

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Independent auditors' report on review of condensed interim financial information

The Shareholders
Jeema Mineral Water (P.S.C.)

Introduction

We have reviewed the accompanying condensed statement of financial position of Jeema Mineral Water (P.S.C.) ("the Company") as of 30 June 2010, and the related condensed statements of comprehensive income (comprising a separate condensed income statement and a condensed statement of comprehensive income), changes in equity and cash flows and selected explanatory notes for the six month period then ended ("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.

The condensed interim financial information of the Company for the six month period ended 30 June 2009 was reviewed by another auditor, whose report dated 22 July 2009 expressed an unqualified review conclusion thereon. Furthermore, the financial statements of the Company for the year ended 31 December 2009 were audited by another auditor, whose report dated 16 March 2010 expressed an unqualified opinion on those statements.

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 2010 is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

Sharad Bhandari
Registration No. 267
Dubai, United Arab Emirates

KPMG

15 AUG 2010

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Jeema Mineral Water (P.S.C.)

Condensed income statement

for the six month period ended 30 June 2010

	Note	Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
		2010	2009	**2010**	2009
		AED	AED	**AED**	AED
Revenue		**15,750,731**	15,508,565	**28,383,855**	27,335,259
Cost of sales	*6*	**(8,857,093)**	(9,933,281)	**(16,867,749)**	(16,772,191)
Gross profit		**6,893,638**	5,575,284	**11,516,106**	10,563,068
Distribution expenses	*7*	**(5,104,055)**	(4,129,321)	**(11,298,251)**	(7,855,795)
Administrative and general expenses	*8*	**(1,183,230)**	(426,572)	**(3,838,702)**	(1,115,552)
Profit on disposal of available for sale investments	*11*	**-**	-	**2,975,191**	-
Finance expense		**(234,169)**	(226,052)	**(529,279)**	(292,698)
Other income	*9*	**1,019,208**	1,117,722	**1,028,778**	1,113,941
Profit/(loss) for the period		**1,391,392**	1,911,061	**(146,157)**	2,412,964
Earnings per share in AED	*18*	**0.046**	0.064	**(0.005)**	0.080

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

Jeema Mineral Water (P.S.C.)

Condensed statement of comprehensive income

for the six month period ended 30 June 2010

	Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
	2010	2009	**2010**	2009
	AED	AED	**AED**	AED
Profit/(loss) for the period	**1,391,392**	1,911,061	**(146,157)**	2,412,964
Other comprehensive income:				
Net change in fair value of available for sale investments	**(5,821,247)**	(837,263)	**(2,572,340)**	5,627,870
Transfer of fair value reserve on investments sold during the period to profit or loss	**-**	-	**(2,975,191)**	-
Total other comprehensive income for the period	**(5,821,247)**	(837,263)	**(5,547,531)**	5,627,870
Total comprehensive income for the period	**(4,429,855)**	1,073,798	**(5,693,688)**	8,040,834

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

Jeema Mineral Water (P.S.C.)

Condensed statement of financial position

as at 30 June 2010

	Note	30 June 2010 AED (Unaudited)	31 December 2009 AED (Audited)	30 June 2009 AED (Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	*10*	**47,036,649**	47,453,098	46,320,354
Available for sale investments	*11*	**25,659,462**	31,776,993	31,905,540
Long-term prepayment		**1,311,500**	1,342,000	1,403,000
Total non-current assets		**74,007,611**	80,572,091	79,628,894
Current assets				
Inventories	*12*	**6,544,683**	9,293,969	9,159,341
Trade and other receivables	*13*	**14,019,816**	20,437,262	20,782,300
Cash at bank and in hand	*15*	**189,790**	537,346	258,965
Total current assets		**20,754,289**	30,268,577	30,200,606
Total assets		**94,761,900**	110,840,668	109,829,500
EQUITY				
Share capital		**30,000,000**	30,000,000	30,000,000
Legal reserve		**8,615,519**	8,615,519	8,221,202
Obligatory reserve		**1,500,000**	1,500,000	1,500,000
Fair value reserve	*21*	**15,029,893**	20,577,424	20,308,427
Retained earnings	*21*	**9,998,970**	11,645,127	10,584,236
Total equity		**65,144,382**	72,338,070	70,613,865
LIABILITIES				
Non-current liabilities				
Staff terminal benefits		**1,523,899**	1,413,791	1,291,209
Payable to a related party – non current portion	*14*	**-**	6,500,000	6,500,000
Bank loan – non current portion	*17*	**3,750,000**	6,250,000	8,750,000
Total non-current liabilities		**5,273,899**	14,163,791	16,541,209
Current liabilities				
Trade and other payables	*16*	**10,216,781**	10,535,459	8,268,659
Due to a related party	*14*	**1,399,401**	1,392,835	2,584,857
Bank overdraft		**1,042,189**	4,643,695	3,525,345
Payable to a related party – current portion	*14*	**6,685,248**	4,016,818	7,045,565
Short-term portion of long-term bank loan	*17*	**5,000,000**	3,750,000	1,250,000
Total current liabilities		**24,343,619**	24,338,807	22,674,426
Total liabilities		**29,617,518**	38,502,598	39,215,635
Total equity and liabilities		**94,761,900**	110,840,668	109,829,500

The condensed interim financial information was authorised for issue on behalf of the Board of Directors on 15 AUG 2010

Mana Mohamed Saeed Al Mulla
Director

Neeraj Vohra
Director

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

Jeema Mineral Water (P.S.C.)

Condensed statement of cash flows

for the six month period ended 30 June 2010

	Unaudited Six month period ended 30 June	
	2010	2009
	AED	AED
Operating activities		
(Loss)/profit for the period	**(146,157)**	2,412,964
Adjustments for:		
Depreciation	**3,197,217**	2,690,416
Loss on disposal of property, plant and equipment	**211,098**	-
Amortisation of long-term prepayment	**30,500**	30,500
Provision for staff terminal benefits	**160,800**	546,047
Income from disposal of available for sale investments	**(2,975,191)**	-
Operating profit before changes in working capital	**478,267**	5,679,927
Change in inventories	**2,749,286**	1,118,664
Change in trade and other receivables	**6,417,446**	306,962
Change in trade and other payables	**(318,678)**	(4,130,396)
Change in due to a related party	**6,566**	2,584,857
Staff terminal benefits paid	**(50,692)**	(260,306)
Net cash from operating activities	**9,282,195**	5,299,708
Investing activities		
Purchase of property, plant and equipment	**(3,222,866)**	(718,603)
Proceeds from disposal of property, plant and equipment	**231,000**	-
Proceeds from disposal of available for sale investments	**3,545,191**	-
Net cash from/(used in) investing activities	**553,325**	(718,603)
Financing activities		
Term loan obtained from a bank	**-**	10,000,000
Repayment of bank loan	**(1,250,000)**	-
Repayment of long term payable to a related party	**(3,831,570)**	(12,954,435)
Dividend paid	**(1,500,000)**	-
Net cash used in financing activities	**(6,581,570)**	(2,954,435)
Net increase in cash and cash equivalents	**3,253,950**	1,626,670
Cash and cash equivalents at the beginning of the period	**(4,106,349)**	(4,893,050)
Cash and cash equivalents at the end of the period	**(852,399)**	(3,266,380)
Cash and cash equivalents comprise:		
Cash at bank and in hand	**189,790**	258,965
Bank overdraft	**(1,042,189)**	(3,525,345)
	(852,399)	(3,266,380)

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

Jeema Mineral Water (P.S.C.)

Condensed statement of changes in equity

for the six month period ended 30 June 2010

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
At 1 January 2009 (audited) – as previously stated	30,000,000	8,221,202	1,500,000	10,746,999	12,104,830	62,573,031
Effect of prior period adjustment (refer note 21)	-	-	-	3,933,558	(3,933,558)	-
At 1 January 2009 (audited) – restated	30,000,000	8,221,202	1,500,000	14,680,557	8,171,272	62,573,031
Total comprehensive income for the period						
Profit for the period	-	-	-	-	2,412,964	2,412,964
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	5,627,870	-	5,627,870
Total other comprehensive income	-	-	-	5,627,870	-	5,627,870
Total comprehensive income for the period	-	-	-	5,627,870	2,412,964	8,040,834
At 30 June 2009 (unaudited) – restated	**30,000,000**	**8,221,202**	**1,500,000**	**20,308,427**	**10,584,236**	**70,613,865**
At 1 January 2010 (audited) – 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 adjustment (refer note 21)	-	-	-	3,933,558	(3,933,558)	-
At 1 January 2010 (audited) – restated	30,000,000	8,615,519	1,500,000	20,577,424	11,645,127	72,338,070
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(146,157)	(146,157)
Other comprehensive income						
Net change in fair value of available for sale investments	-	-	-	(2,572,340)	-	(2,572,340)
Transfer of fair value reserve on investments sold during the period to profit or loss	-	-	-	(2,975,191)	-	(2,975,191)
Total other comprehensive income	-	-	-	(5,547,531)	-	(5,547,531)
Total comprehensive income for the period	-	-	-	(5,547,531)	(146,157)	(5,693,688)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividend paid	-	-	-	-	(1,500,000)	(1,500,000)
Total contributions by and distributions to owners	-	-	-	-	(1,500,000)	(1,500,000)
Total transactions with owners	-	-	-	-	(1,500,000)	(1,500,000)
At 30 June 2010 (unaudited)	**30,000,000**	**8,615,519**	**1,500,000**	**15,029,893**	**9,998,970**	**65,144,382**

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

1. Reporting entity

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 shareholders of the Company at an extraordinary general meeting held on 20 June 2010, have resolved that the name of the Company be changed to Emirates Refreshments (P.S.C.). The legal formalities for the registration of the new name are in progress at the reporting date.

The principal activity of the Company is bottling and selling mineral water as well as manufacturing plastic bottles and containers.

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

2. Basis of preparation

Statement of compliance

The condensed interim financial information 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 audited financial statements of the Company for the year ended 31 December 2009.

Functional currency

The condensed interim financial information, presented in UAE Dirhams ("AED"), which is the Company's functional currency, has been prepared under the historical cost convention, except for financial instruments classified as available for sale which are stated at fair value.

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 2009. Certain comparative amounts have been reclassified to conform to the current period's presentation.

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 preparation of the financial statements of the Company as at and for the year ended 31 December 2009.

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 2009.

6. Cost of sales

	Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
	2010	2009	**2010**	2009
	AED	AED	**AED**	AED
These include:				
Raw materials consumed	**5,003,640**	5,717,192	**9,084,036**	10,519,279
Staff costs	**910,854**	754,316	**1,835,534**	1,531,815
Depreciation	**1,193,480**	1,464,107	**2,507,388**	2,120,941

7. Distribution expenses

	Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
	2010	2009	**2010**	2009
	AED	AED	**AED**	AED
These include:				
Staff costs	**1,881,270**	1,290,493	**3,763,384**	2,419,158
Advertisement and marketing expenses	**595,032**	299,368	**1,673,058**	652,139
Depreciation	**277,763**	120,289	**600,599**	481,831
Provision for slow moving and obsolete inventories	**-**	-	**596,520**	-

8. Administrative and general expenses

	Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
	2010	2009	**2010**	2009
	AED	AED	**AED**	AED
These include:				
Staff costs	**588,315**	464,175	**1,064,825**	912,268
Depreciation	**21,357**	16,182	**89,230**	87,644
Loss on disposal of property, plant and equipment	**-**	-	**211,098**	-
Impairment loss on trade receivables	**-**	-	**1,650,428**	-

9. Other income

	Unaudited Three month period ended 30 June		Unaudited Six month period ended 30 June	
	2010	2009	**2010**	2009
	AED	AED	**AED**	AED
This includes:				
Dividend income	**979,604**	1,105,295	**979,604**	1,105,295
Miscellaneous income	**39,604**	12,427	**49,174**	8,646
	1,019,208	1,117,722	**1,028,778**	1,113,941

10. Property, plant and equipment

Additions and disposals (unaudited)
During the six month period ended 30 June 2010, the Company acquired assets amounting to AED 1.93 million *(six month period ended 30 June 2009: AED 27.2 million)* and incurred AED 1.29 million on capital work in progress *(six month period ended 30 June 2009: Nil)*. Furthermore, the Company made a disposal of assets with net book value of AED 0.44 million *(six month period ended 30 June 2009: Nil)*. Also refer note 14.

11. Available for sale investments

	Unaudited Six month period ended 30 June	
	2010	2009
	AED	AED
At 1 January (audited)	**31,776,993**	26,277,670
Change in fair value	**(2,572,340)**	5,627,870
Sale of investments	**(3,545,191)**	-
At 30 June (unaudited)	**25,659,462**	31,905,540

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 of Etisalat with a fair value of AED 17.8 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 period, the Company sold certain investments in securities with original cost of AED 570,000 for a consideration of AED 3,545,191 resulting in a gain of AED 2,975,191 which is recorded in profit or loss. This gain includes AED 2,975,191representing the fair value reserve on such investments at the date of disposal, which has now been transferred to profit or loss.

12. Inventories

	30 June 2010 AED (Unaudited)	31 December 2009 AED (Audited)	30 June 2009 AED (Unaudited)
Raw materials	**2,153,133**	3,762,349	3,439,202
Finished goods	**397,298**	981,789	761,369
Spare parts	**3,164,671**	2,976,011	3,455,333
Others	**2,022,901**	1,720,620	1,650,237
	7,738,003	9,440,769	9,306,141
Less: Provision for slow moving inventories	**(1,193,320)**	(146,800)	(146,800)
	6,544,683	9,293,969	9,159,341

13. Trade and other receivables

	30 June 2010 AED (Unaudited)	31 December 2009 AED (Audited)	30 June 2009 AED (Unaudited)
Trade receivables	**13,581,401**	12,537,737	13,328,601
Less: Provision for doubtful debts	**(2,942,474)**	(1,292,046)	(843,322)
	10,638,927	11,245,691	12,485,279
Prepayments	**2,235,095**	3,701,077	3,821,865
Advances to suppliers	**751,600**	2,658,203	3,036,804
Other receivables	**394,194**	2,832,291	1,438,352
	14,019,816	20,437,262	20,782,300

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**	
	2010 AED	2009 AED	**2010 AED**	2009 AED
Sales	**1,532,720**	2,271,514	**2,746,701**	2,954,435
Purchase of property, plant and equipment	**-**	26,500,000	**-**	26,500,000
Payment of expenses on behalf of the Company	**-**	86,970	**467,984**	1,109,635
Compensation to key management personnel is as follows:				
- Short term benefits	**142,500**	86,500	**285,000**	173,000
- Provision towards employees' terminal benefits	**7,500**	5,750	**15,000**	11,500

In 2009, the Company has entered into a co-packing agreement ("the 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 Agreement, the parties have undertaken to sell/purchase a minimum quantity of the beverage at a mutually agreed price.

	30 June 2010 AED (Unaudited)	31 December 2009 AED (Audited)	30 June 2009 AED (Unaudited)
Due to a related party			
Dubai Refreshments (PSC)	**1,399,401**	1,392,835	2,584,857

14. Related party transactions and balances (continued)

	30 June 2010 AED (Unaudited)	31 December 2009 AED (Audited)	30 June 2009 AED (Unaudited)
Long term payable to a related party			
Purchase of property, plant and equipment from Dubai Refreshments (PSC) (refer note 10)	**26,500,000**	26,500,000	26,500,000
Less: Cumulative repayments/adjustments to date	**(19,814,752)**	(15,983,182)	(12,954,435)
	6,685,248	10,516,818	13,545,565
Less: Current portion	**(6,685,248)**	(4,016,818)	(7,045,565)
Long-term portion	**-**	6,500,000	6,500,000

The details of the long term payable to the related party including the original terms of repayment are mentioned in the financial statements of the Company as at and for the year ended 31 December 2009. During the current period, the repayment terms were renegotiated with the related party under the terms of which, AED 20 million had to be repaid/adjusted by 15 June 2010. Against this, AED 19.81 million has been repaid/adjusted. The Company's management is of the view that the shortfall of AED 0.19 million does not constitute a material breach of the terms of the agreement with the related party. The remaining balance is repayable by 31 March 2011.

15. Cash at bank and in hand

	30 June 2010 AED (Unaudited)	31 December 2009 AED (Audited)	30 June 2009 AED (Unaudited)
Cash in hand	**50,800**	37,495	40,495
Cash at bank	**138,990**	499,851	218,470
	189,790	537,346	258,965

16. Trade and other payables

	30 June 2010 AED (Unaudited)	31 December 2009 AED (Audited)	30 June 2009 AED (Unaudited)
Trade payables	**7,933,695**	8,432,183	6,793,719
Accrued expenses and other payables	**2,283,086**	2,103,276	1,474,940
	10,216,781	10,535,459	8,268,659

17. Bank loan

	30 June 2010 AED (Unaudited)	31 December 2009 AED (Audited)	30 June 2009 AED (Unaudited)
Term loan from bank	**8,750,000**	10,000,000	10,000,000
Less: Current portion of bank loan	**(5,000,000)**	(3,750,000)	(1,250,000)
Long term portion of bank loan	**3,750,000**	6,250,000	8,750,000

The details of the bank loan 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 2009.

18. Earnings per share

	Unaudited Three month period ended 30 June		**Unaudited Six month period ended 30 June**	
	2010	2009	**2010**	2009
Profit/(loss) for the period (AED)	**1,391,392**	1,911,061	**(146,157)**	2,412,964
Weighted average number of shares outstanding	**30,000,000**	30,000,000	**30,000,000**	30,000,000
Earnings per share in AED	**0.046**	0.064	**(0.005)**	0.080

19. Operating lease commitments

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

	30 June 2010 AED (Unaudited)	31 December 2009 AED (Audited)
Less than 1 year	**2,129,801**	2,120,561
Later than 1 year and no later than 5 years	**1,981,112**	1,942,267
Later than 5 years	**5,075,207**	5,582,292
	9,186,120	9,645,120

20. Contingent liabilities and commitments

	30 June 2010 AED Unaudited	31 December 2009 AED Audited
Letters of guarantees	**1,106,590**	1,106,590
Letters of credit	**466,060**	843,128
Capital commitments	**10,033,674**	11,327,712

21. Prior period error

The Company holds investments in quoted equity securities which have been 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, 30 June and 31 December 2009. This has now been corrected in the condensed interim financial information for the six month period ended 30 June 2010. However, the error does not require restatement of the profit or loss or earnings per share for the comparative periods presented.

22. 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 statement of financial position, condensed 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 six month period ended 30 June 2010, revenue from customers located in the Company's country of domicile (UAE) is AED 22.95 million *(six month ended 30 June 2009: AED 22.15 million)* and revenue from customers outside the UAE (foreign customers) is AED 5.43 million *(six month ended 30 June 2009: AED 5.18 million).*

b) Major customers

During the six month period ended 30 June 2010, there were no customers of the Company which contributed revenues greater than 10% of the total revenue of the Company.