

**Emirates Refreshments (P.S.C.) and its subsidiaries**

**Consolidated Financial Statements  
For the year ended December 31, 2020**

**Emirates Refreshments (P.S.C) and its subsidiaries  
Consolidated Financial Statements**

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## الإمارات للمرطبات Emirates Refreshments

Dear Shareholders,

On behalf of the Board of Directors of Emirates Refreshments P.J.S.C, it gives me a great honour to present to you the Director's report and financial statements for the year ended 31<sup>st</sup> December 2020.

I will start by saying that 2020 has been a year of far-reaching changes and difficult yet necessary decisions aimed at the transformation of the company. In a short time, the COVID 19 pandemic has had a far-reaching impact globally impacting the economy, our society and human life in all aspects. And yet amidst all of this we have seen some magnificent examples of human resilience solidarity and innovation.

Since the outbreak of COVID 19, we have implemented several measures across our operations to ensure a safe and healthy environment for our employees. We are constantly reviewing the situation to ensure we are responding effectively to health, operational and financial concerns.

### 2020 Outlook

At the start of 2020, the company was facing an uncomfortable financial position, business uncertainty, and severe challenges threatening our future economic and financial performance. The main priority was to oppose and reverse the trend towards a worsening financial position of the company. Board and management's role were to diagnose challenges and difficulties with the utmost clarity and transparency. However, I also wanted to convey, with that same clarity and conviction, that we were entirely confident and certain about the path we had to follow for the company successfully to overcome those many challenges.

With that goal in mind, in August 2020 we redefined our Strategic future Plan for the coming years. The Plan, which was our roadmap for transforming and developing the company, consisted of the following elements:

- First, an exhaustive and in-depth diagnosis of the reasons why some of the key parameters of ERC's business and financial performance had declined in recent years.
- Secondly, a structured framework of strategic guidelines to lend coherence to our initiatives, both those we have taken so far and others that we shall explore in future.
- And ambitious strategic targets for growth, performance and cash generation over the following three years as a result of those initiatives, taking into account the extremely competitive and aggressive market environment.



## الإمارات للمرطبات Emirates Refreshments

### Looking ahead

The Plan is structured into major blocks of strategic guidelines that shape the various initiatives: **Cost efficiency; Equity restructuring; Targeting acquisitions; Business expansion (organic and non-organic growth); and, finally, Cultural change.**

### Key Initiatives:

As to the first block of actions - cost efficiency and improved competitiveness at ERC - we have carried out many of the most outwardly visible actions in this area. It was critical to focus tightly on competitiveness and efficiency in an increasingly demanding market environment.

ERC's Board of Directors have laid down a sturdy strategy that include equity restructuring, targeting acquisitions and business expansion. The strategy for the future of the group is now focussed on these three areas and we believe that this will help the company to outstrip average market growth and strategic acquisitions will further accelerate the targeted growth and market penetration.

We are confident that, having laid the foundations of a properly reformed and efficient organization with improved risk management mechanisms, we shall be in a strong position to grasp the opportunities that ERC's high capability will place before us, and translate them into orderly and profitable growth.

Finally, these initiatives can be undertaken successfully only if there is also a cultural change. The company - including ourselves, the management, and all our people - must successfully complete the toughest transformation of all, which is the transformation of our behaviours, processes, priorities and objectives.

### Financial Performance

The outspread of COVID 19 pandemic and lockdown of economy during the year 2020 has impacted financially across the world. The impact of it also reflected on our company financials due to highest restrictions on travel and Horeca sector and closures of borders resulted in restricted and delayed exports. The net revenue of year 2020 has declined by 37% to AED 24.8M in comparison with net revenue of year 2019. The company has adapted well to challenges of pandemic and adopted continual cost optimization and saving measures across all level. This resulted in to improved gross profit margin to 41% (AED 10.4M) in year 2020 vs 27% (AED11M) in 2019. In addition, the SG&A expenses also declined by 11% to AED18.8M. Overall the total net loss of the year 2020 has been reduced by 29% to AED 7.2M.

### Corporate Governance

Turning to Corporate governance - as you would expect, we are fully compliant with U E's corporate governance code. But in addition to this, the Board and its committees oversaw and provided significant input into a number of important of development during the year relating to culture, diversity and inclusion, risk and risk appetite. This has been done to ensure that, beyond code compliance, we continue to focus on the issues that will shape our future.

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## الإمارات للمرطبات Emirates Refreshments

### Acknowledgement

In conclusion, on behalf of the Board of Directors, I am honoured to extend the utmost gratitude to His Highness Sheikh / Khalifa bin Zayed bin Sultan Al Nahyan - President of the State and to His Highness Sheikh Mohammed bin Rashid Al Maktoum - Vice President and Prime Minister of the UAE and Ruler of Dubai, and to His Highness Sheikh / Mohammed bin Zayed bin Sultan Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE and Chairman of the Executive Council - for their sustained directives and continued support in the economic field in the state.

I would also like to express grateful appreciation for the assistance and co-operation received from the Government Authorities, Shareholders and employees during the year 2020. On behalf of ERC, I thank you for accompanying us on the exciting journey ahead. We will continuously seek and strive to act better, and do what is best for the company.

Yours's Faithfully,

Nader Al Hammadi  
Chairman

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**Independent Auditor's Report  
To the shareholders of Emirates Refreshments (P.S.C) and its subsidiaries**

**Report on audit of the consolidated financial statements**

**Opinion**

We have audited the consolidated financial statements of Emirates Refreshments P.S.C. (the "Parent Company") and its subsidiaries (together the "Group"), which comprise the statement of financial position as at December 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical and independence requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>Revenue is a material and an important determinant of the Group's performance and profitability. This gives rise to a risk of fraud in revenue recognition as there is an incentive to overstate revenue in order to increase profitability. The Group generates revenue from sale of goods when the control is transferred to customers (refer note 3.14 to the consolidated financial statements for the revenue recognition policy). Given the magnitude of the amount and inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.</p>	<p>To address the above risk, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Tested the design effectiveness of controls in respect of the Group's revenue and accounts receivable processes;</li> <li>• Tested samples of sales invoices during the year;</li> <li>• Performed analytical procedures, including gross profit margin analysis, and obtained explanations for significant variances as compared to previous year;</li> <li>• Performed sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period;</li> <li>• Inquired of management at different levels and departments of their knowledge of fraud risk and actual fraud instances, if any; and</li> <li>• Performed journal entries testing for accounts related to identified risks of material misstatement and verified them with supporting documents.</li> </ul>
<p><b>Existence, collectability of trade receivable balance and adequacy of allowance for expected credit losses</b></p> <p>As at December 31, 2020, the Group had trade receivables of AED 7,004,454 before allowance for expected credit losses of AED 3,546,552 (refer note 10 to the consolidated financial statements), which is significant to the Group as it represents approximately 15.66% of its total assets.</p> <p>The determination as to whether a trade receivable is collectable involves significant management judgment. Specific factors that management considers include the age of the balance, location of customer, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparty. Management uses this information to determine whether an allowance for expected credit losses is required either for a specific transaction or for a customer's balance overall. We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved.</p>	<p>To address the above risk, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Performed walkthroughs over the sales and trade receivables processes to determine whether controls are designed effectively;</li> <li>• Requested direct confirmations from customers for a sample of the outstanding balances, performed alternative procedures for non-replies, including testing of the supporting documents and subsequent cash collections;</li> <li>• We also obtained corroborative evidence of any disputes between the parties involved, attempts by management to recover the amounts outstanding;</li> <li>• In assessing the appropriateness of the overall provision for expected credit loss we considered the management's application of policy for recognizing provisions;</li> <li>• Further in addition to the above process, a forward-looking expected loss impairment model as prescribed in IFRS 9 "Financial Instruments" was also applied by the Group. This involves judgment as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions; and</li> <li>• Considered the completeness and accuracy of the disclosures.</li> </ul>

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**Impairment assessment of property, plant and equipment (PPE)**

As at December 31, 2020, the Group had PPE amounting to AED 4,481,407 which accounts for 10% of its total assets.

Management's assessment of the valuation of property, plant and equipment and usability is significant to our audit because this process is complex and requires significant management judgment. Accordingly, it has been determined as a key audit matter.

Please also refer to note 3 of the consolidated financial statements for disclosure of the related accounting policies including disclosure of the related critical estimates, assumptions and judgements. Refer note 4 for disclosures of movement in PPE.

To address the above risk, we performed the following procedures:

- We reviewed the Group's PPE to determine where impairment indicators exist. Based on existing market conditions, impairment indicators were identified mainly for the plant and machinery category of the Group's bottling facilities;
- Assessed the methodologies used by the external valuer to estimate the current market value of the facility;
- Evaluated the independent external valuer's competence, capabilities and objectivity; and
- Verified the accuracy and relevance of the data and assumptions used by the valuer;

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**Inventories**

As at December 31, 2020, the gross inventory balance amounts to AED 6,486,327 before the provision for slow moving inventories of AED 2,298,403 (refer note 9 to the consolidated financial statements), which were significant to the Group as it represents approximately 14.50% of the total assets of the Group. Due to the significance of the inventory balance and related estimation involved, this is considered as a key audit matter.

To address the above risk, we performed the following procedures:

- Attended and observed physical inventory count performed by the store and finance department at year end.
- Assessed the process, methods and assumptions used to develop the provision for slow moving, excess or obsolete items.
- Tested the reliability of the underlying data used by management to calculate the inventory obsolescence provisions.
- Performed net realisable value test to ensure that inventories are measured at the lower of cost and net realisable value.

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**Other information**

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Group's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2020 Annual Report after the date of our auditors' report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Parent Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) the Group has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Parent Company's Articles of Association and the UAE Federal Law No. (2) of 2015;
- iv) the financial information included in the Chairman's report is consistent with the books of account of the Group;
- v) investments in shares and stocks during the year ended December 31, 2020 are disclosed in note 7 to the consolidated financial statements;
- vi) note 11 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Parent Company has contravened during the financial year ended December 31, 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position; and
- viii) note 24 reflects the social contributions made during the year.

  
GRANT THORNTON  
Farouk Mohamed  
Registration No. 86



Dubai, 04 MAR 2021

**Emirates Refreshments (P.S.C.) and its subsidiaries  
Consolidated Financial Statements**

**Consolidated statement of financial position  
As at December 31, 2020**

	Note	2020 AED	2019 AED
<b>ASSETS</b>			
<b>Non-current</b>			
Property, plant and equipment	4	4,481,407	4,040,372
Investment properties	5	7,700,000	2,900,000
Right-of-use assets	6	6,135,193	6,356,975
Investment securities	7	722,511	1,538,818
Long-term prepayment	8	732,000	793,000
		<u>19,771,111</u>	<u>15,629,165</u>
<b>Current</b>			
Inventories	9	4,187,924	5,262,335
Trade and other receivables	10	4,799,707	10,020,317
Due from a related party	11	127,542	-
Cash and bank balances	12	15,725,086	15,640,960
Non-current assets held for sale	13	-	6,225,938
		<u>24,840,259</u>	<u>37,149,550</u>
<b>TOTAL ASSETS</b>		<u><b>44,611,370</b></u>	<u><b>52,778,715</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	30,000,000	30,000,000
Statutory reserve	15	-	10,002,276
Obligatory reserve	16	-	1,500,000
Fair value reserve		327,562	911,984
Accumulated losses		(11,357,066)	(16,304,094)
		<u>18,970,496</u>	<u>26,110,166</u>
<b>Non-current</b>			
Employees' end of service benefits	17	2,019,752	2,075,602
Lease liabilities	18	5,450,044	5,120,303
		<u>7,469,796</u>	<u>7,195,905</u>
<b>Current</b>			
Trade and other payables	19	9,203,254	9,555,441
Due to a related party	11	-	412,797
Lease liabilities	18	1,862,320	2,380,771
Bank overdraft	12	7,105,504	7,123,635
		<u>18,171,078</u>	<u>19,472,644</u>
<b>Total liabilities</b>		<u><b>25,640,874</b></u>	<u><b>26,668,549</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>44,611,370</b></u>	<u><b>52,778,715</b></u>

The consolidated financial statements have been approved by the Board of Directors on March 04, 2021, and signed on its behalf by:

 CFO
  CEO
  Director
  Chairman

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements.

**Emirates Refreshments (P.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of income**  
**For the year ended December 31, 2020**

	Note	2020 AED	2019 AED
Sales		25,035,303	40,114,521
Less: Discount and marketing expenses		<u>(278,059)</u>	<u>(514,387)</u>
Revenue		24,757,244	39,600,134
Cost of sales		<u>(14,396,251)</u>	<u>(28,593,172)</u>
<b>GROSS PROFIT</b>		<b>10,360,993</b>	<b>11,006,962</b>
Selling and distribution expenses		<u>(10,404,011)</u>	<u>(14,431,883)</u>
Administrative and general expenses		<u>(8,355,949)</u>	<u>(6,688,897)</u>
<b>Loss for the year</b>		<b>(8,398,967)</b>	<b>(10,113,818)</b>
Finance expense	21	(617,114)	(821,832)
Gain/(loss) on fair value of investment properties	5	149,624	(100,000)
Finance income		368,231	589,478
Rental income	5	1,998,183	241,974
Depreciation on leased plant and machinery	4	(702,720)	-
Other income- net		19,902	94,169
<b>NET LOSS FOR THE YEAR</b>		<b><u>(7,182,861)</u></b>	<b><u>(10,110,029)</u></b>
Loss per share (in AED)	20	(0.239)	(0.337)

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statement.

Emirates Refreshments (P.S.C.) and its subsidiaries  
Consolidated Financial Statements

Consolidated statement of comprehensive income  
For the year ended December 31, 2020

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	Note	2020 AED	2019 AED
<b>NET LOSS FOR THE YEAR</b>		<b>(7,182,861)</b>	<b>(10,110,029)</b>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income/ (loss) not to be reclassified to statement of income in subsequent years</i>			
Net change in fair value of investment securities measured at FVOCI, equity instruments	7	<u>43,191</u>	<u>(325,128)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b><u>(7,139,670)</u></b>	<b><u>(10,435,157)</u></b>

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements

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Emirates Refreshments (P.S.C.) and its subsidiaries  
Consolidated Financial Statements

Consolidated statement of changes in equity  
For the year ended December 31, 2020

	Share capital AED	Legal reserve AED	Obligatory reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
Balance as of January 1, 2020	30,000,000	10,002,276	1,500,000	911,984	(16,304,094)	26,110,166
Loss for the year	-	-	-	-	(7,182,861)	(7,182,861)
Other comprehensive income for the year	-	-	-	43,191	-	43,191
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	-	(627,613)	627,613	-
<b>Total comprehensive loss for the year</b>	-	-	-	(584,422)	(6,555,248)	(7,139,670)
Transfer of legal and obligatory reserves to accumulated losses*	-	(10,002,276)	(1,500,000)	-	11,502,276	-
<b>Balance at December 31, 2020</b>	<b>30,000,000</b>	-	-	<b>327,562</b>	<b>(11,357,066)</b>	<b>18,970,496</b>
Balance as of January 1, 2019	30,000,000	10,002,276	1,500,000	1,237,112	(6,194,065)	36,545,323
Loss for the year	-	-	-	-	(10,110,029)	(10,110,029)
Other comprehensive loss for the year	-	-	-	(325,128)	-	(325,128)
<b>Total comprehensive loss for the year</b>	-	-	-	(325,128)	(10,110,029)	(10,435,157)
<b>Balance at December 31, 2019</b>	<b>30,000,000</b>	<b>10,002,276</b>	<b>1,500,000</b>	<b>911,984</b>	<b>(16,304,094)</b>	<b>26,110,166</b>

\* The Group merged the statutory and obligatory reserve with accumulated losses based on the proposal of Parent Company's board of directors which was approved in the general assembly meeting held on June 22, 2020.

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements

**Emirates Refreshments (P.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of cash flows**  
**For the year ended December 31, 2020**

	Notes	2020 AED	2019 AED
<b>OPERATING ACTIVITIES</b>			
Loss for the year		(7,182,861)	(10,110,029)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	4	2,051,976	3,441,692
Depreciation of right-of-use assets	6	1,901,650	2,717,533
Gain on disposal of property, plant and equipment		(5,500)	-
Amortisation of long-term prepayments	8	61,000	61,000
Provision for employees' end of service benefits	17	316,194	400,768
(Gain)/loss on fair value of investment property	5	(149,624)	100,000
Finance expense	21	617,114	821,832
Finance income		(320,597)	(488,562)
Allowance for expected credit losses	10	1,757,153	291,121
Provision for obsolete inventories	9	178,640	308,691
Dividend income from investment securities	7	(47,634)	(100,916)
Reversal of excess provision for obsolete inventories	9	(278,874)	-
Gain on disposal of investments		(3,581)	-
		<u>(1,104,944)</u>	<u>(2,556,870)</u>
<i>Working capital changes:</i>			
Inventories		1,174,645	3,606,613
Trade and other receivables		3,463,457	1,561,158
Amount due from a related party		(127,542)	2,811
Amount due to a related party		(412,797)	412,797
Trade and other payables		(352,187)	(1,009,662)
<b>Cash generated from operations</b>		<u>2,640,632</u>	<u>2,016,847</u>
Employees' end of service benefits paid	17	(372,044)	(1,128,598)
<b>Net cash generated from operating activities</b>		<u>2,268,588</u>	<u>888,249</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	(917,449)	(926,184)
Proceeds from sale of property, plant and equipment		5,500	-
Movement in fixed deposit from more than 3 months to 1 year		-	(154,495)
Dividend income received	7	47,634	100,916
Finance income received		320,597	488,562
Sales of investments		863,079	-
<b>Net cash generated from/(used in) investing activities</b>		<u>319,361</u>	<u>(491,201)</u>
<b>FINANCING ACTIVITIES</b>			
Finance expense paid		(228,603)	(291,854)
Repayment of lease liabilities	18	(2,257,089)	(2,300,375)
<b>Net cash used in financing activities</b>		<u>(2,485,692)</u>	<u>(2,592,229)</u>
<b>Net change in cash and cash equivalents</b>		<u>102,257</u>	<u>(2,195,181)</u>
Cash and cash equivalents, beginning of the year		(6,812,170)	(4,616,989)
<b>Cash and cash equivalents, end of the year</b>	12	<u>(6,709,913)</u>	<u>(6,812,170)</u>

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements

**Emirates Refreshments (P.S.C.) and its subsidiaries  
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**Notes to the consolidated financial statements  
For the year ended December 31, 2020**

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**1 Legal status and nature of operations**

Emirates Refreshments (P.S.C.) (“the Parent Company”) is a Public Shareholding Company, incorporated in Dubai, United Arab Emirates under a decree issued by His Highness the Ruler of Dubai. The Group is listed on the Dubai Financial Market. The Federal Law No. 2 of 2015, concerning commercial Companies has come into effect from July 1, 2015, replacing the Federal Law No.8 of 1984.

The principal activities of the Group are bottling and selling mineral water, carbonated soft drinks and evaporated milk as well as manufacturing plastic bottles and containers. The Group has two plants located in Dibba and Hatta, UAE. The Group markets, distributes and sells its products across the UAE, other Middle East countries and Africa.

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

The Group has two wholly owned subsidiaries; Jeema Refreshments LLC and Emirates Refreshments LLC in the UAE. These subsidiaries are engaged in the trading of mineral water, juice, soft drinks and carbonated drinks.

The Shareholders in the general meeting held on December 6, 2020 approved the change of name of the Parent Company to Emirates Reem Investment Company PJSC.

**2 Basis of preparation**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (IASB).

**3 Summary of significant accounting policies**

**3.1 Overall considerations**

These consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

**3.2 Basis of consolidation**

The Group’s consolidated financial statements consolidate those of the Parent Company and its Subsidiaries undertaking drawn up to December 31, 2020. Subsidiaries are all entities over which the Parent Company has control. Control is presumed to exist when the Parent Company:

- has power over the investee;
- is exposed, or has right, to variable return from its investment with the investee; and
- has the ability to use its power to affect the return.

The financial statements of the Subsidiaries are consolidated on a line-by-line basis from the date on which control is transferred to the Company and they are de-consolidated from the date that control ceases. The Subsidiaries have a reporting date of December 31.

All transactions and balances between Group companies are eliminated in full on consolidation, including unrealised gains and losses on transactions between them. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The consolidated financial statements of the Group is presented in United Arab Emirates Dirhams (AED), which is the functional currency of the Group.

### **3 Summary of significant accounting policies (continued)**

#### **3.3 Foreign currency translation**

##### **Functional and presentation currency**

These consolidated financial statements are presented in United Arab Emirates Dirham (“AED”), which is also the Group’s functional currency.

#### **3.4 Property, plant and equipment and depreciation**

Property and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group’s management.

Property and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write-down the cost less estimated residual value of property and equipment other than freehold land. The following estimated useful lives are applied:

- |                                  |            |
|----------------------------------|------------|
| • Building and improvements      | 3-20 years |
| • Plant, machinery and equipment | 2-10 years |
| • Furniture and fixtures         | 2-5 years  |
| • Transport vehicles             | 2-5 years  |

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of income within ‘other income’.

#### **3.5 Investment property**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. Subsequent to initial recognition, investment properties are accounted for using the fair value model.

Investment properties are revalued annually and are included in the statement of financial position at their fair values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the statement of income within ‘change in fair value of investment property’.



### **3 Summary of significant accounting policies (continued)**

#### **3.6 Long-term prepayment – Intangible assets**

Long-term prepayment is measured initially at cost, including transaction costs. Subsequent to initial recognition, long-term prepayment is stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is charged on a straight-line basis over the estimated useful lives of 25 years.

The useful lives and amortisation method are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefits from these assets.

#### **3.7 Inventories**

Inventories are measured at the lower of cost and 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**

The cost of finished goods 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.

When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

#### **3.8 Financial instruments**

##### **Recognition, initial measurement and de-recognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs, except for those carried at fair value through other comprehensive income (OCI) which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured subsequently as described in the next page.



### **3 Summary of significant accounting policies (continued)**

#### **3.8 Financial instruments (continued)**

##### **Classification and subsequent measurement of financial assets**

For purposes of subsequent measurement, financial assets are classified as following:

- Financial assets at amortised cost
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

##### **(a) Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *LAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of income. Dividends are recognised as other income in the statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

##### **(b) Financial assets at amortised cost**

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of income when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, due from a related party and cash and bank balances.

All income and expenses relating to financial assets measured at amortised cost are recognised in the statement of income and presented within 'finance costs - net' or 'other income – net', except for impairment of trade receivables which is presented within 'administrative and general expenses'.

##### **Impairment of financial assets**

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECL). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

### **3 Summary of significant accounting policies (continued)**

#### **3.8 Financial instruments (continued)**

##### **Impairment of financial assets (continued)**

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 360 days past due unless external or internal information indicates that the Group can recover the amount. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### **Classification and subsequent measurement of financial liabilities**

Financial liabilities comprise trade and other payables, amount due to a related party, bank overdraft and lease liabilities.

Financial liabilities are measured subsequently at amortised cost using the effective interest method. Discounting is omitted if the impact is immaterial.

##### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **3.9 Leases**

##### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

### **3 Summary of significant accounting policies (continued)**

#### **3.9 Leases (continued)**

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the respective lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of certain stores (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office vehicles that are considered of low value (i.e., below AED 18,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### **3.10 Employee benefits**

##### **Short-term employee benefits**

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense when the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur.

##### **Employees' end of service benefit**

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

#### **3.11 Provisions**

Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

#### **3.12 Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency ("AED") at exchange rates at the dates of the transactions.

### **3 Summary of significant accounting policies (continued)**

#### **3.13 Finance income and finance cost**

Finance income comprises interest income on fixed deposits with banks. Interest income is recognised as it accrues in the statement of income, using the effective interest method.

Finance expenses comprise interest expense on bank borrowings and bank charges and commission.

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

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

#### **3.14 Revenue from contracts with customers**

The Group has agreements with various customers for bottling and selling mineral water and trading of evaporated milk.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

For performance obligations where none of the below conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

#### **Sale of goods**

Sale of goods is recognised when the Group has transferred to the buyer the control over the goods supplied. Control is generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

#### **Rental income**

Rental income from operating leases of the Group's investment properties is recognised on a straight-line basis over the term of the lease.

#### **3.15 Operating expenses**

Operating expenses are recognised in statement of income upon utilisation of the service or at the date of their origin.



### **3 Summary of significant accounting policies (continued)**

#### **3.16 Significant accounting estimates and judgement**

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management estimates and judgments in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

##### **Impairment of non-financial assets**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

##### **Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Group. The carrying amounts are analysed in note 4. Actual results, however, may vary due to technical obsolescence.

##### **Fair value of investment properties**

Investment properties ("the Properties") are fair valued independently every year. Fair valuation is carried out by an independent valuation expert ("the Expert") after taking into account relevant factors affecting valuation of the Properties as explained in relevant notes. The Expert uses best available data from the market; however, the assumptions used are always subjective. The Expert uses market valuation approach to determine fair value of the Properties. While fair valuing the Properties using market valuation approach, the Expert considers latest transactions in the market through brokers or online databases.

##### **Provision for expected credit losses of trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in notes 10 and 26.2.



### **3 Summary of significant accounting policies (continued)**

#### **3.16 Significant accounting estimates and judgement(continued)**

##### **Inventories**

Inventories are measured at the lower of cost or net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognised in the statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is any future recoverability of an item and the net realizable value for such item.

##### **Determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three or more years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g, a change in business strategy).

The Group included the renewal period as part of the lease term for leases of land and building due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

##### **Estimation of uncertainties relating to the global health pandemic from COVID-19**

The COVID-19 pandemic has been rapidly spreading throughout the world, including UAE and other countries where the Group or its customers have their operations. Governments around the world have been taking significant measures to curb the spread of the virus including imposing mandatory lockdowns and restrictions in activities. As a result of these, the revenue of the Group has been impacted mainly due to closure of hotels, restaurants and cafeterias.

Management believes that it has taken into account all the possible impacts of known events arising from COVID-19 pandemic and the resultant lockdowns in the preparation of the financial statements including but not limited to its assessment of Group's liquidity and going concern, recoverable values of its property and equipment, investment properties, allowance for expected credit losses and the net realisable values of other assets. However, given the effect of these lockdowns on the overall economic activity globally and in particular the countries where the Group or its customers operate, the impact assessment of COVID-19 on the abovementioned financial statement captions is subject to significant estimation uncertainties given its nature and duration and, accordingly, the actual impacts in future may be different from those estimated as at the date of approval of these financial statements. The Group will continue to monitor any material changes to future economic conditions and consequential impact on its financial results.

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<b>4 Property, plant and equipment</b>	Building and improvements AED	Plant, machinery and equipment AED	Furniture and fixtures AED	Transport vehicles AED	Capital work in progress AED	Total AED
<b>2020</b>						
<b>Gross carrying amount</b>						
Balance at January 1, 2020	8,541,347	38,138,286	1,475,972	187,290	349,659	48,692,554
Additions	-	754,574	-	-	162,875	917,449
Transfer from non-current assets held for sale (note 13)	-	19,415,400	-	-	-	19,415,400
Transfers from capital work in progress	-	332,961	-	-	(332,961)	-
Disposal of property, plant and equipment	-	(22,813)	-	-	-	(22,813)
<b>As on December 31, 2020</b>	<b>8,541,347</b>	<b>58,618,408</b>	<b>1,475,972</b>	<b>187,290</b>	<b>179,573</b>	<b>69,002,590</b>
<b>Accumulated depreciation</b>						
Balance at January 1, 2020	7,465,772	35,579,332	1,419,888	187,190	-	44,652,182
Charge for the year	149,986	1,872,293	29,597	100	-	2,051,976
Transfer from non-current assets held for sale (note 13)	-	17,839,838	-	-	-	17,839,838
Disposal of property, plant and equipment	-	(22,813)	-	-	-	(22,813)
<b>As on December 31, 2020</b>	<b>7,615,758</b>	<b>55,268,650</b>	<b>1,449,485</b>	<b>187,290</b>	<b>-</b>	<b>64,521,183</b>
<b>Net carrying amount at December 31, 2020</b>	<b>925,589</b>	<b>3,349,758</b>	<b>26,487</b>	<b>-</b>	<b>179,573</b>	<b>4,481,407</b>

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Notes to the consolidated financial statements (continued)  
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4	<b>Property, plant and equipment (continued)</b>					
2019	Building and improvements AED	Plant, machinery and equipment AED	Furniture and fixtures AED	Transport vehicles AED	Capital work in progress AED	Total AED
<b>Gross carrying amount</b>						
Balance at January 1, 2019	17,906,095	57,027,183	5,413,561	187,290	60,322	80,594,451
Additions	99,599	484,224	9,400	-	332,961	926,184
Transfer to non-current assets held for sale (note 13)	(9,464,347)	(19,416,745)	(3,946,989)	-	-	(32,828,081)
Transfers from capital work in progress	-	43,624	-	-	(43,624)	-
<b>As on December 31, 2019</b>	<b>8,541,347</b>	<b>38,138,286</b>	<b>1,475,972</b>	<b>187,290</b>	<b>349,659</b>	<b>48,692,554</b>
<b>Accumulated depreciation</b>						
Balance at January 1, 2019	11,719,786	50,584,581	5,321,276	186,990	-	67,812,633
Charge for the year	559,957	2,835,934	45,601	200	-	3,441,692
Transfer to non-current assets held for sale (note 13)	(4,813,971)	(17,841,183)	(3,946,989)	-	-	(26,602,143)
<b>As on December 31, 2019</b>	<b>7,465,772</b>	<b>35,579,332</b>	<b>1,419,888</b>	<b>187,190</b>	<b>-</b>	<b>44,652,182</b>
<b>Net carrying amount at December 31, 2019</b>	<b>1,075,575</b>	<b>2,558,954</b>	<b>56,084</b>	<b>100</b>	<b>349,659</b>	<b>4,040,372</b>

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**4 Property, plant and equipment (continued)**

(a) Depreciation has been allocated as follows:

	2020 AED	2019 AED
Cost of sales	902,557	2,905,590
Selling and distribution expenses	365,544	427,080
Administrative and general expenses	81,155	109,022
Depreciation on leased plant and machinery	702,720	-
	<u>2,051,976</u>	<u>3,441,692</u>

(b) As per management's assessment, there has been no impairment in the carrying amount of the Group's property, plant and equipment as at December 31, 2020 (2019: nil).

**5 Investment properties**

Investment properties comprises of warehouses on leasehold land situated in Fujairah and factory building of Dibba plant.

	2020 AED	2019 AED
At January 1,	2,900,000	3,000,000
Add: Transfer from non-current assets held for sale (note 13)	4,650,376	-
Add/(less): Gain/(loss) on fair value of investment properties	149,624	(100,000)
At December 31,	<u>7,700,000</u>	<u>2,900,000</u>

Effective date of the revaluation for Fujairah warehouses and factory building of Dibba plant was October 14, 2020 and September 29, 2020 respectively. Revaluation was performed by a valuer who is independent of the Group and possess relevant qualification and recent experience. The assumptions used by the independent valuer to arrive at the fair values are explained in detail in note 27.

**Rental income from investment properties**

The Group has earned rental income for the year of AED 1,998,183 (2019: AED 241,974). This is included in the statement of income under 'Rental income'.

**6 Right-of-use assets**

Right-of-use assets comprises of lease contracts for various items of land and motor vehicles.

	2020 AED	2019 AED
At January 1,	6,356,975	11,125,694
Add: additions during the year	1,702,023	45,955
Less: termination of lease contracts during the year	(22,155)	(2,097,141)
Less: depreciation for the year	(1,901,650)	(2,717,533)
At December 31,	<u>6,135,193</u>	<u>6,356,975</u>

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**6 Right-of-use assets (continued)**

Depreciation has been allocated as follows:

	2020 AED	2019 AED
Cost of sales	-	334,922
Selling and distribution expenses	1,452,635	2,269,744
Administrative and general expenses	449,015	112,867
	<u>1,901,650</u>	<u>2,717,533</u>

**7 Investment securities**

	2020 AED	2019 AED
At January 1,	1,538,818	1,863,946
Change in market fair value	43,191	(325,128)
Disposal of investment	(859,498)	-
At December 31,	<u>722,511</u>	<u>1,538,818</u>

Investment securities are held in equity securities listed on G.C.C. stock exchanges and classified as FVOCI under IFRS 9.

Dividend income amounting to AED 47,634 (2019: AED 100,916) is included in the statement of income under 'finance income'.

**8 Long term prepayment**

This represents a payment made 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.

	2020 AED	2019 AED
<b>Cost</b>	<u>1,525,000</u>	<u>1,525,000</u>
<b>Accumulated amortisation:</b>		
At January 1,	(732,000)	(671,000)
Charge for the year	(61,000)	(61,000)
At December 31,	<u>(793,000)</u>	<u>(732,000)</u>
<b>Net book value:</b>		
At December 31,	<u>732,000</u>	<u>793,000</u>



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**9 Inventories**

	2020 AED	2019 AED
Raw materials	1,389,001	2,643,870
Finished goods	1,191,665	1,133,294
Spare parts	3,716,307	3,782,267
Others	189,354	258,911
	<u>6,486,327</u>	<u>7,818,342</u>
Less: Provision for slow moving inventories	<u>(2,298,403)</u>	<u>(2,556,007)</u>
	<u>4,187,924</u>	<u>5,262,335</u>

Movements in the provision for slow moving inventories were as follows:

	2020 AED	2019 AED
Balance at January 1,	2,556,007	2,433,507
Charge during the year	178,640	308,691
Write off during the year	(157,370)	(186,191)
Reversal of excess provision for obsolete inventories	(278,874)	-
Balance at December 31,	<u>2,298,403</u>	<u>2,556,007</u>

**10 Trade and other receivables**

	2020 AED	2019 AED
Trade receivables	7,004,454	9,738,280
Less: Allowance for expected credit losses	<u>(3,546,552)</u>	<u>(1,789,399)</u>
Trade receivables, net	<u>3,457,902</u>	<u>7,948,881</u>
Other receivables	469,308	671,979
Financial assets	<u>3,927,210</u>	<u>8,620,860</u>
Prepayments	799,340	1,321,467
Advances to suppliers	73,157	77,990
Non-financial assets	<u>872,497</u>	<u>1,399,457</u>
	<u>4,799,707</u>	<u>10,020,317</u>

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and net provision for expected credit losses of AED 3,546,552 (2019: AED 1,789,399) has been recorded.

The movement in the allowance for expected credit losses can be reconciled as follows:

	2020 AED	2019 AED
Balance at January 1,	1,789,399	1,505,973
Write off of provision	-	(7,695)
Charge for the year	<u>1,757,153</u>	<u>291,121</u>
Balance at December 31,	<u>3,546,552</u>	<u>1,789,399</u>

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**10 Trade and other receivables (continued)**

The ageing of trade receivables which are not impaired at the reporting date are as shown below:

	Total AED	Not past due nor Impaired AED	Past due				
			<90 days AED	91-120 days AED	121-180 days AED	181-360 days AED	>360 days AED
2020	3,457,902	2,084,409	1,208,244	32,643	26,859	80,496	25,251
2019	7,948,881	4,729,531	2,026,275	160,780	409,578	43,419	579,298

**11 Related parties**

The Group in the normal course of business carries on business with other entities that fall within the definition of a related party in accordance with IFRS.

For the purpose of these consolidated financial statements, entities are considered to be related to the Group if the Group has the ability, directly or indirectly, to exercise significant influence over the entities in making financial and operating decisions, or vice versa, or where the Group are subject to common control or significant influence and includes key management personnel.

The Group's related parties include shareholders and key management personnel of the Group and entity under common control.

	Due from a related party		Due to a related party	
	2020 AED	2019 AED	2020 AED	2019 AED
Entity under common control	127,542	-	-	412,797

**11.1 Transactions with related parties**

	2020 AED	2019 AED
Rental income	1,925,700	-
Sales to a related party	274,877	34,459
Purchases from a related party	(398,685)	(164,818)
Payment of expenses by a related party	(1,257)	(658,996)
Payment of expenses on behalf of a related party	1,269,733	210

**Key management personnel**

Key management personnel of the Group are the members of the Group's Board of Directors and members of the executive council. Key management personnel compensation includes the following expenses:

	2020 AED	2019 AED
Short term benefits	-	372,368
Provision towards employees' terminal benefits	-	31,045
Sitting fees	-	140,000

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**12 Cash and bank balances**

Cash and bank balances include the following components:

	2020	2019
	AED	AED
Cash on hand	45,513	71,000
Other cash equivalents	67,518	54,086
Cash at bank – current accounts	282,560	186,379
Fixed deposits	15,329,495	15,329,495
Cash and bank balances	<u>15,725,086</u>	<u>15,640,960</u>
Less: Fixed deposits with original maturity of more than three months or hypothecated with bank	(15,329,495)	(15,329,495)
Bank overdraft	<u>(7,105,504)</u>	<u>(7,123,635)</u>
Cash and cash equivalents	<u>(6,709,913)</u>	<u>(6,812,170)</u>

- (i) Fixed deposits carry interest at normal commercial rates.
- (ii) Fixed deposits of AED 15.32 million (2019: AED 15.32 million) with banks are hypothecated against bank overdraft facility.

**13 Non-current assets held for sale**

During the previous year, the Board of Directors of the Group decided to stop production at its Dibba plant (the “plant”) due to lower demand in the market and put it up for sale. The sale of plant was expected to be completed within a year from the reporting date as the management has started looking for an active buyer. The carrying amount of the plant as at December 31, 2019 was AED 6,225,938.

However, during the year, the Group changed its intention to sell the Plant and accordingly the plant, machinery and equipment’s of AED 1,575,562 and building of AED 4,650,376 were transferred to property, plant and equipment and investment properties respectively.

**14 Share capital**

The share capital of the Parent Company consists only of fully paid ordinary shares with a par value of AED 1 (2019: AED 1) each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders’ meeting of the Group.

	2020	2019
	AED	AED
<b>Issued and fully paid up:</b>		
30 million ordinary shares of AED 1 each	<u>30,000,000</u>	<u>30,000,000</u>

The Shareholders in the general meeting held on December 6, 2020 approved the increase in authorised share capital of the Parent Company to AED 600,000,000.

**15 Statutory reserve**

In accordance with the UAE Federal Law No. (2) of 2015 and the Parent Company’s Articles of Association, a minimum of 10% of the profit of the Group 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. No transfer was made during the year (2019: AED Nil) as the Group has reported net losses.

The Group merged the statutory reserve with accumulated losses based on the proposal of Parent Company’s board of directors which was approved in the general assembly meeting held on June 22, 2020.

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**16 Obligatory reserve**

In accordance with the Articles of Association of the Parent Company, 10% of the annual profit is required to be transferred to the obligatory reserve until the Parent Company's members pass a general resolution for the discontinuance of such transfer or such reserve equals 5% of the Group's paid up share capital. No transfer was made during the year (2019: AED Nil) as the Group has reported net losses.

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

The Group merged the obligatory reserve with accumulated losses based on the proposal of Parent Company's board of directors which was approved in the general assembly meeting held on June 22, 2020.

**17 Employees' end of service benefits**

	2020 AED	2019 AED
Balance at January 1,	2,075,602	2,803,432
Charge for the year	316,194	400,768
Payments made during the year	(372,044)	(1,128,598)
Balance at December 31,	<u>2,019,752</u>	<u>2,075,602</u>

**18 Lease liabilities**

	2020 AED	2019 AED
At January 1, 2020	7,501,074	11,322,657
Add: additions during the year	1,702,023	45,955
Add: finance cost (note 21)	388,511	529,978
Less: termination of lease contracts during the year	(22,155)	(2,097,141)
Less: payments during the year	(2,257,089)	(2,300,375)
At December 31, 2020	<u>7,312,364</u>	<u>7,501,074</u>

Presented on consolidated statement of financial position as follows:

	2020 AED	2019 AED
Current	1,862,320	2,380,771
Non-current	5,450,044	5,120,303
	<u>7,312,364</u>	<u>7,501,074</u>

**19 Trade and other payables**

	2020 AED	2019 AED
Trade payables	3,445,151	6,812,935
Accrued expenses and other payables	1,761,263	2,305,368
Financial liabilities	<u>5,206,414</u>	<u>9,118,303</u>
Advance from customers	3,884,890	164,391
VAT payable	111,950	272,747
Non-financial liabilities	<u>3,996,840</u>	<u>437,138</u>
	<u>9,203,254</u>	<u>9,555,441</u>



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**20 Loss per share**

	2020 AED	2019 AED
Loss for the year	(7,182,861)	(10,110,029)
Weighted average number of shares outstanding during the year	30,000,000	30,000,000
Loss per share	<u>(0.239)</u>	<u>(0.337)</u>

The Group has not issued any instruments which would have a dilutive impact on loss per share when exercised.

**21 Finance expense**

	2020 AED	2019 AED
Interest on lease liabilities (note 18)	388,511	529,978
Interest on overdraft	189,546	222,657
Bank commission and other charges	39,057	69,197
	<u>617,114</u>	<u>821,832</u>

**22 Contingent liabilities and commitments**

	2020 AED	2019 AED
Letter of guarantees	73,000	73,000
Letter of credit	1,023,804	1,703,321
Capital commitments	<u>242,875</u>	<u>391,664</u>

**23 Categories of financial assets and liabilities**

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	2020 AED	2019 AED
<b>Financial assets measured at FVOCI</b>	7	<u>722,511</u>	<u>1,538,818</u>
<b>Financial assets measured at amortised cost:</b>			
Trade and other receivables	10	3,927,210	8,620,860
Cash and bank balances	12	15,725,086	15,640,960
Amount due from a related party	11	127,542	-
		<u>19,779,838</u>	<u>24,261,820</u>
		<u>20,502,349</u>	<u>25,800,638</u>
<b>Financial liabilities measured at amortised cost:</b>			
Bank overdraft	12	7,105,504	7,123,635
Trade and other payables	19	5,206,414	9,118,303
Lease liabilities	18	7,312,364	7,501,074
Amount due to a related party	11	-	412,797
		<u>19,624,282</u>	<u>24,155,809</u>

The carrying amount of these financial assets and liabilities is considered a reasonable approximation of fair value.

A description of the Group's financial instrument risk, including risk management objectives and policies is given in note 26.

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**24 Social contributions**

The Group during the year made social contributions amounting to AED Nil (2019: AED 1,346).

**25 Segment reporting**

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

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

*a) Information about geographical segments*

During the year ended December 31, 2020, revenue from customers located in the Group's country of domicile (UAE) is AED 24.44 million (year ended December 31, 2019: AED 37.33 million) and revenue from customers outside the UAE (foreign customers) is AED 0.60 million (year ended December 31, 2019: AED 2.78 million).

*b) Major customers*

During the year ended December 31, 2020 revenue from no customers exceed 10% or more of the Group's total revenue (2019: nil).

**26 Financial instrument risk management objectives and policies**

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are below.

**26.1 Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

**Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Most of the Group's transactions are carried out in AED and USD; hence, the foreign currency risk is minimal as the AED is pegged to USD.

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**26 Financial instrument risk management objectives and policies (continued)**

**Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest rate risk is not considered significant.

The Group is not exposed to any interest rate risk as the interest on bank overdraft and fixed deposit is fixed.

**26.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to this risk for various financial instruments such as trade and other receivables. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2020 AED	2019 AED
<b>Financial assets measured at FVOCI</b>	<b>722,511</b>	<b>1,538,818</b>
<b>Financial assets measured at amortised cost</b>		
Trade and other receivables	3,927,210	8,620,860
Amount due from a related party	127,542	-
Cash at bank	15,612,055	15,515,874
	<b>19,666,807</b>	<b>24,136,734</b>
	<b>20,389,318</b>	<b>25,675,552</b>

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Company and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements.

Related party receivable balances are considered fully recoverable by the management and thus the credit risk is considered minimal.

Cash is placed with reputable national and international banks. Hence, the credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## 26 Financial instrument risk management objectives and policies (continued)

### 26.2 Credit risk (continued)

#### Expected credit losses on trade receivables

The Group uses an allowance matrix to measure the ECLs of trade receivables from customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in different customer segments based on the common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Management has used loss rate of 100% for the balances outstanding for more than 360 days and for remaining outstanding balances, management has determined loss rate based on the actual recoverability.

A summary of the Group's exposure to credit risk for trade receivables is disclosed in note 10.

### 26.3 Liquidity risk

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared, and adequate utilisation of borrowing facilities are monitored, including the need for additional borrowings, as required. Based on the cash flow forecast prepared by the Group, which specifically take into account the forecast operating cash flows, and other strategic plans of the Group, management is of the view that the Group will meet its liabilities as and when they fall due.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see note 23) exceed the current cash outflow requirements. Cash flows from trade and other receivables are all due within three months.

The Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised on next page:

	Repayable on demand	Within 6 months	6 – 12 months	Over 12 months	Total
	AED	AED	AED	AED	AED
<b>December 31, 2020</b>					
Trade and other payables	-	5,206,414	-	-	5,206,414
Lease liabilities	-	1,413,110	449,210	5,450,044	7,312,364
Bank overdraft	7,105,504	-	-	-	7,105,504
	<b>7,105,504</b>	<b>6,619,524</b>	<b>449,210</b>	<b>5,450,044</b>	<b>19,624,282</b>
<b>December 31, 2019</b>					
Trade and other payables	-	9,118,303	-	-	9,118,303
Amount due to a related party	-	412,797	-	-	412,797
Lease liabilities	-	1,349,228	1,031,543	5,120,303	7,501,074
Bank overdraft	7,123,635	-	-	-	7,123,635
	<b>7,123,635</b>	<b>10,880,328</b>	<b>1,031,543</b>	<b>5,120,303</b>	<b>24,155,809</b>



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**27 Fair value measurement**

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include investment securities, trade and other receivables, cash and bank balances and amount due from a related party. Financial liabilities of the Group include trade and other payables, amount due to a related party and bank overdraft.

The fair values of financial instruments are not materially different from their carrying values.

**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not base on observable market data.

	2020 AED	Level 1 AED	Level 2 AED	Level 3 AED
Investment securities measured at FVTOCI (note 7)	722,511	722,511	-	-
	2019 AED	Level 1 AED	Level 2 AED	Level 3 AED
Investment securities measured at FVTOCI (note 7)	1,538,818	1,538,818	-	-

**Fair value measurement of non-financial assets**

Fair value of investment properties has been determined by an independent valuer (the 'Expert') using market valuation approach, based on the current property market condition in the UAE. The market has been assessed by the Expert and certain internal data has been provided by the management, therefore, the fair valuation falls under level 3. Following are some key valuation inputs and assumptions:

Approach	Fair value (AED)	Key inputs	Assumptions and data
Market valuation approach	2,700,000 (2019: 2,900,000)	Source of data	Property brokers, internal research and web enquiries.
Depreciated replacement cost approach	5,000,000	Source of data	Prevailing constructions costs, depreciation charges and general market knowledge of local real estate market.

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**28 Capital management policies and procedures**

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and bank balances and borrowings as presented on the face of the statement of financial position.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain debt or sell assets.

The Group is not subject to any externally imposed capital requirements.

Capital for the reporting periods under review is summarised as follows:

	2020	2019
	AED	AED
Total equity	18,970,496	26,110,166
Cash and bank balances	(15,725,086)	(15,640,960)
Capital	<u>3,245,410</u>	<u>10,469,206</u>
Total equity	18,970,496	26,110,166
Bank overdraft	7,105,504	7,123,635
Overall financing	<u>26,076,000</u>	<u>33,233,801</u>
Capital-to-overall financing ratio	<u>12%</u>	<u>32%</u>

**29 Significant events during reporting year**

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruptions to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment.

The Group is closely monitoring the situation to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

**COVID-19 impact on revenue**

Based on Group's initial assessment, overall revenue of the Group in the last 3 quarters declined by 46% as compared to previous period mainly due to closure of hotels, restaurants and cafeterias. Local sales picked up slightly after easing of lockdown in the UAE while export sales continues to decline due to lockdown situation in the neighbouring countries. Export sale has decreased by 81% in the last 3 quarters as compared to the 3 quarters of 2019.

**29 Significant events during reporting year (continued)**

**COVID-19 impact on measurement of Expected Credit Loss**

IFRS 9 framework requires the estimation of Expected Credit Loss ("ECL") based on current and forecasted economic conditions. In order to assess ECL under forecast economic conditions, the Group concluded that such situation is likely to lead to an increase in the ECL from trade receivables. This is mainly due to the increase of the counterparty risk (risk of default) from commercial customers. Even if the quantification of such increase in risk remains very difficult in the current uncertain environment and the absence of enough statistical historical data, certain additional loss allowances have been taken. An additional provision of AED 1.76 million was booked as a result of the assessment. These assumptions will be revisited at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.

**COVID-19 impact on impairment of non-financial assets**

The fair value of certain non-financial assets was determined by the management based on the valuations performed by an independent valuation expert. Accordingly, the management has concluded that the carrying amount of these non-financial assets is not significantly different than the fair value and hence no impairment is required. These assumptions will be revisited at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.