EMIRATES REFRESHMENTS PJSC

INTEGRATED REPORT – 2022

الإمـــارات للمرطبـــات
Emirates Refreshments

www.erc.ae|info@erc.ae

Table of Contents

EMIRATES REFRESHMENTS (P.S.C.)

Reports and consolidated financial statements for the year ended 31 December 2022

EMIRATES REFRESHMENTS (P.S.C.)

Reports and consolidated financial statements for the year ended 31 December 2022

DIRECTORS' REPORT

TO THE SHARE HOLDERS

الإمـــارات للمرطبـــات
Emirates Refreshments

Report Statement

Dear Shareholders,

On behalf of the Board of Directors of Emirates Refreshments P.J.S.C, it's a great honor to present you the Director's report and financial statements for the year ending 31st December 2022.

Financial Performance

ERC's Overall revenue has been increased by 39% in 2022 (2021: 8% decline) to AED 31.86M (2021: AED 23M).

Export sales have increased by 35% in 2022 (2021: 14% increase). In addition, the SG&A expenses are also maintained effectively at AED 14.9M (2021: AED 15.9M).

Strategical decision of investing in investment securities has contributed significantly in company's growth.
Despite increasingly difficult economic conditions and competitive pressures ERC recorded net profit of AED 25.40M in 2022 Vs net profit of (AED 1.87M) in 2021.

Looking ahead

We are aiming to expand our activities by diversifying into more subcategories of business and are planning to stride into those regions that have the highest pormising potential along with Investement in Equities ; Targeting acquisitions and Business elaboration

Key Initiatives

ERC's Board of Directors recognized the need of laying down a sturdy corporate approach. Collectively we rated long-term strategic planning as the top issue mandating our utmost attention. We launched an ongoing strategic planning process by which it deciphers mission and values into actionable and measurable pursuits and endeavours. The plan will provide direction for both long-term and short-term decision-making by the Board to accomplish the mission of the organization.

ERC's corporate strategy include Investement in equities, targeting acquisitions, and business expansion. The future of the group is now focused on these three areas and we believe that this will help the company to outstrip moderate market growth and strategic acquisitions, and will further accelerate the targeted growth and market penetration. The framework will identify how activities will be prioritized and optimized to achieve the company's goals and dreams.

Key to success is the implementation of our strategy and as the new financial year unfolds, we constantly evaluate the business strategies with tactfulness through rational observation while maintaining a vision for the long term.

Corporate Governance

As always, we are comprehensively compliant with UAE's corporate governance code and ERC is devoted to maintaining high standards of corporate governance without any oddity. ERC's Corporate Governance Manual is endorsed by the Board which demarcates the structures and processes by which the company is controlled through its Board and the guiding governance codes followed by the company. The manual elucidates the roles and responsibilities of all stakeholders involved in governance processes including the General Assembly of Shareholders, the Board of Directors including the Chairman of the Board and Board Committees, the Executive Management, relevant Management Committees, Internal Audit, External Audit, Company Secretary and other stakeholders.

Acknowledgment

In conclusion, on behalf of the Board of Directors, I am honoured to extend the utmost gratitude to His Highness Sheikh / Mohammed bin Zayed bin Sultan Al Nahyan - President of the State, and His Highness Sheikh Mohammed bin Rashid Al Maktoum - Vice President and Prime Minister of the UAE and Ruler of Dubai, 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 cooperation received from the Government Authorities, Shareholders, and employees during the year 2022. 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 finest for the company.

Yours's Faithfully,

Nader Al Hammadi

Deloitte.

Deloitte & Touche (M.E.)
Level 11, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax:+971 (0) 2 408 2525
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Emirates Refreshments (P.S.C.) (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We have 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' Codes of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's 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 Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matter to the Audit Committee, but it is not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. We have described the key audit matter we identified and have included a summary of the audit procedures we performed to address this matter. The key audit matter was 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 this matter.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

Key Audit Matter (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><th colspan="2">Impairment of property, plant and equipment and right of use assets</th></tr>
<tr><td>
As at 31 December 2022, the carrying value of property, plant and equipment and right of use assets amounted to AED 8.30 million and AED 6.25 million, respectively, which represents 4.31 % of the total assets (notes 5 and 7).
The Group undertakes a review of indicators of impairment and, wherever indicators of impairment exist, an impairment assessment is performed by determining if the recoverable amount, which takes into account the fair value of the property under consideration, exceeds or is equal to its carrying amount.
The Group has identified that impairment indicators, being continuous operating losses, exist in relation to its property, plant and equipment and right of use assets. The net operating loss for the year ended 31 December 2022 was AED 5.41 million.
The Group has calculated the recoverable amount using fair valuations carried out by independent third-party valuers (the "valuers") with appropriate experience in the particular locations in which the assets are located. In determining the property's fair value, the Valuers take into consideration property-specific information such as market capitalization and rental income. They also make assumptions relating to estimated market rentals, which are influenced by prevailing market yields and comparable market transactions, to arrive at the fair value.
We have identified impairment of property, plant and equipment and right of use assets as a key audit matter as the determination of the recoverable amount is based on level 3 valuation methodologies and requires management to make significant estimates and apply significant judgements when determining the recoverable amount of property, plant and equipment and right of use assets.
Refer to note 3 for the accounting policies, note 4 for the key sources of estimation uncertainty and notes 5 and 7 for related disclosures in the accompanying consolidated financial statements.
</td><td>
We performed the following procedures in relation to the impairment of property, plant and equipment and right of use assets:

We evaluated the design and implementation of controls in this area;
We evaluated the qualifications and competence of the valuers and read the terms of the engagement of the valuers with the Group to determine whether there were any matters that might affect their objectivity or limit the scope of their work;
We tested the data provided to the valuers by the Group, on a sample basis, to satisfy ourselves as to the accuracy of the information supplied to the valuers by management.
We reviewed a sample of assets valued by the external valuers, and involved our internal real estate valuation expert to review a sample of those assets, and assessed whether the recoverable amount of these assets was determined in accordance with the requirements of IFRS 13 Fair Value Measurement.
Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made.
We reviewed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values.
We reperformed the arithmetical accuracy of the determination of impairment loss, if any.
We agreed the results of the valuations to the disclosures and amounts presented in the consolidated financial statements.
We assessed the disclosures made, in relation to this matter, to determine if they were in accordance with the requirements of IFRSs.

</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Director's Report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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 on the other information that we obtained prior to the date of this auditor's report, 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 IFRSs and the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (32) of 2021, and for such internal control as management determine 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 have 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.

Deloitte.

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement 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’ 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 auditors’ 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; and
- Obtain sufficient 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 auditors’ 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2022:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Director's Report is consistent with the books of account and records of the Group;
- Note 8 reflects the disclosures relating to shares purchased or invested by the Group during the financial year ended 31 December 2022;
- Note 11 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or in respect of the Company, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
8 February 2023
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position as at 31 December 2022

	Notes	31 December 2022 AED	31 December 2021 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	8,295,095	3,454,672
Investment properties	6	3,380,000	11,810,000
Right-of-use assets	7	6,252,742	5,708,055
Investment in financial assets	8	1,111,600	1,010,211
Total non-current assets		19,039,437	21,982,938
Current assets			
Inventories	9	6,454,206	4,790,308
Trade and other receivables	10	11,791,232	5,950,048
Due from related parties	11	795,287	660,179
Investment in financial assets	8	47,646,491	18,400,000
Cash and cash equivalent	12	270,489,854	15,657,061
Total current assets		337,177,070	45,457,596
Total assets		356,216,507	67,440,534
EQUITY AND LIABILITIES			
Equity			
Share capital	13	319,871,064	30,000,000
Statutory reserve	14	2,727,146	187,122
Fair value reserve		716,651	615,262
Retained earnings/(accumulated losses)		13,187,244	(9,672,967)
Total equity		336,502,105	21,129,417
Non-current liabilities			
Provision for employees' end of service benefits	15	1,718,700	1,717,587
Lease liabilities	16	6,192,412	7,855,270
Total non-current liabilities		7,911,112	9,572,857
Current liabilities			
Trade and other payables	17	10,374,151	10,150,395
Lease liabilities	16	1,429,139	2,093,793
Due to a related party	11	-	77,013
Short term loan from a related party	11	-	17,000,000
Bank overdrafts	12	-	7,417,059
Total current liabilities		11,803,290	36,738,260
Total liabilities		19,714,402	46,311,117
Total equity and liabilities		356,216,507	67,440,534

To the best of our knowledge, the consolidated financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of 31 December 2022, and for the periods presented in the report.

The consolidated financial information has been approved by the Board of Directors on 08/02/2023 _, and signed on its behalf by:

Director Director Chairman

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of profit or loss
for the year ended 31 December 2022

	Notes	2022 AED	2021 AED (Restated)
Revenues		**31,939,243**	23,034,993
Less: Discount		**(73,941)**	(66,519)
Revenue, net		**31,865,302**	22,968,474
Cost of sales		**(22,346,399)**	(13,943,654)
Gross profit		**9,518,903**	9,024,820
Selling and distribution expenses		**(10,825,221)**	(11,003,865)
General and administrative expenses		**(4,103,167)**	(4,908,711)
Operating loss for the year		**(5,409,485)**	(6,887,756)
Finance cost		**(1,029,476)**	(728,423)
Finance income		**4,017,007**	212,430
Depreciation on leased plant and machinery	**5**	**(136,992)**	(422,201)
(Loss) on fair value of investment properties	**6**	**-**	(275,461)
Rental income	**6**	**142,857**	1,686,816
Fair value gain of investment in financial assets classified as fair value through profit or loss	**8**	**28,962,259**	7,276,690
Other (expenses)/income		**(1,145,935)**	1,009,126
Profit for the year		**25,400,235**	1,871,221
Basic and diluted earnings per share	**18**	**0.148**	0.062

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2022

	Note	2022 AED	2021 AED
Profit for the year		**25,400,235**	1,871,221
Other comprehensive income			
Items that will not be reclassified subsequently to statement of profit or loss			
Fair value gain investment in financial assets classified as fair value through other comprehensive income	**8**	**101,389**	287,700
Total comprehensive income for the year		**25,501,624**	2,158,921

Consolidated statement of changes in equity for the year ended 31 December 2022

	Share capital AED	Statutory reserve AED	Fair value reserve AED	Retained earnings/ (accumulated losses) AED	Total equity AED
Balance at 1 January 2021	30,000,000	-	327,562	(11,357,066)	18,970,496
Profit for the year	-	-	-	1,871,221	1,871,221
Other comprehensive income for the year	-	-	287,700	-	287,700
Total comprehensive income for the year	-	-	287,700	1,871,221	2,158,921
Transfer to statutory reserve	-	187,122	-	(187,122)	-
Balance at 31 December 2021	30,000,000	187,122	615,262	(9,672,967)	21,129,417
Capital issued during the year (note 13)	289,871,064	-	-	-	289,871,064
Profit for the year	-	-	-	25,400,235	25,400,235
Other comprehensive income for the year	-	-	101,389	-	101,389
Total comprehensive income for the year	-	-	101,389	25,400,235	25,501,624
Transfer to statutory reserve	-	2,540,024	-	(2,540,024)	-
Balance at 31 December 2022	**319,871,064**	**2,727,146**	**716,651**	**13,187,244**	**336,502,105**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2022

	2022 AED	2021 AED
Cash flows from operating activities		
Profit for the year	**25,400,235**	1,871,221
Adjustments for:		
Depreciation of property, plant and equipment	**1,727,606**	1,710,486
Depreciation on right-of-use assets	**1,687,813**	1,754,675
Gain on disposal of property plant and equipment	**(116,892)**	(15,312)
Provision for employees' end of service benefits	**281,298**	266,578
Loss on fair value of investment property	**-**	275,461
Finance expense	**1,029,476**	728,423
Finance income	**(3,924,120)**	(174,323)
Dividend income from investment securities	**(92,887)**	(38,107)
Additional of provision for obsolete inventories	**(55,973)**	629,899
Additional provision of allowance for expected credit loss	**99,716**	160,076
Fair value gain of investment in financial assets classified as fair value through profit or loss	**(28,962,259)**	(7,276,690)
Operating cash flows before movements in working capital	**(2,925,987)**	(107,613)
Increase in inventories	**(1,763,614)**	(1,232,283)
Increase in trade and other receivables	**(2,811,965)**	(1,323,035)
Increase in amount due from related parties	**(135,108)**	(532,637)
(decrease)/Increase in amount due to a related party	**(77,013)**	77,013
Increase in trade and other payables	**1,038,814**	1,201,233
Cash used in operations	**(6,674,873)**	(1,917,322)
Employees' end of service benefits paid	**(280,185)**	(568,743)
Net cash used in operating activities	**(6,955,058)**	(2,486,065)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(373,660)**	(683,751)
Proceeds from sale of property, plant and equipment	**120,023**	15,312
Dividend income received	**92,887**	38,107
Finance income received	**950,874**	186,941
Purchase of investment	**(284,232)**	(11,123,310)
Increase in fixed deposits	**(250,000,000)**	-
Net cash used in investing activities	**(249,494,108)**	(11,566,701)
Cash flows from financing activities		
Finance cost paid	**(1,242,118)**	(671,021)
Repayment of principal portion of lease liability	**(2,929,928)**	(2,655,793)
Proceeds from loan from a related party	**(17,000,000)**	17,000,000
Additional share capital contribution from shareholders	**289,871,064**	-
Net cash generated from financing activities	**268,699,018**	13,673,186
Net increase/(decrease) in cash and cash equivalents	**12,249,852**	(379,580)
Cash and cash equivalents at beginning of the year	**(7,089,493)**	(6,709,913)
Cash and cash equivalents at end of the year (note 12)	**5,160,359**	(7,089,493)
Non-cash transactions		
Additions to right of use of assets	**-**	6,131,365
Transfer from investment properties		
To property, plant and equipment	**6,197,500**	-
To right of use of assets	**2,232,500**	-

The accompanying notes form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2022

1 General information

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

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

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

The Company 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.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company has applied the requirements New Companies Law during the year ended 31 December 2022.

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 3 Reference to the Conceptual Framework	The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use	The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use (continued)	The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards. *IFRS 1 First-time Adoption of International Financial Reporting Standards* The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). *IFRS 9 Financial Instruments* The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle (continued)	*IAS 41 Agriculture* The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2023

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach.

The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts (continued)*	1 January 2023

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.	Effective date not yet decided
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.	1 January 2023

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the` opening balance of retained earnings (or other component of equity, as appropriate) at that date

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023
The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9 *Financial Instruments*, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	
Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statement of the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies

Accounting convention

These consolidated financial statements have been prepared on the historical cost basis except for financial assets carried at fair value through other comprehensive income, fair value through profit and loss, and investment properties that have been measured at fair value at the end of each reporting period, as explained in the accounting polices given below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable provisions of the U.A.E. Federal Law No. (32) of 2021.

Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams (AED) which is the functional and presentation currency of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has:

- power over the investee;
- is exposed, or has rights, to variable returns from its involvement; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3 Summary of significant accounting policies (continued)

Basis of consolidation

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not it's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in consolidated statement of comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

Name of subsidiary	Ownership interest 2022 and 2021	Country of incorporation	Principal activity
Jeema Refreshments LLC*	100%	UAE	Trading of mineral water, juice, soft drinks and carbonated drinks.
Emirates Refreshments LLC	100%	UAE	Trading of mineral water, juice, soft drinks and carbonated drinks.

*The Group did not renew the trade license of Jeema Refreshments LLC in 2022. Management's intention is not to renew the trade license, and the subsidiary has no transactions since its inception.

3 Summary of significant accounting policies (continued)

Going concern

Company's accumulated losses have been reduced drastically during the year 2022 and it is now converted to a accumulated profit of AED 13.18 million. (2021 accumulated losses: AED 9.6 million). The company has also taken some strategic investment decision to improve the top line by diversifying company's revenue portfolio which will gradually improve the operating segments.

The management assessed that the Group has sufficient liquidity for the foreseeable future and accordingly has adopted the going concern basis in preparing the consolidated financial statements which assumes that Group will be able to meet its liabilities due for a period of not less than twelve months from the date of this consolidated financial statements.

Property, plant and equipment

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'.

Impairment of non-financial assets

At the end of each reporting date, the Group reviews the carrying amounts of its assets whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, Group assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. The value in use is the net present value of the future cash flows.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost including all direct costs attributable to the design and construction of the properties including related staff direct costs. Subsequent to the initial recognition, investment properties are measured at fair value. Gains and losses arising from the changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the period in which they arise.

Investment properties are stated at fair value as at the reporting date. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise. The fair values of investment properties are determined by an independent professional valuer.

The determination of the fair value of investment properties requires the use of estimates such as projected annual net operating income based on expected lease and capitalizing it in perpetuity. These estimates are based on local market conditions existing at the consolidated statement of financial position date. In arriving at their estimates of fair values as at 31 December 2022 and 2021, the valuers have used their market knowledge and professional judgment and have not only relied solely on historic transactional comparables. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors “RICS” valuation standards.

<u>Income Capitalization Approach – Investment value method</u>
The income capitalization approach is one of three common valuation methods used in the valuation of income producing properties. Income producing properties are purchased as investments essentially exchanging present money for the right to receive future income. The indication of value using the income capitalization approach requires consideration of market oriented assumptions and data.

This method requires a market derived projection of economic annual net operating income (NOI) for a subject property based on the current and expected lease or other arrangements and occupant profile. This NOI is then capitalized in perpetuity (or lease expiry in the case of leasehold properties).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Investment property (continued)

Income Capitalization Approach – Investment value method
Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

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.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and financial liabilities (continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in consolidated statement of profit or loss and is included in the "finance income - interest income" line item.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to consolidated statement of profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in consolidated statement of profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the finance income in consolidated statement of profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see note 8).

A financial asset is held for trading if either:

- It has been acquired principally for the purpose of selling it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; and
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (ii) above)
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iv) Financial assets at FVTPL (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in consolidated statement of profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in consolidated statement of profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 21.

The Group designated all investments in equity instruments that are held for trading as at FVTPL on initial recognition (see note 8).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets and other financial assets as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, cash in bank and fixed deposits, and due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

i) Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; and
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- The disappearance of an active market for that financial asset because of financial difficulties.

iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to consolidated statement of profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to consolidated statement of consolidated statement of profit or loss, but is transferred to retained earnings.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method for trade payable, due to related parties etc.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in consolidated statement of profit or loss as the modification gain or loss within other gains and losses.

Offsetting of financial instruments

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

Events after the reporting date

The consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are discussed on the consolidated financial statements when material.

Earnings per share

The Group presents earnings per share data for its shares. Earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year

3 Summary of significant accounting policies (continued)

Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. These investment properties pertain to warehouses located in Fujairah, UAE.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

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 Summary of significant accounting policies (continued)

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.

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.

Foreign currency transactions

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

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

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:
- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- 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.

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 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.

Operating expenses

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

Corporate income tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of property

In the process of classifying property, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property and equipment and/or property held for resale/development work in progress. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment and property held for resale/development work in progress. In making its judgment, management considered the detailed criteria and related guidance for the classification of property as set out in IAS 2 *Inventories,* IAS 16 *Property and Equipment* and IAS 40 *Investment Property*, in particular, the intended usage of property as determined by management.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Group has recognised a loss allowance rates for each ageing bucket against trade receivables.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The lifetime ECL on trade receivables as at 31 December 2022 amounted to AED 2.12 million (2021: AED 2.18 million). No ECL is recognized for cash in bank and due from related parties as the ECL is deemed immaterial (2021: nil).

Impairment of property, plant and equipment and right of use assets

Property, plant and equipment and right of use assets are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment. Management is satisfied that no impairment provision is necessary on property, plant and equipment and right of use assets as at 31 December 2022 (2021: nil).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Fair value of investment properties

The fair value of investment properties is determined by the management and by an independent professional valuer. The valuation techniques adopted comprise the income capitalization approach and discounted cash flow. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors "RICS" valuation standards. The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the consolidated statement of financial position date.

Such estimation is based on certain assumptions, which are subject to uncertainty and may differ from the actual results.

Following are the key valuation inputs and sensitivity analysis:

Year	Valuation technique	Significant unobservable inputs	Assumptions and data
2022 and 2021	Investment value approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 10.5-11% (2021: 10.5-11%)	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account differences in location, and individual factors, such as size, between the comparables and the property, at an average of AED 15 per square feet (2021: AED 15-17 per square feet).	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

Provision for obsolescence on inventories

Management reviews the movement in ageing and movements of its inventory items to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the consolidated statement of profit or loss, management makes judgements as to whether there is any observable data indicating that future stability of the product and the net realisable value for such product and expired or close to expiry raw material and finished goods. The provision for slow moving inventories as at 31 December 2022 amounted to AED 2.79 million (2021: AED 2.69 million).

5 Property, plant and equipment

	Building and improvements AED	Plant, machinery and equipment AED	Furniture and fixtures AED	Transport vehicles AED	Capital work-in-progress AED	Total AED
Cost						
At 1 January 2021	8,397,463	58,634,916	5,422,961	187,290	179,573	72,822,203
Additions	114,415	100,737	10,186	-	458,413	683,751
Transfers from capital work in progress	148,122	14,609	144	-	(162,875)	-
Disposals	-	(153,593)	(46,802)	(187,290)	-	(387,685)
At 1 January 2022	8,660,000	58,596,669	5,386,489	-	475,111	73,118,269
Additions	-	73,243	1,240	-	315,875	390,358
Transfer from investment properties (note 6)	6,197,500	-	-	-	-	6,197,500
Transfers from capital work in progress	-	679,995	-	-	(679,995)	-
Transfer to inventory spare part	-	-	-	-	(16,698)	(16,698)
Disposals	(226,020)	(4,510,906)	(158,261)	-	-	(4,895,187)
At 31 December 2022	**14,631,480**	**54,839,001**	**5,229,468**	**-**	**94,293**	**74,794,242**
Accumulated depreciation						
At 1 January 2021	7,471,874	55,285,158	5,396,474	187,290	-	68,340,796
Charge for the year	346,390	1,346,729	17,367	-	-	1,710,486
Disposals	-	(153,593)	(46,802)	(187,290)	-	(387,685)
At 1 January 2022	7,818,264	56,478,294	5,367,039	-	-	69,663,597
Charge for the year	581,894	1,136,139	9,573	-	-	1,727,606
Disposals	(226,020)	(4,510,983)	(155,053)	-	-	(4,892,056)
At 31 December 2022	**8,174,138**	**53,103,450**	**5,221,559**	**-**	**-**	**66,499,147**
Carrying amount						
At 31 December 2022	**6,457,342**	**1,735,551**	**7,909**	**-**	**94,293**	**8,295,095**
At 31 December 2021	841,736	2,118,375	19,450	-	475,111	3,454,672

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

5 Property, plant and equipment

Depreciation for the year has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 **AED**	2021 AED
Cost of sales	**695,481**	700,421
General and administrative expenses	**1,032,125**	1,010,065
	1,727,606	1,710,486

Leased equipment:

On 9 April 2020, the Group leases out certain equipment of Dibba plant to a related party. The lease term is one year with renewal option one year. The Group has classified this lease as operating lease as they do not transfer substantially all the of the risks and rewards incidental to ownership of the underlying asset and the lessee does not have an option to purchase the equipment at the expiry of the lease period. The carrying value of the leased equipment as at 31 December 2021 amounting to AED 0.76 million and the depreciation charges for the year ended 31 December 2021 amounting to AED 0.42 million. There were no leased equipment as at 31 December 2022.

During the year, the Company changed its intention to use the Dibba Plant Warehouse, from leasing to a production facility. Accordingly, the building and right of use asset for land lease with fair value of AED 6.20 million and AED 2.23 million, respectively, were transferred from investment property to property plant and equipment and right of use asset. Fair value of the assets was determined internally by management as disclosed in note 6.

6 Investment properties

Investment properties comprises of warehouses on leasehold land situated in Fujairah and factory building of Dibba plant. The Dibba plant was transferred to PPE during the year.

	2022 **AED**	2021 AED
At 1 January	**11,810,000**	12,085,461
Loss on fair value of investment properties	**-**	(275,461)
Transfer to property plant and equipment (note 5)	**(6,197,500)**	-
Transfer to right of use of an asset (note 7)	**(2,232,500)**	-
	3,380,000	11,810,000

6 Investment properties (continued)

In June 2022, the Company changed its intention to use the Dibba Plant Warehouse, from leasing to a production facility. Accordingly, the building and right of use asset for land lease with fair value of AED 6.20 million and AED 2.23 million, respectively, were transferred from investment property to property plant and equipment and right of use asset.

Completed investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer with a recognized and relevant professional qualification and with recent experience in the location and category of investment properties being valued. The valuation techniques adopted comprise the investment value method (2021: investment value method). The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors "RICS" valuation standards.

Refer to note 4 for the key assumptions used and sensitivity analysis. The investment properties are categorised under level 3 in the fair value hierarchy (note 20). All investment properties are located in the United Arab Emirates. The Group has earned rental income for the year is AED 0.14 million (2021: AED 1.69 million). Expenses incurred on the lease during the year is AED 0.6 million (2021: AED 0.72 million).

7 Right-of-use of assets

	2022	2021
	AED	AED
At 1 January	**5,708,055**	2,481,732
Additions during the year	**-**	6,131,365
Depreciation for the year	**(1,687,813)**	(1,754,675)
Termination of lease contracts during the year	**-**	(1,150,367)
Transfer from investment property (note 6)	**2,232,500**	-
	6,252,742	5,708,055

The Group has lease contracts for various items of land and motor vehicles used in its operations. The average lease term is 2-5 years (2021: 2-5 years).

During December 2021, lease contract entered with head office lease was cancelled, thus resulting into write-off of the right of use asset and lease liabilities. There were no material termination penalties as a result of the cancellation of the agreement.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

8 Investment in financial assets

Financial assets carried at fair value through profit or loss and financial assets carried at fair value through other comprehensive income as of 31 December 2022 are classified as follows:

	2022	2021
	AED	AED
Financial assets carried at fair value through profit and loss ("FVTPL")		
Equity instruments – quoted	**47,646,491**	18,400,000
Financial assets carried at fair value through other comprehensive income ("FVTOCI")		
Equity instruments – quoted	**1,111,600**	1,010,211

The classification of the investments in financial assets are as follows:

	2022	2021
	AED	AED
FVTPL investments		
Current	**47,646,491**	18,400,000
FVTOCI investments		
Non-current	**1,111,600**	1,010,211

	2022	2021
	AED	AED
Quoted securities		
FVTPL investments		
At the beginning of the year	**18,400,000**	-
Additions during the year	**284,232**	11,123,310
Changes in fair value	**28,962,259**	7,276,690
At the end of the year	**47,646,491**	18,400,000
FVTOCI investments		
At 1 January	**1,010,211**	722,511
Changes in fair value	**101,389**	287,700
	1,111,600	1,010,211

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

8 Investment in financial assets (continued)

These investments in equity securities are listed on Abu Dhabi Securities Exchange and Dubai Financial Markets Stock Exchanges. The fair value of the quoted equity securities is determined by reference to quoted market prices at the close of business at the end of the reporting date.

Dividend income amounting to AED 92,887 (2021: AED 38,107) is included in the consolidated statement of profit or loss under finance income.

9 Inventories

	2022 AED	2021 AED
Raw materials	**4,860,580**	2,875,659
Finished goods	**646,780**	665,877
Spare parts	**3,515,676**	3,750,596
Others	**225,487**	192,777
	9,248,523	7,484,909
Less: provision for slow moving inventories	**(2,794,317)**	(2,694,601)
	6,454,206	4,790,308

Movement in provision for slow moving inventories are as follows:

	2022 AED	2021 AED
Balance at 1 January	**2,694,601**	2,298,403
Charge for the year	**99,716**	629,899
Write-off during the year	**-**	(233,701)
Balance at 31 December	**2,794,317**	2,694,601

10 Trade and other receivables

	2022 AED	2021 AED
Trade receivables	**8,021,521**	6,809,922
Less : Allowance for expected credit losses	**(2,120,477)**	(2,176,450)
Trade receivables, net	**5,901,044**	4,633,472
Interest receivable	**3,137,451**	71,318
Prepayments	**720,165**	853,178
Advances to suppliers	**15,768**	14,744
Other receivables	**2,016,804**	377,336
	11,791,232	5,950,048

The average contractual credit period on rendering of services is 60 days (2021: 60 days), whereas the actual average collection period is considered as 64 days (2021: 64 days). No interest is charged on other current assets. The Group has determined the allowance for credit loss on the basis of past history and analysis of capacity of clients to make future payments.

Before accepting any new customer, the Group assesses the potential credit quality of the customer. At the end of the year, an amount of AED 2.19 million (2021: AED 2.28 million), excluding the credit impaired customers, of total trade receivables is due from the Group's 10 major customers.

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed AED	Individually Assessed AED	Total AED
As at 1 January 2021	174,199	3,372,353	3,546,552
Net remeasurement of loss allowance	160,076	-	160,076
Amounts written off	-	(1,530,178)	(1,530,178)
As at 1 January 2022	334,275	1,842,175	2,176,450
Net remeasurement of loss allowance	(55,973)	-	(55,973)
As at 31 December 2022	**278,302**	**1,842,175**	**2,120,477**

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

10 Trade and other receivables (continued)

		Past due				
	Current AED	**31 - 60 AED**	**61 – 90 AED**	**>91 AED**	**Individually assessed AED**	**Total AED**
31 December 2022						
Average expected credit loss rate	**-**	**4%**	**15%**	**66%**	**100%**	**26%**
Estimated total gross carrying amount at default	**5,020,768**	**651,491**	**162,255**	**344,832**	**1,842,175**	**8,021,521**
Lifetime ECL	**-**	**24,829**	**24,819**	**228,654**	**1,842,175**	**2,120,477**
31 December 2021						
Average expected credit loss rate	-	4%	11%	81%	100%	32%
Estimated total gross carrying amount at default	3,275,000	1,024,128	357,210	311,409	1,842,175	6,809,922
Lifetime ECL	-	40,651	40,812	252,812	1,842,175	2,176,450

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

11 Related parties

The Group, in the ordinary course of business, entered into a variety of transactions at agreed terms and conditions, with companies, entities or individuals that fall within the definition of a related party as defined in IAS 24 *Related Party Disclosures*. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, key management personnel, Board of Directors and their related companies.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

11 Related parties (continued)

Balances with related parties reflected in the consolidated statement of financial position are as follows:

		2022 AED	2021 AED
Due from related parties	**Relationship**		
Al Ufuq Almalaki General Trading-Sole Proprietorship LLC	Common control	**389,889**	160,836
Life Line Drug Store L.L.C	Other related party	**167,089**	-
Trojan General Contracting L.L.C.	Common control	**116,049**	26,046
International Securities LLC	Common control	**92,458**	376,690
Zee Store P.J.S.C	Common control	**20,444**	70,610
Keita Catering L.L.C	Other related party	**6,300**	-
Alliance Foods Co. L.L.C	Common control	**1,956**	2,142
Cine Royal Cinema L.L.C	Common control	**1,102**	3,308
Alpha Technologies Limited	Common control	**-**	20,547
		795,287	660,179
Due to a related party			
International Holding Company	Parent company	**-**	77,013
Short-term loan from related party			
International Holding Company	Parent company	**-**	17,000,000
FVTPL investments	Common control	**47,646,491**	18,400,000

11 Related parties (continued)

Significant transactions with related parties are as follows:

	2022 AED	2021 AED
Sales to a related party	**1,756,959**	575,137
Purchases of goods and services from a related party	**581,182**	-
Payment of expenses on behalf of a related party*	**-**	4,920,552
Rental income from a related party	**-**	1,546,000
Short-term loan from a related party**	**-**	17,000,000
Interest expense on the short-term loan	**296,950**	77,013

* On 11 May 2021, the board of directors have unanimously agreed and approved to recharge the corporate expenses to Trojan General Contracting (related party) and recorded the amount of AED 3.81 million as other income.

**During September 2021, the Group entered into a loan agreement with International Holding Company PJSC amounting to AED 5,000,000. The loan bears annual interest of 3% per annum. In December 2021, the Group obtained additional AED 12,000,000 loan from the same related party with same annual interest of 3% per annum. The loan is payable on demand. On 26 July 2022, the Group have paid in full amount the short term loan from a related party.

Key management personnel compensation for the year is as follows:

	2022 AED	2021 AED
Short-term benefits	**300,000**	230,666
Provision for end of service benefits	**9,725**	-
	309,725	230,666

12 Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised for the following:

	2022 **AED**	2021 AED
Cash on hand	**112,807**	98,708
Other cash equivalents	**75,523**	64,890
Cash at bank – current accounts	**4,972,029**	163,968
Short-term deposits	**265,329,495**	15,329,495
Cash and bank balances	**270,489,854**	15,657,061
Less: Fixed deposits with original maturity of more than three months	**(265,329,495)**	(15,329,495)
Bank overdrafts	**-**	(7,417,059)
Cash and cash equivalents in the consolidated statement of cash flows	**5,160,359**	(7,089,493)

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group has assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

Bank overdraft carry interest at prevailing market interest rate of 1.35% to 4.2% (2021: 1.35%) and are secured against fixed deposit with banks amounting to AED 15.33 million (31 December 2021: AED 15.33 million). It was fully paid on 13 July 2022.

In August 2022, the Company have increased its short term fixed deposit by AED 250 million to earn an interest at prevailing market interest rate of 1.35% to 4.2%.

13 Share capital

The share capital of the Parent Company consists of fully paid ordinary shares with a par value of 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.

	2022 **AED**	2021 AED
Issued and fully paid up		
319.87 million ordinary shares of AED 1 each (2021: 30 million ordinary shares of AED 1 each)	**319,871,064**	30,000,000

Movement in share capital is as follows:

	2022 **AED**	2021 AED
As at 1 January	**30,000,000**	30,000,000
Additional capital contributed by shareholders*	**289,871,064**	-
As at 31 December	**319,871,064**	30,000,000

*On 6 July 2022, SCA approved the increase in authorized share capital of the Company to 600 million ordinary shares of AED 1 each, and accordingly the company's issued capital has been increased from 30 million ordinary shares of AED 1 each to 319.87 million ordinary shares of AED 1 each.

14 Statutory reserve

In accordance with the UAE Federal Law No. (32) of 2021 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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

15 Provision for employees' end of service benefits

	2022 AED	2021 AED
At 1 January	**1,717,587**	2,019,752
Charge for the year	**281,298**	266,578
Payments made during the year	**(280,185)**	(568,743)
	1,718,700	1,717,587

16 Lease liabilities

	2022 AED	2021 AED
Balance at the begining of the year	**9,949,063**	7,312,364
Additions during the year	**-**	6,131,365
Finance cost	**602,416**	471,242
Termination of lease contracts during the year	**-**	(1,310,115)
Payments during the year	**(2,929,928)**	(2,655,793)
	7,621,551	9,949,063
Presented as:		
Current	**1,429,139**	2,093,793
Non-current	**6,192,412**	7,855,270

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

During December 2021, lease contract entered with head office lease was cancelled, thus resulting into write-off of the right of use asset and lease liabilities. There were no material termination penalties as a result of the cancellation of the agreement.

17 Trade and other payables

	2022 AED	2021 AED
Trade payables	**8,771,258**	8,492,611
Accrued expenses and other payables	**1,453,690**	1,499,103
Advances from customers	**66,454**	93,146
Value added tax payable	**82,749**	65,535
	10,374,151	10,150,395

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

18 Basic and diluted earning per share

Basic earnings per share amounts are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

There are no dilutive securities, therefore diluted earnings per share is the same as basic earnings per share.

The following reflects the profit and share data used in the earnings per share computations:

	2022	2021
Profit for the year (AED)	**25,400,235**	1,871,221
Weighted average number of shares in issue	**171,750,136**	30,000,000
Basic and diluted earnings per share (AED)	**0.148**	0.062

On 6 July 2022, the Company issued additional shares of 289,871,064 at AED 1 per share (note 13).

19 Contingencies and commitments

	2022 AED	2021 AED
Letter of guarantees	**55,000**	55,000
Capital commitments	**45,303**	48,445
Letters of credit	**1,276,853**	1,727,095

20 Financial risk management

Financial instruments classification

The Group's financial assets are classified at amortized cost pertaining to cash and bank balances and trade receivables and investment in financial assets classified as FVPTL and FVTOCI. The Group's financial liabilities at amortised cost pertains to trade and other payables, due to a related party, short-term loan from a related party, bank overdraft and lease liabilities.

Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern through the optimisation of the debt and equity balances. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives.

The capital structure of the Group consists of cash and cash equivalents and equity (comprising of share capital, additional paid in capital, legal reserve and retained earnings).

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk and market risks (equity price risk and interest rate risk). The Group has not framed formal risk management policies, however, the risks are monitored by management on a continued basis. The Group does not enter into or trade in financial instruments, derivative financial instruments, for speculative purposes.

The Group does not have any significant exposure to foreign currency risk as all of its assets are denominated in AED.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, however significant revenue is generated by dealing with high profile customers, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counter-parties. Bank balances are assessed to have low credit risk of default since these banks are highly regulated by the UAE Central Bank.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

20 Financial risk management (continued)

Credit risk management (continued)

As at 31 December 2022, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its Management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >91-365 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >365 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

31 December 2022	**Notes**	**External credit ratings**	**Internal credit ratings**	**12 month or lifetime ECL**	**Gross carrying amount AED**	**Loss allowance AED**	**Net carrying amount AED**
Due from related party	11	N/A	i	Lifetime ECL	**795,287**	**-**	**795,287**
Trade receivables	10	N/A	i	Lifetime ECL	**8,021,521**	**(2,120,477)**	**5,901,044**
Cash and bank balances	12	AA	N/A	12-month ECL	**270,489,854**	**-**	**270,489,854**
31 December 2021							
Due from related party	11	N/A	i	Lifetime ECL	660,179	-	660,179
Trade receivables	10	N/A	i	Lifetime ECL	6,809,922	(2,176,450)	4,633,472
Cash and bank balances	12	AA	N/A	12-month ECL	15,657,061	-	15,657,061

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

20 Financial risk management (continued)

Credit risk management (continued)

i. For trade receivables and due from related parties, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group always measures the loss allowance for trade receivables and due from related parties at an amount equal to lifetime ECL.

Liquidity risk management

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 exceed the current cash outflow requirements. Cash flows from trade and other receivables are all due within three months.

	Less than 1 year AED	More than 1 year AED	Total AED
31 December 2022			
Trade and other payables	**10,374,151**	**-**	**10,374,151**
Lease liabilities	**1,429,139**	**6,192,412**	**7,621,551**
	11,803,290	**6,192,412**	**17,995,702**

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

20 Financial risk management (continued)

Liquidity risk management (continued)

	Less than 1 year AED	More than 1 year AED	Total AED
31 December 2021			
Trade and other payables	10,150,395	-	10,150,395
Lease liabilities	2,093,793	7,855,270	9,949,063
Bank overdraft	7,417,059	-	7,417,059
Short term loan from a related party	17,000,000	-	17,000,000
Due to a related party	77,013	-	77,013
	36,738,260	7,855,270	44,593,530

Market risk

The Group's activities expose it primarily to the financial risks of changes in equity prices and interest rates.

During the year, there has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Equity price risks

The Group is exposed to equity price risks arising from quoted equity investments. Quoted equity investments are held for strategic purposes.

The Group monitors the risk of changes in equity prices by sensitivity analysis taking 100 basis points change due to the volatile nature of the market in which the securities are listed.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 100 basis points higher/lower, the Group's equity and the corresponding value of investment securities would increase/decrease by AED 0.49 million (2021: AED increase/decrease by AED 0.19 million) as a result of Group's investment in financial assets classified as FVTPL and FVTOCI.

The Group's sensitivity to equity prices has increased significantly from the prior year due to the increase in the quoted investments portfolio.

20 Financial risk management (continued)

Fair value estimation

Fair value of financial instruments

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 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.

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the years ended 31 December 2022 and 31 December 2021.

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
31 December 2022				
Investment in financial assets	**48,758,091**	-	-	**48,758,091**
31 December 2021				
Investment in financial assets	19,410,211	-	-	19,410,211

20 Financial risk management (continued)

Fair value measurement of non-financial assets

Fair value of investment properties has been determined by an independent valuer (the "Valuer") using market value 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. The following are the valuation technique and fair value hierarchy as at 31 December 2022 and 2021:

	Fair value AED	Fair value hierarchy	Valuation technique	Sensitivity Analysis
Investment properties	3,380,000 (2021: 11,810,000)	Level 3	Investment value approach (2020: Investment value approach and depreciated replacement cost approach)	A slight increase in the capitalization rate and estimated net operating income (NOI) would result in a significant decrease in fair value, and vice versa.

21 Operating segment information

The Group has three reportable segments, as described below, which are aligned with the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors review internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segment:

- Corporate segment, which involves investing activities of the Group.
- Land and building leasing segment, which involves the segment of leasing investment property warehouses; and
- Operations segment, which involves the segment of bottling, distribution and trading of mineral water, and evaporated milk.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports data reviewed by the Group's executive management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

- Corporate segment's total assets pertain mainly to the investments in financial securities of the Group amounting to AED 48.76 million (2021: AED 19.41 million) and short-term fixed deposits amounting to AED 265.33 million (2021: AED 15.32 million) and total liabilities pertaining to short-term loan from related party of nil (2021: AED 17 million). The segment's profit pertains mainly to fair value gain on revaluation of AED 28.96 million (2021: AED 7.28 million) and interest expense of AED 0.29 million (2021: AED 0.08 million), resulting in segment net gain of AED 28.67 million (2021: AED 7.20 million).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

21 Operating segment information (continued)

- Land and building leasing segment's total assets pertain mainly to the investment properties of AED 3.38 million (2021: AED 11.81 million). During the year, investment property of Dibba plant building amounting AED 8.43 million were transferred to property, plant & equipment and right of use asset (note 5 and 6).

- Land and building leasing's income pertain mainly to rental income of AED 0.14 million (2021: AED 1.68 million) and expenses incurred on the lease during the year is AED 0.025 million (2021 AED 1.27 million), and loss on fair value of investment properties of nil (2021: AED 0.27 million). The segment's net profit amounted to AED 0.115 million (2021: Profit of AED 0.41 million).

- Operations segment's total assets pertain to the Group's total assets excluding the investment in financial securities and investment properties, and total liabilities excluding the short-term loan from related party. The segment's revenue pertains to the Group's revenue of AED 31.87 million (2021: AED 22.97 million), and expenses pertain to the Group's total expenses excluding interest expense and expenses incurred for real estate leasing segment. The segment's net loss amounted to AED 5.41 million (2021: AED 6.89 million).

Information about geographical segments

During the year ended 31 December 2022, revenue from customers located in the Company's country of domicile (UAE) is AED 31.04 million (2021: AED 22.38 million) and revenue from customers outside UAE (foreign customers) is AED 0.89 million (2021: AED 0.66 million).

Major customers

During the year ended 31 December 2022 and 2021, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

22 Reclassification of comparative figures

Comparative figures have been restated for the classification of the following line items in the consolidated statement of profit or loss to conform with current year presentation:

	As previously reported 31 December 2021 AED	**Reclassification 31 December 2021 AED**	**As reclassified 31 December 2021 AED**
Statement of profit or loss			
General and administrative expenses	7,823,010	(2,914,299)	4,908,711
Operating loss	9,802,055	(2,914,299)	6,887,756
Other Income/(expenses)	3,923,425	(2,914,299)	1,009,126

The above reclassification had no effect on the net profit reported in the statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

Therefore, the consolidated statement of financial position as at beginning of the year ended 31 December 2021 was not presented in these financial statements.

23 Approval of consolidated financial statements

The consolidated financial statements were approved by the Directors and authorised for issue on 8 February 2023.

Emirates Refreshments (PJSC)

CORPORATE GOVERNANCE REPORT 2022

ص.ب. ٥٥٦٧، دبي، إ.ع.م • هاتف: ٣٣٣٥٥٦٦ (٩٧١٤+) • فاكس: ٣٣٣٥٥٥٨ (٩٧١٤+)
البريد الإلكتروني: info@erc.ae • الموقع الإلكتروني: www.erc.ae

P.O. Box 5567. Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae
No.

الإمـــارات للمرطبـــات
Emirates Refreshments

Contents

1. Introduction

Emirates Refreshments Company was established as a public shareholding company - in 1980 by Emiri Decree No. 11/1980 and under the Commercial License No. 300050 issued on 1/1/1980 by the Department of Economic Development in the Emirate of Dubai and the Ministry of Economy's Decision No. 367/2010. The purposes for which the company was founded are - manufacturing plastic bottles, bottling and marketing pure mineral water, manufacturing of fruit juice and non-alcoholic malt beverages, and trading of foodstuffs and non-alcoholic beverages.

2. Implementation of Corporate Governance Principles

The Company is committed to the adoption of effective governance criteria and measures to execute operations with approved policies, procedures and delegation of authority that aim to achieve transparency, and ease to perform its daily operations.

The company is managed by the Board of Directors composed of five members elected by the ordinary general assembly through cumulative secret ballot for a period of three years.

The Board of Directors elects the Chairman and the Vice Chairman from among its members.

Taking into consideration, not to combine the position of the Chairman of the Board of Directors and the position of the Managing Director.

The Company amended the Articles of Association in accordance with Federal Law No. 32/2021 regarding commercial companies, and its amendments.

An Audit Committee, Nomination and Remuneration Committee and Insider transaction Supervision Committee have been established.

An Internal Control Department has been set up to perform internal control and risk assessment in relation to key operating entities based on COSO framework.

The Board has established and approved policies and guidelines for achieving robust corporate governance standards as follows:

- Code of Business Conduct to guide the conduct of Directors and Employees and prevent any influence on the employees' independence and objectivity addressing matters such as conflict of interest and integrity, gifts and confidentiality.
- An appropriate delegation of authority to ensure efficient and effective decision-making which balances empowerment against controls.
- The Board of Directors nominates the external auditor on the recommendation of the Audit Committee. The appointment and fees have been determined by the Company's General Assembly resolution.
- An invitation was made to all shareholders to attend the General Assembly meeting through announcement in two local daily newspapers published in Arabic, and through registered letters, 21 (Twenty one) days before the scheduled date.
- The announcement of the invitation was included on the agenda and the financial statement and corporate governance report were presented on the website of Dubai Financial Market and the Company's website.

:٣٣٣٥٥٦٦ (+٩٧١ ٤) • فاكس: ٣٣٣٥٥٥٨ (+٩٧١ ٤)
الموقع الإلكتروني: www.erc.ae
P.O. Box 5567. Dubai. U.A.E. • Tel: (+971 4) 33

الإمارات للمرطبات
Emirates Refreshments

3. The Board of Directors and Executive Management Transactions in Securities

Transaction's report of the members of the Board of Directors, their spouses and their children in the Company's securities during the year 2022:

S. No	Name	Position/Kinship	Owned shares as on 01/01/2022	Total Purchase	Total sale	Owned shares as on 31/12/2022
1	**Mr. Nader Ahmed Al Hammadi**	Chairman	100,000	1,000,000	Nil	1,100,000
2	**Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi**	Vice Chairman	Nil	Nil	Nil	Nil
3	**Mr. Syed Basar Shueb**	Member	Nil	Nil	Nil	Nil
4	**Mr. Abdulla Mahmoud Ahmed Ali Alqaissieh**	Member	Nil	Nil	Nil	Nil
5	**Mr. Rashed Mohammed Ahmed Dawra Alkaabi**	Member	Nil	Nil	Nil	Nil

Transaction's report of the members of the Board of Directors resigned during the year 2022, and their spouses and their children in the Company's securities:

S. No	Name	Position/Kinship	Owned shares as on 01/01/2022	Total Purchase	Total sale	Owned shares as on 31/12/2022
NIL	NIL	NIL	NIL	NIL	NIL	NIL

Transaction's report of the executive management, their spouses and their children in the Company's securities during the year 2022:

S. No	Name	Position/Kinship	Owned shares as on 01/01/2022	Total Purchase	Total sale	Owned shares as on 31/12/2022
1	**Mrs. Eman Waqas**	G.M	Nil	Nil	Nil	Nil
2	**Mr. Dan Rawat**	Finance Manager	Nil	Nil	Nil	Nil

ص.ب. ٥٥٦٧، دبي، إ.ع.م. • هاتف: ٣٣٣٥٥٦٦ (٤ ٩٧١+) • فاكس: ٣٣٣٥٥٥٨ (٤ ٩٧١+)
البريد الإلكتروني: info@erc.ae • الموقع الإلكتروني: www.erc.ae
P.O. Box 5567, Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae
No.

3.1 Rules and Procedures Governing the Transactions of Company Shares

The rules and procedures governing the transactions of the Board of Directors of the Company and its employees in securities issued by the parent Company or its affiliates or sister companies.

a) The Company and its Board of Directors, Managers and employees shall abide by the resolution of the Authorities' Management Board of Directors No. (2)/2001 regarding the special system for trading, clearing, settlement, transfer of ownership and custody of securities.
b) The Chairman and the members of the Board of Directors, directors and employees of the Company shall be prohibited from exploiting their company internal information to purchase or sell shares in the Market, and any transactions thereof shall be considered null and void.
c) The chairman, members of the board of directors of the company, its general managers or any of the employees who are familiar with the basic data of the company may not act on their own or through others by dealing in the securities of the company itself or that of the parent company or affiliate or sister company during the following periods:

- Ten (10) business days before the announcement of any material information that would affect the price of the share up or down, unless the information is the result of abrupt and sudden events.
- Fifteen (15) days prior to the end of the quarterly, semi-annual and annual financial periods and until disclosure of its financial statements.

Considerations of the provisions of the law shall be taken, when the above-mentioned persons take action by themselves or through others to deal in the securities of the company itself or that of the parent company, affiliate or subsidiary or sister company, and any transaction contrary thereto shall be null and void.

In addition to the Board of Directors' commitment to DFM regulations relating to organization of transactions of the members of the listed companies' management, board of directors and other inside traders.

A. The extent to which the Board members are committed to comply with disclosure requirements prescribed by the provisions of the Law and the regulations and decisions issued pursuant thereto in respect of their transactions in securities.

Members of the Board of Directors have complied with the disclosure requirements prescribed by the provisions of the law, regulations and decisions issued pursuant thereto in respect of their transactions in securities issued by the Company.

4. Board of Directors Composition

Board of Directors	Role	Category	Member Since
Mr. Nader Ahmed Al Hammadi	Chairman	Independent, non-executive	2020
Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi	Vice Chairman	Independent, non-executive	2020
Mr. Syed Basar Shueb	Member	Independent, non-executive	2020

الإمـــارات للمرطبـــات
Emirates Refreshments

Mr. Abdulla Mahmoud Ahmed Ali Alqaissieh	Member	Independent, non-executive	2020
Mr. Rashed Mohammed Ahmed Dawra Alkaabi	Member	Independent, non-executive	2020

The table below shows the names, roles and capacities of the members of the company's board of directors and its committees who were elected at the general assembly meeting held on 06/22/2020 for a period of three years.

S.#	Name	Role	Category	Duration as Member Board of Directors
1.	**Mr. Rashed Mohammed Ahmed Dawra Alkaabi**	- Chairman of Audit Committee	Independent- non-executive	Since June 2020 till June 2023
2.	**Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi**	- Member of Nomination and Remuneration Committee - Member of Audit Committee	Independent–non executive	Since June 2020 till June 2023
3.	**Mr. Abdulla Mahmoud Ahmed Ali Alqaissieh**	- Member of Nomination and Remuneration Committee - Member of Audit Committee	Independent- non-executive	Since June 2020 till June 2023
4.	**Mr. Syed Basar Shueb**	- Chairman of Nomination and Remuneration Committee - Chairman of Follow-up and Insiders Transaction Supervision Committee	Independent- non-executive	Since June 2020 till June 2023

الإمـــارات للمرطبـــات
Emirates Refreshments

The Board of Directors Membership and Positions in Other Companies /Establishments

The table below shows the names, roles, experience and capacities of the current Board of Directors.

Nader Ahmed Alhammadi Title: Chairman Category: Independent – Non-executive Join Group: 22 June 2020	
SKILLS AND EXPERIENCE	Nader Alhammadi is the current Managing Director & CEO of Presidential Flight. He joined the company in 1996 as the Manager of Materials & Supplies Division. He began his career in 1990 at Abu Dhabi Aircraft Technologies (ADAT). He held several positions and was instrumental in establishment GAMAERO, a joint venture between Gamco and Aerospatiale where he served as its Executive Director. He joined Presidential Flight in 1996 as the Manager of Materials & Supplies Division. In 2001, he was promoted to Vice President Maintenance & Engineering and was appointed Managing Director & CEO in 2014. He has 30 years of work experience which includes 15 years in Managing Public and Private joint-stock companies covering several sectors, including real estate investment and aviation management as well as his experience in the hotel, Construction, Manufacturing and mining sector.
OTHER POSITIONS CURRENTLY HELD	**Board Directorships:** **1.** Chairman — Abu Dhabi Aviation **2.** Board Member — Emirates Driving Company **3.** Board Member — Royal Jet **4.** Board Member — Waha Capital **5.** Board Member — Abu Dhabi Airports
EDUCATIONAL BACKGROUND	• Holds a Bachelor of Science in Aviation degree in Aviation Electronics (Avionics) from Embry Riddle Aeronautical University in Florida, USA in 1990. • Holds a Post graduate degree in Engineering Business Management from Warwick University in London, UK in 2002 • He participated in the “Advanced Management Programme” held at INSEAD in Fontainebleau, France in March 2007.

الإمــارات للمرطبــات
Emirates Refreshments

Ahmad Dabbos Al Suwaidi
Title: Vice-Chairman
Category: Independent – Non-executive

Join Group: 22 June 2020
Nomination & Remuneration Committee Member since June 2020 up to now
Audit Committee Member since June 2020 up to now

SKILLS AND EXPERIENCE	Businessman having investments in various industries, equipped with 20+ years of experience in international business, finance, management, and investment inside and outside of United Arab Emirates.
OTHER POSITIONS CURRENTLY HELD	**Board Directorships:** - Manager in a private company - Board of Directors member in several private companies.
EDUCATIONAL BACKGROUND	Mr. Ahmad Dabbos Al Suwaidi is a businessman having several training and certification courses in Business administration and strategies.

ص.ب. ٥٥٦٧، دبي، إ.ع.م. • هاتف: ٣٣٣٥٥٦٦ (٩٧١٤+) • فاكس: ٣٣٣٥٥٥٨ (٩٧١٤+)
البريد الإلكتروني: info@erc.ae • الموقع الإلكتروني: www.erc.ae
P.O. Box 5567, Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae
No.

الإمـــارات للمرطبـــات
Emirates Refreshments

Syed Basar Shueb
Title: Board Member
Category: Independent – Non-executive

Join Group: 22 June 2020
Chairman of Nomination & Remuneration Committee since June 2020 up to now
Chairman of the Insider Trading Follow-up Committee: From June 2020 up to now

SKILLS AND EXPERIENCE

An accomplished Senior Executive with substantial and diversified experience in the process, manufacturing, construction and service industries. Possess broad-based abilities in operations and administration, strategic and tactical planning, budgeting, financial analysis and cost management, profit modelling, contracts, sales administration, maintenance and quality management systems (ISO).
Exceptional at problem-solving, goal setting, creating cohesive and focused business units, project management, continuous improvement, motivation and team building, decisive leadership in high risk (turnaround) settings, and creating and growing a profitable bottom line.
Mr. Syed Basar is also the founder of 'District Cooling', which was established back in 2006, and is today one of the key players in the UAE's Utilities services sector. He has also been working closely with the Royal Group since the year 2000.

OTHER POSITIONS CURRENTLY HELD

Board Directorships:

1.	Group Chief Executive Officer	PAL Group of Companies (a subsidiary of Abu Dhabi-based Royal Group)
2.	Director	Reem Finance PJSC
3.	Chairman / Managing Director	Chimera Investments LLC
4.	Board Member	Keyhole TIG (K-TIG) Limited
5.	C.E.O	International Holding PJSC

Previous Executive Positions:

1.	Macquarie Capital Middle East LLC (UAE)	Licensed Director
2.	AGILIGHT INC	Director
3.	HI-TECH Trading Limited -	Director

EDUCATIONAL BACKGROUND

Mr. Syed Basar holds a Bachelor of Science in Computer Engineering degree from Near East University, Nicosia, Turkish Republic of Northern Cyprus. (Year 1994 to 1998)

ص.ب. ٥٥٦٧، دبي، إ.ع.م • هاتف: ٣٣٣٥٥٦٦ (٤ ٩٧١+) • فاكس: ٣٣٣٥٥٥٨ (٤ ٩٧١+)
البريد الإلكتروني: info@erc.ae • الموقع الإلكتروني: www.erc.ae
P.O. Box 5567, Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae
No.

الإمـــارات للمرطبـــات
Emirates Refreshments

Abdullah Qaissieh
Title: Board Member
Category: Independent – Non-executive

Join Group: 22 June 2020
Nomination & Remuneration Committee Member since June 2020 up to now
Audit Committee Member since June 2020 up to now

SKILLS AND EXPERIENCE

A multifaceted management professional offering 18+ years of diversified experience in Driving business growth, through operations, strategic planning and business development initiatives with competence in handling personal affairs of the ruling family, directing companies to expand business and building outstanding diplomatic efficiencies. Seeking a key position with a progressive organization to contribute accrued skills and market savvy toward achieving organizational objectives of change, growth and profit

OTHER POSITIONS CURRENTLY HELD

Board Directorships:

1.	Abu Dhabi Chamber of Commerce	Member
2.	Yas, the royal name of perfumes	Chairman
3.	Sepal Contracting	Chairman
4.	Sepal Automotive	Chairman

Current Executive Positions:

Deputy General Manager – Private Office of H. H Sheikh Tahnoon bin Zayed Al Nahyan UAE

EDUCATIONAL BACKGROUND

South eastern University, California - USA

- Bachelor's Degree in Business Administration with major International Business. (June 1996)

الإمـــارات للمرطبـــات
Emirates Refreshments

Rashed M. A. Alkaabi
Title: Board Member
Category: Independent/Non-Executive

Join Group: 22 June 2020
Chairman of Audit Committee: From June 2020 up to now

SKILLS AND

Mr. Rashid Al Kaabi joined the Abu Dhabi fund for development more than 16 years ago, where he worked as a project manager and supervised many pioneering development projects outside and inside the UAE.He had a primary role in formulating the strategies of the Abu Dhabi Fund for Development, and then was promoted to be the Director of the Investments Departments in the Fund to manage all financial resources in the Fund and employ them in various investment tools such as investing in companies, bonds, investment funds and others. He also assumed many executive and administrative tasks, for example, the managing director of Al Ain Farms for Livestock Production, the Chairman of the Board of Directors of the Abu Dhabi Uzbekistan Investment Company, and the Vice Chairman of the Board of Directors of the Abu Dhabi Tourism Investments Company, among others.

OTHER POSITIONS CURRENTLY HELD

Board Directorships:

1.	Vice Chairman	ADTIC Company in EGYPT from 2016 to Date
2.	Board Member	Abu Dhabi Uzbekistan Investments Company (Uzbekistan) since 2020
3.	Managing Director	Managing Director of Al Ain Farms from 2014 to 2019
4.	Board Member	Rabab Company (Morocco)
5.	Board Member	Viola Company from 2018 to 2021
6.	Board Member	Delma Tourist Investments Company (Morocco) from 2007 to 2019
7.	Board Member	Belmar Touristic Investments Company (Morocco) from 2008 to 2018
8.	Board Member	North Sousse Company (Tunisia) from 2014 to 2017
9.	Vice Chairman	Misr Arabia Company (Egypt) since 2016

EDUCATIONAL BACKGROUND

- MBA. (Business.) - AACSB International accredited; UAE University 2009-2011
- Bachelor of Architecture, UAE University - 2005
- Master's Certificate in Project Management MCPM, University of Huston – Clear Lake 2007.
- Accredited Certificate in Global Project Management (CGM) - INSEAD, France 2017
- Certificate in "Building capabilities for execution and delivery" Harvard business school – 2009
- Certificate in Growth Enhancement Programme - INSEAD, France 2013.
- Certificate in Executing Strategy for Results- London Business School, England 2015
- Certificate in Management Skills for International Business - INSEAD, France 2017.
- EFQM Accredited Institutional Excellence Assessor since 2009

ص.ب. ٥٥٦٧، دبي، إ.ع.م • هاتف: ٣٣٣٥٥٦٦ (٩٧١٤+) • فاكس: ٣٣٣٥٥٥٨ (٩٧١٤+)
البريد الالكتروني: info@erc.ae • الموقع الالكتروني: www.erc.ae
P.O. Box 5567, Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae
No.

5. Statement of the percentage of female representation in the Board of Directors in 2022

The company does not have woman representation at the Board level, however at the organizational level the Company does have fair amount of woman representation.

Statement of the reasons for the absence of any female candidate for the Board membership:

During the last Director's election in 2020 and after opening the door for election of new Directors for the Board, one woman applied for membership of the Board. In the election session held on 22/06/2020 no woman has obtained the sufficient percentage to be a Board member.

6. The Board of Directors Other Statements

6.1 Method of Determining the Remunerations of Board of Directors

The Board of Directors' remuneration shall be set forth in the Articles of Association of the Company, subject to the provisions of Federal Law No. (32)/2021 regarding commercial companies. The remuneration of the members of the Board of Directors shall consist of a percentage of the net profit.

The Company may also pay additional expenses or fees or monthly salary to the extent determined by the Board of Directors for any of its members, if this member is working in any committee, or exerts exceptional efforts or performs additional work to serve the company, beyond his or her normal duties as a member of the board of directors of the company. In all cases, directors' remuneration should not exceed 10% of the net profit after deducting depreciation and reserve.

6.2 Total Remunerations Paid to the Members of Board of Directors in 2022

Members of the Board of Directors did not receive any remuneration for the year 2022.
There is no proposal to pay annual bonuses to board members for the year 2023.

6.3 A statement of the details of the allowances for attending the sessions of the Board of Directors and the committees derived from the Board that were received by the members of the Board of Directors for the fiscal year 2022.

Members of the Board of Directors did not receive any allowances to attend the meetings of the Board of Directors and the committees emanating from the Board for the fiscal year 2022.

7. The Board Meetings

Statement of the number of meetings held by the Board of Directors during the fiscal year The Board of Directors had convened Five meetings during 2022 as follows:
The Board of Directors held (5) meetings during the year 2022:

No.	Meeting Date	Attendance	Proxy	Absent	Names of Absent Members
1.	February 07th 2022	5	-	-	-
2.	April 27th 2022	5	-	-	-
3.	May 12th 2022	3	-	2	Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi Mr. Syed Basar Shueb
4.	August 11th 2022	4	-	1	Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi
5.	November 10th 2022	4	1		Mr. Nader Ahmed Mohamed proxied by Mr. Rashed Mohammed Ahmed Dawra Alkaabi

(+٩٧١ ٤) ٣٣٣٥٥٥٨ :فاكس • (+٩٧١ ٤) ٣٣٣٥٥٦٦
الموقع الإلكتروني: www.erc.ae
P.O. Box 5567. Dubai. U.A.E. • Tel: (+971 4) 33

الإمــارات للمرطبــات
Emirates Refreshments

Below details of Board meetings attendance during the year 2022 as follows:

Board of Directors	No. of Absence/ No. of Meetings	First Meeting 07/02/22	Second Meeting 27/04/22	Third Meeting 10/05/22	Forth Meeting 11/08/22	Fifth Meeting 10/11/22			
Mr. Nadir Ahmad Al Hammadi	-	✔	✔	✔	✔	✔			
Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi	2	✔	✔	-	✔	-			
Mr. Syed Basar Shueb Syed Shueb	1	✔	✔	-	✔	✔			
Mr. Abdulla Mahmoud Ahmed Ali Alqaissieh	-	✔	✔	✔	✔	✔			
Mr. Rashed Mohammed Ahmed Dawra Alkaabi		✔	✔	✔	✔	✔			

8. Summary of Board Resolutions issued by circulation during the year 2022that were disclosed:

Decisions disclosed in the Market during the year 2022:

- On 6 July 2022, SCA approved the increase in authorized share capital of the Company to 600 million ordinary shares of AED 1 each, and accordingly the company’s issued capital has been increased from 30 million ordinary shares of AED 1 each to 319.87 million ordinary shares of AED 1 each.

Decisions that were not disclosed in the market during the year 2022:

- There are no board decisions issued that were not disclosed during the year 2022.

9. Responsibilities Assigned to the Executive Management

The Board of Directors and Executive Management have been designated to perform the functions as per following authorization:

S. No	Name of Authorized Person	Capacity of Authorization	Period of Authorization
1	Members Board of Directors	Members of Board directors authorized Chairman of the Board Mr. Nadir Ahmed Al Hammadi to execute and perform set of disposals related to the Company and its subsidiaries and this power of attorney was attested by the notary public.	From 25/06/2020 till 24/06/2023

الإمـــارات للمرطبـــات
Emirates Refreshments

The powers of the board of directors remain in effect until the convening of the general assembly, which will include the clause of electing the board of directors, noting that the general assembly is expected to take place in April 2023.

10.Related Parties Transactions

Summary of related parties' major transactions during the year 2022:

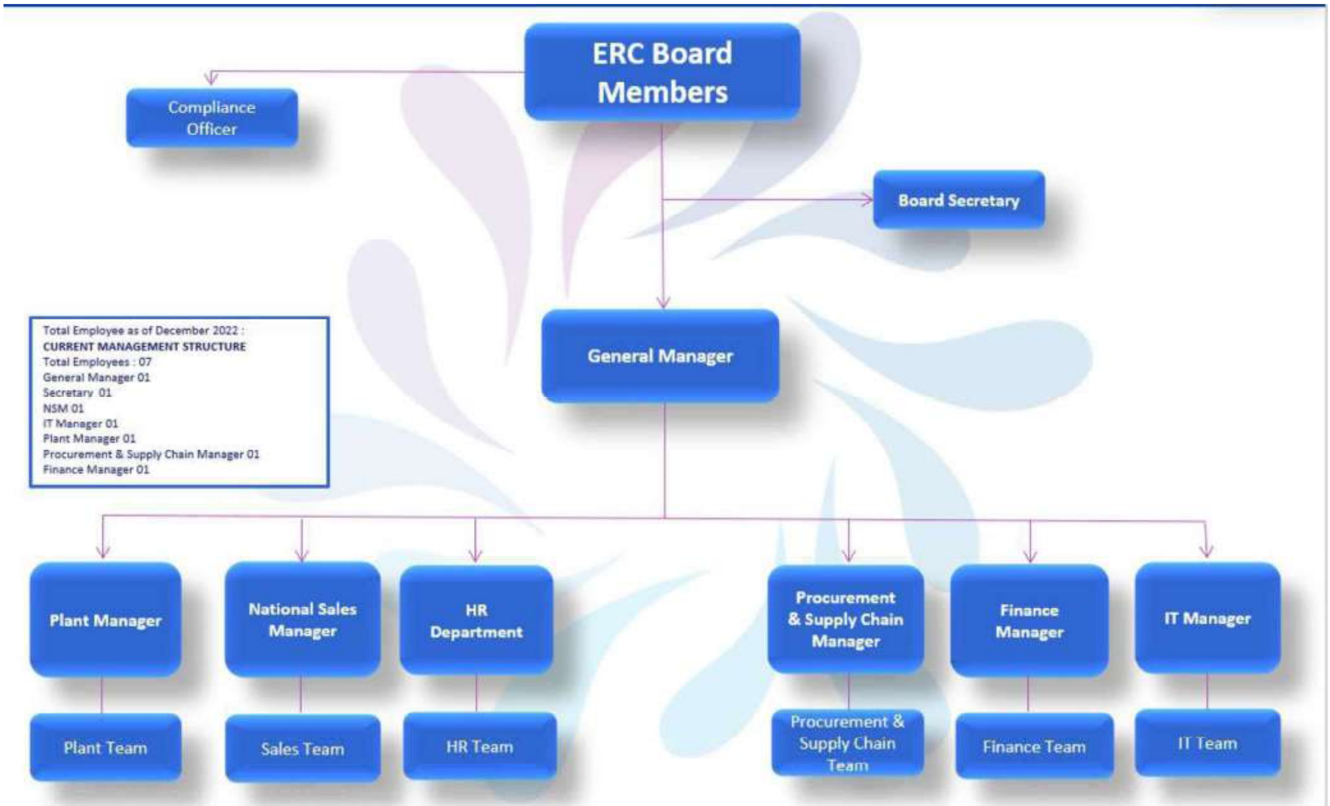
	Due from a related party		Due to a related party	
	2022	2021	2022	2021
	AED	AED	AED	AED
Entity under common control	702,829	660,179	-	77,017

*** Transactions with related parties**

	2022	2021
	AED	AED
Rental income	-	1,623,300
Sales to a related party	1,755,056	575,137
Purchases from a related party	581,182	-
Payment of expenses by a related party	-	-
Payment of expenses on behalf of a related party	-	4,920,552

الإمــارات للمرطبــات
Emirates Refreshments

11.Organizational Chart



12. Executive Management

The following chart showing senior executives in the Company, their designations, appointment dates and total salaries, allowances & bonuses paid to them during the year 2022:

Position	Appointment Date	Total salaries and allowances paid during the year 2022 - in dirham	Total bonuses paid during the year 2022 – in dirham	Any other bonuses to be paid in the future for the year 2022 – in dirham
General Manager	06/03/2011	300,000/=	-	-
Finance Manager	01/08/2010	212,292/=	-	-
IT Manager	01/10/2018	204,000/=	-	-
Plant Manager	13/10/2019	228,000/=	-	-
National Sales Manager	07/02/2022	224,215/=	-	-

الإمـــارات للمرطبـــات
Emirates Refreshments

13. External Auditor

13.1 Brief About the Company's External Auditor

Deloitte in the UAE is part of Deloitte & Touche (M.E.). Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL)

A core practice within our Middle East region, today Deloitte in the UAE has over 1,100 professionals based within five practice offices in Dubai, Abu Dhabi, Fujairah, Ras Al Khaimah, and Sharjah. We are a full-service firm in the UAE, and have well developed practices serving leading enterprises and institutions in banking and financial services, real estate, leisure and hospitality, construction, public sector activities, trading, manufacturing, telecom, retail and energy and resources.

Our clients include many of the United Arab Emirates' largest entities and clients in energy and resources, financial services institutions, real estate, construction, trading, and manufacturing in the public and governmental sectors. Dubai hosts our regional International Tax Services, Enterprise Risk Services and Corporate Finance Advisory practices serving clients across the Middle East

13.2 List of Services Provided by the Company's External Auditor

The General Assembly held in April 2022 decided to appoint Deloitte & Touche (M.E.). to perform external audit of the Company and its subsidiaries for the year 2022. Their fees were set at AED 110,000/=, including quarterly review fees (within the United Arab Emirates).

The scope of the audit for the financial year 2022 is as follows:

1. Provide an audit opinion on the annual consolidated financial statements in accordance with International Financial Reporting Standards.

2. Provide an audit opinion on the financial statements of all subsidiaries of the company in accordance with International Financial Reporting Standards; and

3. Provide a review of quarterly interim condensed consolidated financial statements in Accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

ص.ب. ٥٥٦٧، دبي، إ.ع.م • هاتف: ٣٣٣٥٥٦٦ (٩٧١٤+) • فاكس: ٣٣٣٥٥٥٨ (٩٧١٤+)
البريد الالكتروني: info@erc.ae • الموقع الالكتروني: www.erc.ae
P.O. Box 5567, Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae
No.

***Statement of fees and costs for auditing or services provided by the external auditor:**

Name of the audit office and partner auditor	**Deloitte & Touche (M.E.). (Engagement Partner Mr. Mohammad Khamees Al Tah)**
Number of years served as an external auditor for the Company	One Year
Total fees for auditing the financial statements of 2022	AED 110,000/=
Total Fees for special services other than the audit of the financial statements for the year 2022	Nil
Other services provided 2022	Nil
Other services provided by another external auditor	Nil

13.3 Statement of clarification of the reservations made by the company's auditor, which were included in the interim and annual financial statements for the year 2022:

No reservation was made by the company's external auditor on any of the items of the interim financial statements during the year 2022.

14. Board of Directors Committees

14.1 Audit Committee

Audit Committee Chairman’s Acknowledgment

Mr. Rashed Mohammed Ahmed Dawra Alkaabi (Chairman Audit Committee) acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

Names of the audit committee members, it’s terms of reference and the tasks assigned thereto:
Th audit committee consists of three non-executive and independent members of the board of directors, i.e.:

S. No	Name	Title	Category
1	Mr. Rashed Mohammed Ahmed Dawra Alkaabi	Chairman	Non-Executive/Independent
2	Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi	Member	Non-Executive/Independent
3	Mr. Abdulla Mahmoud Ahmed Ali Alqaissieh	Member	Non-Executive/Independent

Audit Committee Functions

- Review policies, financial and accounting procedures of the company.
- Monitor the integrity of the company's financial statements and reports (annual, semi- annual and quarterly) and review them as part of its normal work during the year, and should particularly focus on the following:
- Any changes in accounting policies and practices.
- Highlight areas subjugated to management's discretion.
- Substantial adjustments resulting from the audit.
- Assuming continuity of business.
- Compliance with accounting standards determined by the Authority.
- Compliance with management and disclosure rules and other legal requirements related to the preparation of financial reports.
- Coordinating with the company's board of directors, senior executive management, financial director and the existing manager with the same tasks in the company in order to perform its duties.
- Consider any important and unusual items that should be included in such reports and accounts and shall give due attention to any matters raised by the CFO of the company, the manager with the same functions, the compliance officer or the auditor.
- The Board of Directors has issued a recommendation on the selection or resignation of the auditor. If the Board of Directors does not approve the recommendations of the Audit Committee, the Board of Directors should include in its report a statement explaining the recommendations of the Audit Committee and the reasons for the Board of Directors, not to adopt it.
- Develop and apply the contracting policy with the auditor and submit a report to the Board of Directors, identifying issues it considers important to take action about, recommending necessary steps to be taken.
- Ensure that the auditor fulfils the conditions stipulated in the laws, regulations and decisions in force and the company's articles of association, following up and monitoring his independence.
- Meeting with the company's auditor without the attendance of any of the senior executive management or its representatives, at least once a year, and discuss the nature and scope of the audit and its effectiveness in accordance with the approved auditing standards.
- Investigate all matters relating to the auditor's work, his work plan and correspondence with the company, his observations, suggestions and reservations, and any material questions raised by the auditor to senior executive management, regarding the accounting records, financial accounts or control systems, and follow up the response of the company management, providing necessary facilities to carry out his work.
- Ensuring that the Board of Directors responds in a timely manner to the clarifications and material issues raised in the auditor's letter.
- Review and evaluate the Company's internal control and risk management systems.
- Discuss the internal control system with the Board of Directors and ensure that it fulfils its duty to establish an effective internal control system.
- Consider the results of the main investigations in the internal control matters assigned to them by the Board of Directors or are initiated by the Committee and approved by the Board of Directors.
- Review the auditor's assessment of the internal control procedures and ensure that there is coordination between the internal auditor and the external auditor.
- Ensure that resources are available for internal control management and to review and monitor the effectiveness of this department.

- Studying internal control reports and following up the implementation of the corrective measures of the observations contained therein.
- Establish controls that enable company employees to report any potential irregularities in financial reports, internal controls or other matters in secret, and steps to ensure independent and fair investigations of such violations.
- Monitor the company's compliance with the Code of Professional Conduct.
- Review the transactions of related parties with the company and ensure that there is no conflict of interest and recommend them to the Board of Directors before they are concluded.
- Ensure implementation of the work rules related to its functions and powers entrusted to it by the Board of Directors.
- Present reports and recommendations to the Governing Council on the above issues mentioned in this Article.
- Consider any other topics determined by the Board of Directors.

Audit Committee Meetings during the Year 2022

Audit Committee Members	No. of absence/ No. of Meetings	First Meeting 02/02/2022	Second Meeting 09/05/2022	Third Meeting 10/08/2022	Fourth Meeting 04/11/2022
Mr. Rashed Mohammed Ahmed Dawra Alkaabi	-	✔	✔	✔	✔
Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi	2	✔	✔	-	-
Mr. Abdulla Mahmoud Ahmed Ali Alqaissieh	-	✔	✔	✔	✔

14.2 Nominations and Remunerations Committee

Nominations and Remunerations Committee Chairman's Acknowledgment

Mr. Syed Basar Shueb Syed (Chairman Nominations and Remunerations Committee) acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

Names of the Nominations and Remuneration committee members, it's terms of reference and the tasks assigned thereto:

The Nominations and Remuneration committee consists of three non-executive and independent members of the board of directors, i.e.:

S. No	Name	Title	Category
1	Mr. Syed Basar Shueb Syed	Chairman	Non-Executive/Independent
2	Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi	Member	Non-Executive/Independent
3	Mr. Abdulla Mahmoud Ahmed Ali Alqaissieh	Member	Non-Executive/Independent

Committee Functions

- To establish a policy on membership candidacy for the Board of Directors and Executive Management, which aims at taking into account gender diversity within the formation and encouraging women through motivations and incentive programs and providing the Authority with a copy of this policy and any amendments thereto.
- Organizing and following up the procedures for nomination to the Board of Directors in accordance with the applicable laws and regulations and the provisions of this resolution.
- Ensure continuous independence of independent members.
- If the Committee finds that a member has lost the conditions of independence, it must submit the matter to the Board to notify the member of a registered letter to the company's fixed address for reasons of non-independence. The member must respond to the Board within fifteen days from the date of notification. The member is independent or not independent at the first meeting following the member's reply or the expiration of the period referred to in the preceding item without a reply.
- To prepare the policy for the granting of bonuses, benefits, incentives and salaries for the members of the Board of Directors of the Company and its employees, and to review them on an annual basis. The Committee shall verify that the remuneration and benefits granted to the Senior Executive Management are reasonable and proportionate to the performance of the Company.
- Annual review of the required skills requirements for Board membership and preparation of a description of the capabilities and qualifications required for membership of the Board of Directors, including determining the time required to be assigned by the member to the work of the Board of Directors.
- Review the structure of the Board and make recommendations regarding possible changes.
- Identify the company's needs of competencies at the level of senior executive management and employees and the bases of their selection.
- Develop and review the HR policy and training in the company, control its implementation and review it annually.
- Any other matters determined by the Board of Directors.

Committee Meeting During the Year 2022

Member of the Committee	No. of absence/ No. of Meetings	Meeting Date 10/11/2022
Mr. Syed Basar Shueb Syed	-	✔
Mr. Ahmad Mohamed Abdulla Aldabboos Alsuwaidi	-	✔
Mr. Abdulla Mahmoud Ahmed Ali Alqaissieh	-	✔

14.3 Follow-Up and Insider Transaction Supervision Committee

The Board of Directors has formed a committee to manage, follow up and observe the transactions of interested persons and their property, maintain their register and submit statements and periodic reports to the market.

Follow-Up and Insider Transaction Supervision Committee Chairman's Acknowledgement

Mr. Syed Basar Shueb Syed (Chairman Follow-Up and Insider Transaction Supervision Committee) acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

الإمـــارات للمرطبـــات
Emirates Refreshments

No.	Member Name	Committee Position	Position according to Organizational Chart
1.	Mr. Syed Basar Shueb Syed	Committee Chairman	Board Member
2.	Mr. Dan Rawat	Member	Finance Manager
3.	Ms. Jyotica Kapoor	Member	Board Secretary

Committee Functions

- The Committee shall include the names of persons familiar with any data pertaining to the company that may have an effect on the price of the company's shares in the market, in a manner that ensures the highest standards of transparency and disclosure.
- The Committee shall maintain a special register recording all necessary data for the insiders and determining the period of their knowledge, the number of securities traded in the sale and purchase during the year, the dates of execution of trading operations, and other relevant data.
- The Committee shall have the right to include the name of the conversant person if he is from within the company employees or an external party.
- The Committee shall be entitled to determine the nature of the person's term of office (permanent / temporary).
- The Committee shall abide by the rules and procedures of corporate governance and discipline and all instructions and laws issued from time to time.
- An annual report shall be sent to the Board of Directors stating the names of the interested persons and the volume of their transactions in the company's securities.
- The Committee shall ensure that all persons who have expressed their wishes have made the necessary representations.

Committee Meeting During the Year 2022

No.	Member Name	Position in the Committee	Position according to Organizational Chart	Meeting date 17/11/2022
1.	Mr. Syed Basar Shueb Syed	Committee Chairman	Board Member	✔
2.	Mr. Dan Rawat	Member	Finance Manager	✔
3.	Ms. Jyotica Kapoor	Member	Board Secretary	✔

Summary of the Committee Work during the Year 2022

The committee reviewed the rules of dealing for controlling private transactions of conversant persons, reviewing the mechanism of keeping related records. In addition, the committee has taken necessary procedures to ensure the highest levels of compliance with legislation and best practice for corporate governance.

15. Internal Control System

15.1 The Board of Directors' Acknowledgement of its Responsibility for the Internal Control System and its review and effectiveness

The Board of Directors acknowledges its responsibility for the Company's internal control system and its review and effectiveness.

15.2 Internal Control Department In-charge's Profile

Mr. Rabah Hakem has assumed the role as Compliance Officer (Date of appointment 22/03/2022), performing the duties of compliance officer. He holds Bachelor of Economics (Finance) degree and has more than (15) fifteen years of experience in accounting, and Business Administration.

The company is currently in the process of appointing an internal auditor during the first quarter of the year 2023.

The internal audit function govern itself by adherence to the institute of internal auditors' mandatory guidance including the definition of internal auditing, the code of ethics, and the international standards for the professional practice of internal auditing (Standards).

15.3 Working Mechanism of the Internal Control Department

The internal control function is established by the Board of Directors, Audit Committee. The function's responsibilities are defined by the Audit Committee as part of their oversight role.

The duties and responsibilities of the internal control function will be to provide timely feedback to the Audit Committee on matters relating to:

- Reliability and integrity of financial and operating reports.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, directives and contractual obligations.

The Audit Committee provides instructions to the internal control function in the form of an approved internal audit plan and specific directions from time to time.

15.4 The Annual Review Includes the Following Components in Particular

- Key control elements including financial control, operations and risk management.
- Changes since the last annual review on the nature and extent of the major risks and the Company's ability to respond to changes in its business and external environment.
- The scope and quality of the Board's ongoing control of risks, the internal control system and the internal auditor' work.
- The number of times the Board of Directors or its committees have been informed about audit work results to enable it to assess the internal control position of the Company and the effectiveness of risk management.
- Failures or weaknesses in the detected control system or unexpected contingencies which have affected or may have a material impact on the performance or financial position of the Company.
- The effectiveness of the Company's financial reporting and compliance with listing and disclosure rules

15.5 Number of Reports Issued by Internal Control Department

During the year 2022 the Internal Control Department issued 01 report.

16. Violations Committed by the Company during the Year 2022

No violations were recorded during 2022.

17.Statement of Cash and In-Kind Contributions

Neither cash nor in – were Kind Contributions made by the Company during the year 2022.

18.General Information

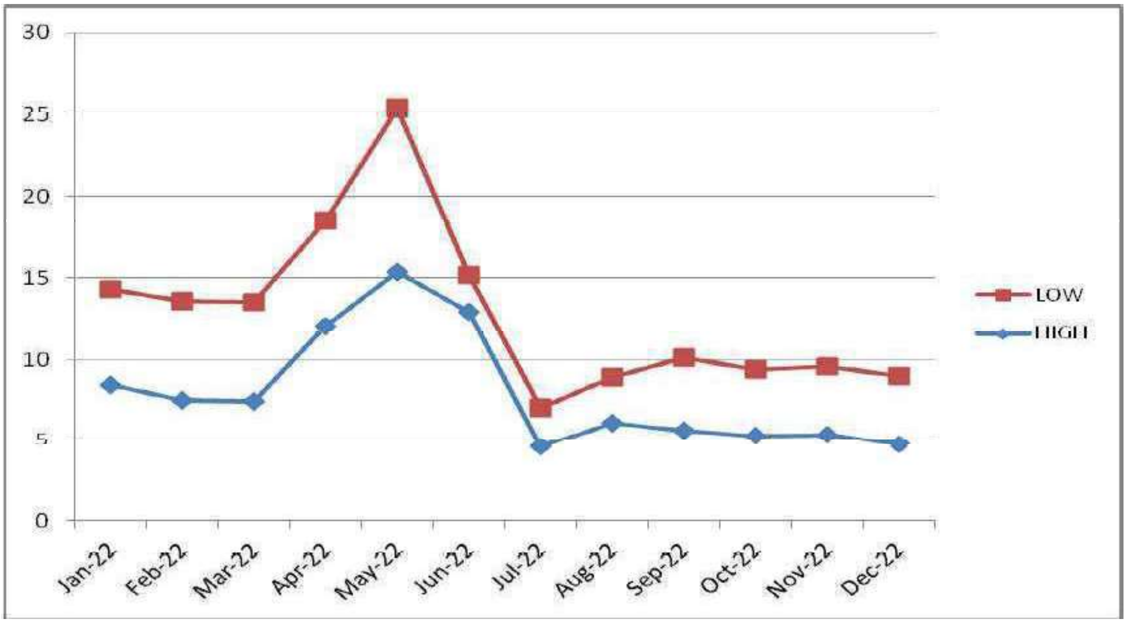
18.1 Share Price

The following table presents the company's highest and lowest share price at the end of each month during the year 2022 and share performance against market index and sector index as of 31st December 2022:

Company's share price performance during the year 2022:

	Share Price (AED)				
Month	**HIGH**	**LOW**	**CLOSING PRICE**	**Market Index**	**Consumer Index**
January	8.4	5.9	7.5	3,203.08	56.28
February	7.49	6.1	6.76	3,354.64	52.83
March	7.44	6.03	7.03	3,526.6	54.09
April	12	6.51	10.8	3,719.63	71.65
May	15.4	10	12.25	3,347.24	78.4
June	12.9	2.3	4.3	3,223.29	150.28
July	4.58	2.41	3.04	3,337.96	106.85
August	6.08	2.78	5.5	3,443.11	193.32
September	5.63	4.47	4.51	3,339.15	158.52
October	5.28	4.07	4.68	3,331.76	164.49
November	5.33	4.25	4.61	3,323.96	162.03
December	4.76	4.17	4.31	3,336.07	151.49
Overall Performance During 2022	**7.94**	**4.92**	**6.27**	**3,373,87**	**116.69**

الإمــارات للمرطبــات
Emirates Refreshments



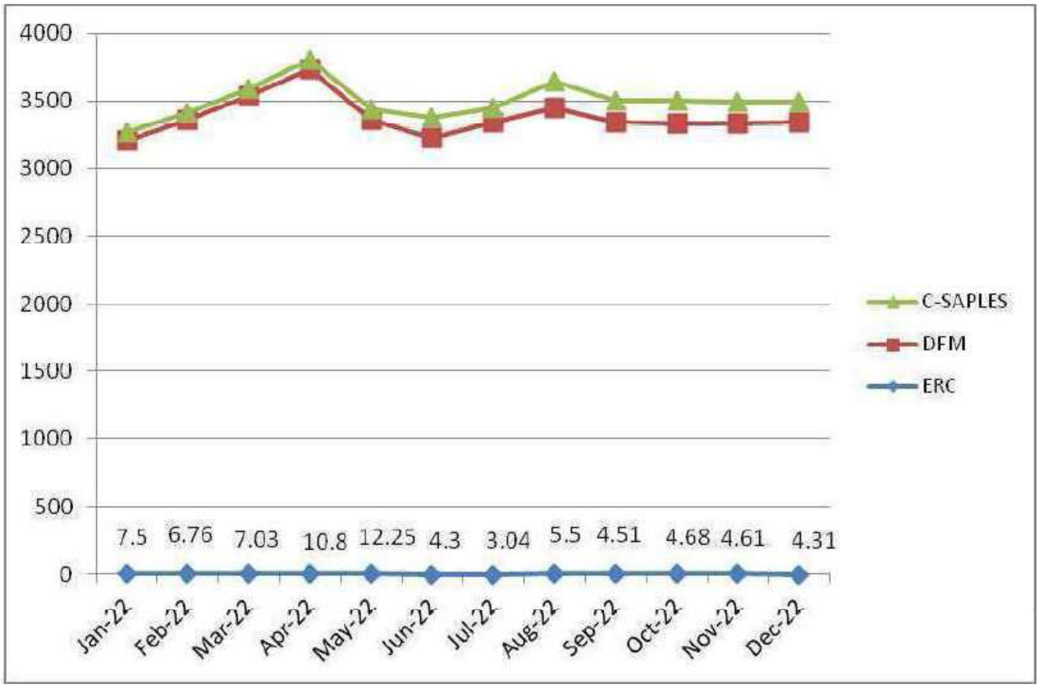
Performance of the company's shares, compared with the DFM index and DFM consumer index during the year 2022:

No.	Month Year	ERC	DFMGI	C-SAPLES
1	Jan-22	7.5	3203.08	56.28
2	Feb-22	6.76	3354.64	52.83
3	Mar-22	7.03	3526.6	54.09
4	Apr-22	10.8	3719.63	71.65
5	May-22	12.25	3347.24	78.4
6	Jun-22	4.3	3223.29	150.28
7	Jul-22	3.04	3337.96	106.85
8	Aug-22	5.5	3443.11	193.32
9	Sep-22	4.51	3339.15	158.52
10	Oct-22	4.68	3331.76	164.49
11	Nov-22	4.61	3323.96	162.03
12	Dec-22	4.31	3336.07	151.49

ص.ب. ٥٥٦٧، دبي، إ.ع.م. • هاتف: ٣٣٣٥٥٦٦ (٤ ٩٧١+) • فاكس: ٣٣٣٥٥٥٨ (٤ ٩٧١+)
البريد الإلكتروني: info@erc.ae • الموقع الإلكتروني: www.erc.ae
P.O. Box 5567, Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae
No.

الإمــارات للمرطبــات
Emirates Refreshments

ERC Share price performance Vs DFM & DFM consumer index



18.2 Distribution of Shareholders' Ownership

Description	Governments	Individuals	Companies	Total
Local	-	32,391,459	281,665,965	314,057,424
GCC	-	269,299	101,623	370,922
Arabs	-	3,702,194	27,400	3,729,594
Foreigners	-	1,512,842	200,282	1,713,124
Total	**-**	**37,875,794**	**281,995,270**	**319,871,064**
Percentage (%)		**11.84%**	**88.16%**	**100%**

18.3 Statement of Shareholders Ownership 5% or More

Name of Shareholders	Shareholders Share %
POWER HOUSE GROUP FOR COMPANY MANAGEMENT	5.0552%
Infinity T.V Free Zone L.L.C	5.0896%
Therb Commercial Investment -Company of one person	5.0996%
Luminary for management studies and consulting	5.1528%
POSEIDON OCEAN LIMITED	10.2063%
MRQ COMMERCIAL INVESTMENT - SOLE PROPRIETORSHIP LLC	14.4414%
Mabda Commercial Investment L.L.C	17.3316%
IHC Capital Holding L.L.C	20.6333%
Total	83.0098 %

18.4 Shareholders Ownership Distribution as on 31st December 2022:

Ownership of Shares	Number of Shareholders	Number of owned shares	Ownership %
Less than 50,000	611	6,500,378	2.032%
Between 50,000 and 500,000	138	15,421,225	4.821%
Between 500,000 and 5,000,000	13	17,861,646	5.584%
Greater than 5,000,000	10	280,087,815	87.563%
Total	772	319,871,064	100%

19. Investor Relations Affairs

The company has established a department specialized in managing the affairs of the shareholders. The following summary clarifies what has been achieved in compliance with the provisions of the law and the Memorandum of Association and Resolution No. 7 regarding corporate governance regulations and related circulars:

The Shareholder's Relations Officer has been appointed and holds the following qualifications:

- Holds a degree suitable for work.
- Has experience in managing the affairs of shareholders and legal matters within the State, including companies and banks.
- Aware of the relevant legal and legislative requirements.

- Has full knowledge of the company's activities and opportunities.
- Has the ability to use different channels of communication and has the skills to communicate with investors in securities.

A special investor relations page has been created on the company's website to be constantly updated and maintained in line with international standards, including Investor Relations Department data and contact information such as, a dedicated phone number and e-mail, providing all reports on financial results whether recorded or published , Financial year data, including the dates of publication of financial results data, minutes of meetings of the General Assemblies, and any other important events.
Information and data disclosed to regulators, markets or the public are posted on the company's website at the following link:

www.erc.ae
Contact details for Shareholder's Relations Officer,
Mrs. / Jyotica Kapoor
Address: Al Quoz Ind. No. 4,
Dubai – United Arab Emirates.
Tel: 04-3335566
Fax: 04-3335558
Mobile: 055 2266523
P.O. Box 5567, Dubai – United Arab Emirates
Email: jyotica.kapoor@erc.ae
Responding to Shareholders' enquiries from Monday to Friday, 10am to 2pm.

20. Special Resolutions Presented to the General Assembly Held During 2022

Four Special Resolutions Presented to the General Assembly during 2022 :
1-Rescinded the decision of the shareholders dated 6 December 2020 to issue tradable subscription rights.
2-Approved the issuance by the Company to the existing shareholders of mandatory (Details in AGM resolution)
3-Approved to Increase the issued share capital of the Company from AED 30,000,000 to a maximum amount of AED 330,000,000 upon the issuance and conversion of the mandatory convertible bonds.
5-Authorizing the Board of Directors of the Company, or any person so authorised by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions with authorities of relation. (Details in A.G.M resolution)

الإمـــارات للمرطبـــات
Emirates Refreshments

21. Rapporteur of Board Meetings

Rapporteur Name	Appointment date	Qualification/Experience	Duties during the year
Mrs. Jyotica Kapoor	From 06/03/2011 till date	Certified board secretary from Hawkamah, the Institute for corporate governance. Holds a Bachelors degree in business administration.	Coordination of all duties related to the Board of Directors. Drafting of minutes of meetings, organizing invitations, Retain/document of files, managing the general assembly meetings, coordination with the relevant regulatory authorities.

22. Significant Events during the Year 2022

There are no Significant Events and disclosures during the year 2022

23. Emiratization Percentage in the Company as of 2020, 2021, 2022 (Excluding Unskilled Workers)

The percentage of Emiratization in the company at the end of the year's 2020, 2021, 2022: 0.6%

24. Statement of Innovative Projects and Initiatives Implemented by the Company

There are not any innovative initiatives or projects implemented by the company during the year 2022.

Note: Copies of this report will be provided (after approval) at the main office of the company and on the company's website, in addition to other copies that will be provided during the general assembly meeting.

Mr. Nader Ahmed Al Hammadi
Chairman-Board of Directors

Mr. Rashed Mohammed Ahmed Dawra Alkaabi
Chairman- Audit Committee

Mr. Syed Basar Shueb Syed
Chairman- Nomination and Remuneration Committee

Mr. Rabah Hakem
Internal Control Department

Date: 28/02/2023

ص.ب. ٥٥٦٧، دبي، إ.ع.م. • هاتف: ٣٣٣٥٥٦٦ (٤ ٩٧١+) • فاكس: ٣٣٣٥٥٥٨ (٤ ٩٧١+)
البريد الإلكتروني: info@erc.ae • الموقع الإلكتروني: www.erc.ae
P.O. Box 5567, Dubai, U.A.E. • Tel: (+971 4) 3335566 • Fax: (+971 4) 3335558
Email: info@erc.ae • website: www.erc.ae

Environmental, Social and Governance

Report 2022

Contents

1.0 Overview of ESG

About

This section presents ERC's Environment, Social and Governance (ESG) report, outlining the company's ESG performance over the period from 1st January 2022 to 31st December 2022 and documenting our sustainability performance, future commitments and strategic objectives to integrate ESG best practices across ERC.

This report presents ERC's efforts to support international and national standards, visions and objectives, including the Global Reporting Initiative (GRI) Standards, United Nations Sustainable Development Goals (SDGs), Dubai Financial Market (DFM) ESG Guidance and the United Arab Emirates (UAE) Vision 2023.

What We do?

ERC's vision is always to become the fastest-growing and largest Beverage and Distribution company in the MENA region, thus equipped with highly motivated team and sophisticated production facility to deliver quality products to meet our customer expectations.

Our products are available across the UAE and we create Life in every drop.

Our Brands:

Where We Operate?

Our Head Quarter & Dubai distribution unit is located in Al Qouz- Industrial Area-4, Dubai. ERC has 2 production facilities located in Hatta and Dibba respectively.

Our Stakeholders

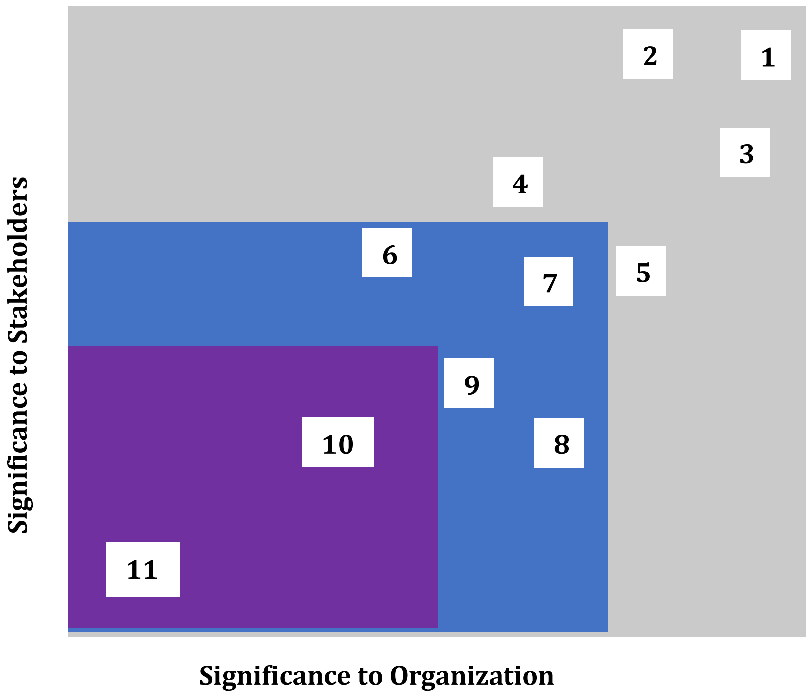
We have developed our stakeholder map which incorporates and categorizes key internal and external stakeholders based on their influence on ERC. We aim to seek feedback by actively engaging with our stakeholders to identify and understand their priorities and requirements and address potential sustainability risks and opportunities. Their involvement directs our sustainability approach and the material issues we focus on.

Our key stakeholder groups are shown below, and a detailed stakeholder map can be found in the appendices.

Customer	Communities
Our People	Government Regulators
Shareholders and Investors	Partners

Our Materiality Assessment

We have identified 11 material issues that can have a material impact on ERC if not managed appropriately. We have ranked these material issues based on their significance to ERC and importance to stakeholders.



Most Important

1. Environmental Management
2. Water Management
3. Governance, Compliance and Ethics
4. Energy and Climate Change
5. Sustainable Procurement

More Important

6. Health and Safety
7. Waste Management
8. Economic Development
9. Community Engagement and Investment

Important

10. Diversity and Inclusion
11. Product Innovation and Quality

Our Sustainability Framework

ERC's sustainability framework identifies the key areas that need to be continuously addressed to ensure sustainable practices. Our sustainability framework comprises of four pillars that adhere to ERC's corporate mission and values and align with our material issues.

1. Health and Safety 2. Diversity and Inclusion 3. Community Engagement and Investment	**Empowering our People and supporting our communities**	**Good Governance and Strong Intuition**	1. Governance, Compliance and Ethics 2. Economic Development
3. Product Quality and Innovation 4. Sustainable Procurement	**Responsible Business Practices**	**Managing our Environmental Impact**	1. Environmental Management 2. Water Management 3. Energy and Climate Change 4. Waste Management

1.1 Environment

Managing our Environmental Impacts

We aim to manage our environmental impact by reducing the adverse effects of our operations. In our attempt to safeguard our planet and protect our natural resources, we set out to combat climate change by reducing energy and water consumption, utilizing renewable energy sources whenever possible and limiting waste generation.

Material Issues Covered	• Environmental Management • Water Management • Energy and Climate Change • Waste Management
UAE Vision Pillars	Sustainable Environment and Infrastructure
UN Sustainable Development Goals	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

Environmental Management

At ERC, we recognize the importance of environmental management across our operations and activities.
We implement and maintain an Occupational Health, Safety and Environment system which aims to minimize our environmental footprint through pollution prevention practices. Our Plants are regularly inspected and audited by external consultants to ensure compliance with the requirements of QC & HSE. Third party audits are periodically carried out to inspect the plant.

Water Management

At ERC, we understand that water is one of the most critical resources in the world, and we make it our mission to provide our communities with clean water while conserving resources for future generations. To help ensure that the region's future water resources remain secure in the face of future challenges, we have aligned our water strategy with the strategic plans of UAE Vision 2023. Regional strategies focus on the sustainable management of the three water sources: desalinated water, groundwater, and recycled water. In line with these plans, the water strategy provides a five-year roadmap for the conservation of water resources in the UAE. We take a lifecycle approach to water management, tracking impact data and setting quantitative targets for each process stage from sourcing through life disposal and recycling. We are committed to continually improving water efficiency and implementing innovative technologies and processes that optimize the use of water resources over all operational phases.

Water Management	2020	2021	2022
Total water consumption (m3)	41,983	40,134	57,443

Energy Consumption

ERC strives to reduce emissions associated with its energy consumption by monitoring and managing energy consumption and efficiency at all its operated business assets. We recognize that without knowing our consumption patterns and volumes, it will be difficult to identify energy-saving opportunities across all different operations and, therefore, we are dedicated to better monitor, manage, and reduce our environmental footprint in the years to come.

Our energy is derived from direct and indirect energy sources. Direct energy consumption is predominantly derived from diesel consumption used in our production facilities and our transportation through our fleet. Nonetheless, Electric vehicles (forklift) construes 4% of the direct energy consumed at our facilities. Indirect energy consumption accounts for half of our total energy consumption, and is entirely derived from electricity provided by local utility providers.

As we endeavor to ensure that all our direct and indirect energy is accounted for and reported transparently. In 2020, we included the UAE fleet diesel consumption for all leased vehicles operating under ERC. The impact of this addition can clearly be seen in the increase of our total energy consumption from 2020 to 2022. Moreover, the high volume of production and sales led to a 45% increase in diesel consumption across our fleet as compared to the year before 2021.

However, our overall energy consumption increased by 36% in the last year due to high volume of production and sales

Energy Consumption	2020	2021	2022
Total energy consumption (direct and indirect; GJ) *	20,423	23,359	31,869
Direct energy consumption	12,456	13,076	17,332
Petrol consumption from operations and vehicles	2,512	2,810	3,226
Diesel consumption from operations and vehicles	5,070	7,069	10,357
Indirect energy consumption	-	-	-
Electricity consumption (office, storage,facilities, etc.; kWh)	385	404	954
Renewable energy consumption (office, storage,facilities, etc.; kWh)	-	-	-

*Based on the energy consumption numbers reported above, we have calculated in GJ.

Waste Management

As an environmentally responsible company operating in the UAE, we continuously strive to reduce waste going to landfills.

The issue of waste, notably from human-made material like metal, plastic and others now outweigh the earth's natural biomass. Today, there is more plastic on our planet than there are animals and marine life. As a consumer business, we take the reversal of this matter very seriously, and are eager to help shape a better waste-free future. Plastic waste in particular has been of public concern for a few decades.

However, plastics in packaging is necessary for food safety and quality, protecting food in transportation, extending its shelf life and reducing food waste. This makes food and beverage packaging a unique challenge for ERC and the food and beverage industry as a whole. We aim to keep developing solutions that reduce packaging volume and impact without compromising on the quality or shelf life of our products. We envision a future without waste; this translates to not only increasing recycling, but also identifying alternatives, whether in the form of new delivery systems or materials. To reduce our environmental impact while cutting costs, it is crucial that we operate a resource-efficient operation that minimizes waste to landfill as well as the demand for virgin materials. Our waste management strategy is to avoid waste to landfill through operational efficiency improvements in the framework of the circular economy model. Our efforts to cut down waste go hand in hand with our approach to sustainable packaging, as we closely monitor waste produced during our operations, as well as our products' end life-cycle. We measure the efficacy of our waste management through the manufacturing waste generated and waste to landfill, setting targets to progressively reduce both.

This year has been challenging on numerous fronts. While we remained focused to deliver our essential products to all our customers at all times, there was much uncertainty and many market fluctuations that contributed to the increase of waste from expired materials. However, and as the situation further develops, we will have more accurate market volume predictions that will allow us to minimize waste from expired materials. Details of further reduction in the year 2022 is as follows:

a) In 2022, we have reduced land fill waste by 20 tons of PET resin by reducing 1.5 L bottle weight from 27.5 g to 26 g
b) We have reduced land fill waste by 7.8 tons of PET resin in 2022 by reducing 300 ml preforms from 9.5 to 9 g
c) In 2022, we have reduced land fill waste by 1.6 tons of PET resin by reducing the weight of 200 ml preforms to 8.1 grams
d) A shrink film of 1.5 L reduces microns from 65 to 55, resulting in an 8.6-ton reduction in land fill by 2022.

Currently ERC works in close contact with local authorities to find an alternative way that can help us to meet our long-term target of zero waste to landfill and we will continue to implement initiatives to increase recycling and waste diversion rates over the long-term.

1.2 Social

Empowering our People and Supporting our communities

Our employees play an integral role in the success of ERC. We ensure that they are genuinely appreciated and valued. We provide them with training and development opportunities to advance their learning and enhance their skills. By offering employees a safe, healthy, and inclusive work environment, we promote equal opportunities, and encourage a culture of feedback and transparent communication. We recognize our huge role and are committed to supporting the communities where we operate by participating and investing in initiatives directed at improving people's holistic well-being.

Training Provided during 2022

Fire Fighting Training	Machine Safety Protocol	Forklift safety Training
Health and Safety Induction	Fire Evacuation Drill Awareness	Smoking Restriction Policy Awareness
First Aider Training	Safe System of Work	Chemical Safety Training
Emergency Readiness and Response Training	Midday Break -Heat Stress Awareness Training	Cyber Security Awareness Training
Plant Orientation -Machine Safety protocol	Machine Safety and Require PPE	

Material Issues Covered	• Health and Safety Diversity and Inclusion • Community Engagement and Investment
UAE Vision Pillars	Competitive Knowledge Economy Cohesive Society and Preserved Identity
UN Sustainable Development Goals	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Health & Safety

At ERC, we provide a safe and healthy work environment and empower our staff to address all preventable accidents and attain world-class health and safety status. As such, we have aligned our sustainability strategy with our Employee Health and Safety policy to ensure that every employee and site continues to grow towards our goals. Good Manufacturing Practices (GMP) and Good Warehouse Practices (GWP), HSE inspections are conducted at ERC to ensure that required and defined HSE procedures are being followed and standards are met. As part of these inspections, a detailed checklist is administered to cover all the requirements related to health, safety, and environmental factors. In 2022, content and scoring criteria of GMP HSE checklists were revised and priority areas were given a higher weight. This highlighted key areas such as employee's engagement, visual shop floor leadership, reporting of near misses, fire safety, PPE, safety toolbox-talk meetings, etc. The revised checklist provided better scoring visibility and helped action owners achieve their targets by ensuring that HSE practices are followed. As a result, we have achieved an overall working hours summative of 515784 hours for ERC employees and have recorded ZERO Lost Time Injury in the last year , and witnessed a 10% improvement in our GMP/GWP HSE Score across the Group, reaching 92 % in 2022 and Dubai Municipality awarded ERC with the Health and Safety Rating of 'A' (Green) in 2022.

To manage HSE-related risks, we have developed and implemented an HSE Strategy. The strategy encompasses multilayered focus areas that ensure effective management, communications, leadership and environmental stewardship, in order to achieve our goal of being a forerunner in health, safety and well-being standards in our industry.

Throughout the system, detailed risk assessments are conducted for each area and activity of work. For each potential risk identified, appropriate measures are taken to eliminate it, trainings are conducted, and procedures are put in place to prevent any harm to the workforce. To promote the importance of employees' health and safety, we have a reward and recognition program that is deployed across the sites. Each quarter we award the employee that exceeds the standard of HSE performance. On an annual basis we consolidate all proposals and reward the best HSE employee of the year. This program has a fundamental effect in raising people's engagement and morale towards HSE, building a strong positive culture. Nonetheless, and to ensure that all HSE concerns and opinions are heard, we are committed to increasing employee engagement and participation in our HSE committees across all employment levels, and this year, we increased this participation by 90% from 2021.

Health and Safety	2020	2021	2022
Total employee manhours	763,221	410,541	515,784
Employee fatalities	0	0	0
Employee total recordable injuries	1	1	2
Employee lost-time injuries	0	1	0
Indirect energy consumption	-	-	-

Diversity and Inclusion

ERC strives to maintain respect for personal dignity, privacy and the rights of every employee. We are committed to maintain a workplace free from discrimination and harassment. Based on our Code of conduct, employees are expected not to discriminate based on origin, nationality, religion, race, gender, age or sexual orientation, or engage in any kind of verbal or physical harassment.

In 2022, a **06** reduction in the total workforce was noted from 2021. Although there were numerous global challenges faced by the economy, we managed to control our workforce size and limit the decrease.

Workforce Profile	2020	2021	2022
Workforce Size			
Total number of employees	177	173	167
Full-time employees	177	173	167
Part-time employees	0	0	0
Workforce By Gender Profile			
Female full-time employees	5	5	**2**
Male full-time employees	172	168	165

Hiring and Turnover	2020	2021	2022
Employee turnover			
Total number of employees who left the company	53	92	52
Full-time employees	53	92	52
Part-time employees	0	0	0
New employee hires by gender			
Female full-time employees	0	02	0
Male full-time employees	43	96	**46**

Talent & Development

At ERC, the training and development of our workforce is of utmost importance. We strive to enable our employees to realize their full potential by providing them with opportunities to enrich their skills, develop their capabilities, and learn and grow within the organization in order to achieve their personal and professional development targets. We continue to provide our employees with ample opportunities to undertake technical and non-technical courses and training programs and provide them with the required resources to do so.

Performance Management

ERC's performance management tool (PDR) ensures that employees' performance is periodically gaged while making sure that good performance is properly rewarded. In addition, our entire workforce undergoes yearly performance and career development reviews with a consistent rate of 100%.

Community Engagement and Investment

At ERC, we operate by creating shared value for all our stakeholders, whether our consumers, shareholders, employees, or the communities where we operate. As a leading food and beverage company, we focus on three key areas: community support, human development and health and wellness. Accordingly, specific focus is given to promoting healthy active lifestyles, maximizing shared value and sustainable prosperity throughout our communities.

We believe in the value of bringing communities and resources together to build a better world. We know that businesses can serve as a force for good, and long-term success is only attainable when we work in partnership with communities to achieve meaningful impact. We seek to amplify this shared value in the communities that we operate in by continuously engaging with, investing in, and advocating for important issues within them

Responsible Business Practices

Using disruptive technology and digital advancements, we offer sustainable products and services spanning across different categories, including eco-packaging and green buildings. We are committed to ethical sourcing by applying social and environmental screening when selecting suppliers, sourcing locally whenever possible.

Material Issues Covered	Product Quality and Innovation Sustainable Procurement
UAE Vision Pillars	Sustainable Environment and Infrastructure Competitive Knowledge Economy
UN Sustainable Development Goals	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Product Quality and Innovation

We aim to deliver value-added solutions and the highest quality products and services for our customers enabling us to widen the current scope and get additional business. We continuously aim to identify areas of improvement with the latest technology to deliver an unmatched experience.

The raw material suppliers at ERC are verified by the highest certifications in the industry, therefore solidifying our determination to provide the best water products on the market. Similarly, ERC strives for continuous improvement with the aim to exceed both international and local best practices. To engage with customers and encourage sustainability goals, we use social media channels.

Sustainable Procurement

As a responsible major purchaser, we engage with suppliers and associates in fostering commitment to sustainability. We ensure that goods and services are sourced sustainably and that our suppliers are certified according to the highest industry standards. As part of our sustainable procurement goals, we aim to make a significant contribution to raising social and environmental standards throughout our supply chain. To achieve this, we require all suppliers to adhere to our Supplier Code of Conduct where applicable.

The Supplier Code of Conduct at ERC ensures that suppliers put into place safe working conditions, while managing responsible and environmentally friendly production processes. ERC routinely carries out supplier audits and evaluations to measure the ability of suppliers to deliver products and/ or services as required, as well as to assess the degree of compliance with Quality, Environmental and Occupational Health and Safety requirements. In 2022, ERC increased its local procurement to **41%** compared to the previous year subsequently increasing its procurement spending on local suppliers by **14%.**

"ERC put as much care into packaging design, opting to use materials that protect the health and safety of our consumers while leaving a small environmental footprint. In addition, because of bottle light-weighing, we have reduced plastic use by an average of 40 percent in recent years. All bottled water packaged in plastic containers are 100 percent recyclable, including the cap."

ERC is currently working to use rPet bottle and has committed to increasing to 30% rPet bottle by 2025. Reusable PET bottles are one of the best options for the future. rPet bottles are a preferred choice by the virtue of being 'strength-to-weight' ratio, reduced cost, and a safe product

When using recycled PET resin, we are:

- ✓ 1. Contributing to circular economy
- ✓ 2. Avoiding the extraction of new fossil resources.
- ✓ 3. Reducing CO_2 footprint (Carbon Dioxide).
- ✓ 4. Reducing SO_2 footprint (Sulfur Dioxide)

1.3 Governance

Good Governance and Strong Intuition

ERC is committed to conducting its business according to the highest standards of integrity, transparency, and accountability. Our robust governance structure is guided by a sound risk management framework. We work diligently to eliminate all sorts of fraud, bribery, corruption, and all forms of financial crime, while advocating human rights. ERC is a valuable contributor to the economic vitality of UAE and the overall attainment of the UAE Vision 2022. We aim to achieve continual, stable financial growth and attract investment for the benefit of our stakeholders.

Material Issues Covered	Governance, Ethics and Anti-Corruption Economic Development
UAE Vision Pillars	Competitive Knowledge Economy
UN Sustainable Development Goals	5 GENDER EQUALITY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Governance, Ethics and Anti-corruption

Our Board of Directors is composed of five members. There are three Board of Director Committees: Audit Committee, Nomination and Remuneration Committee and Follow-Up and Insider Transaction Supervision Committee. All committees consist of three members each, all of whom are non-executive. Furthermore, 100% of the Board Committee members are independent.

The Code of Conduct and business ethics at ERC encourages staff members to conduct themselves with competence and integrity while respecting confidentiality where necessary. The Code of Conduct covers all imperative subjects related to governance including fraud, bribery, corruption, discrimination and harassment.

Economic Development

Our aim is to drive growth and value through business combinations, supply chain management and cost efficiency. ERC's mission and vision are underpinned by a clear objective of enhancing strategic growth and maximizing cost efficiency through operational synergies. We have positioned ourselves to contribute substantially to the development and diversification of the UAE's economy. As an active agent in the UAE's economic growth. For further details on our economic performance please refer to the Financial Statements.

Appendices

A. ERC Stakeholders Map

Stakeholder Group	Importance to ERC	Needs and Expectations	Methods of Engagement
Customers	The success and growth of ERC and its verticals depends on our ability to maintain strong and healthy relation-ships with our customers. Through expansions of geographic footprint and customer distribution, we are building customer partnership models while maintaining the highest quality of products and services. We continuously aim to identify areas of improvement with the latest technology to deliver an unmatched experience to our customers.	• Innovative and sustainable products and services • Efficient and pro-active customer channels Friendly and responsive customer service	• Social media channels such as Twitter, Facebook, Instagram and LinkedIn • Customer service
Our People	The hard work, commitment, and contribution of every employee is integral to the success of ERC. Our goal has always been to establish an outstanding workplace where every employee can show commitment and seek out opportunities for personal growth, while undertaking new tasks and initiatives.	• Employee engagement and growth, through cultivating a diverse and inclusive workforce • A safe and secure work environment Fair compensation Recognition and rewards	Employee trainings including orientations, professional training, and certifications Health and safety policies Social gatherings such as annual picnics
Shareholders & Investors	We aim to diversify our investments across operating asset classes and generate solid returns, to create value for our shareholders. Our efforts are coordinated towards capturing a higher market share to generate sustainable income for our shareholders.	• Strong balance sheet and continuous cash flows • Transparency and disclosure • ESG criteria incorporation into business operations and activities • Dynamic risk	• Annual reports • Corporate Governance reports • Quarterly financial statements • Annual General Meeting (AGM)

		management • Strong market position	
Communities	ERC aims to contribute to the development of the community and the preservation of the environment. Corporate social responsibility is deeply integrated into our business activities, reflecting our commitment to make a positive impact on the world and reduce our operations' environmental footprint.	• Charitable initiatives to help less privileged communities • Social initiatives and programs to promote health, education, security, sports and culture Partnerships with other organizations to address social concerns	• Sponsorship of educational expenses for people with disabilities • Participation in seminars and lectures related to sustainability and the environment • Donation to charitable causes social welfare campaigns
Government Regulators	Promoting a compliance culture is paramount to our strategy. ERC demonstrates its responsibilities to its various stakeholders though developing and enhancing the Company's transparency and accountability. We are committed to complying with all rules and regulations and strive to raise the standards and levels of corporate governance in line with the regional and global best practices.	• Alignment with national strategies and visions • Compliance with legal and regulatory requirements • Protection of customers and shareholders • Transparency and dis- closure	• Internal audit • External audit • Internal control and risk management systems • Compliance department • Audit Committee • Annual Reports
Partners	ERC creates and maintains alliances with various partners to facilitate consistent growth and strategic positioning. Strengthening partnerships with the best suppliers, distributors and trade partners allows us to meet our customers' needs.	• New opportunities for engagement and inter- action • Open communication channels • Fair and respectful treatment of suppliers • Timely payments • Fair and transparent bid- ding procedures	• Supplier survey to obtain feedback • Supplier portal • Procurement department

B. DFM ESG Guidance

Metric	Calculation	Corresponding GRI Standard	Corresponding SDG	Coverage
Environment				
E1. GHG Emissions	E1.1) Total amount in CO2 equivalents, for Scope 1 E1.2) Total amount, in CO2 equivalents, for Scope 2 (if applicable) E1.3) Total amount, in CO2 equivalents, for Scope 3 (if applicable)	GRI 305: Emissions 2016		Energy and Climate Change
E2. Emissions	E2.1) Total GHG emissions per	GRI 305:		Energy and

Intensity	output scaling factor E2.2) Total non-GHG emissions per output scaling factor	Emission 2016	13 CLIMATE ACTION	Climate Change
E3. EnergyUsage	E3.1) Total amount of energy directly consumed E3.2) Total amount of energy indirectly consumed	GRI 302: Energy 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Energy and Climate Change
E4. Energy Intensity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Energy and Climate Change
E5. Energy Mix	Percentage: Energy usage by generation type	GRI 302: Energy 2016	7 AFFORDABLE AND CLEAN ENERGY	Environmental Management
E6. WaterUsage	E6.1) Total amount of water consumed E6.2) Total amount of water reclaimed	GRI 303: Water and Effluents 2018	6 CLEAN WATER AND SANITATION	Water Management
E7. Environmental Operations	E7.1) Does your company follow a formal Environmental Policy? Yes/No E7.2) Does your company follow specific waste, water, energy, and/or recycling policies? Yes/No E7.3) Does your company use a recognized energy management system?	GRI 103: Management Approach 2016		Environmental Management Water Management No
E8. Environmental Oversight	Does your management team oversee and/or manage sustainability issues? Yes/No	GRI 102: General Disclosures 2016		Yes
E9. Environmental Oversight	Does your board oversee and/or manage sustainability issues? Yes/No	GRI 102: General Disclosures 2016		No
E10. Climate Risk Mitigation	Total amount invested, annually, in climate-related infrastructure, resilience, and product development		13 CLIMATE ACTION	Environmental Management
Social				
S1. GM Pay Ratio	S1.1) Ratio: GM total compensationto median FTE total compensation	GRI 102: General Disclosures 2016	10 REDUCED INEQUALITIES	N/A

S2. GenderPay Ratio	Ratio: Median male compensation tomedian female compensation	GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY	N/A
S3. Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees S3.2) Percentage: Year-over-year change for part-time employees S3.3) Percentage: Year-over-year change for contractors/consultants	GRI 401: Employment 2016		Diversity and Equality
S4. Gender Diversity	S4.1) Percentage: Total enterprise headcount held by men and women S4.2) Percentage: Entry and mid-level positions held by men and women S4.3) Percentage: Senior and executive-level positions held by men and women	GRI 102: General Disclosures 2016 GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY	Diversity and Equality
S5. Temporary Worker Ratio	S5.1) Percentage: Total enterprise headcount held by part-time employees S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants	GRI 102: General Disclosures 2016		Diversity and Equality
S6. Non-Discrimination	Does your company follow a non- discrimination policy? Yes/No	GRI 103: Management Approach 2016	10 REDUCED INEQUALITIES	Governance, Ethics and Anti-corruption
S7. Injury Rate	Percentage: Frequency of injury events relative to total workforce time	GRI 403: Occupational Health and Safety 2018	3 GOOD HEALTH AND WELL-BEING	Health and Safety
S8. Global Health and Safety	Does your company follow an occupational health and/or global health and safety policy? Yes/No	GRI 103: Management Approach 2016	3 GOOD HEALTH AND WELL-BEING	Health and Safety
S9. Child & Forced Labour	S9.1) Does your company follow a child and/or forced labour policy? Yes/No S9.2) If yes, does your child and/ or forced labour policy also cover suppliers and vendors? Yes/No	GRI 103: Management Approach 2016	8 DECENT WORK AND ECONOMIC GROWTH	Yes Yes
S10. Human Rights	S10.1) Does your company follow a human rights policy? Yes/No S10.2) If yes, does your	GRI 103: Management Approach 2016		Yes, we abide by UAE regulations covering human rights.

	human rights policy also cover suppliers and vendors? Yes/No			
S11. Nationalization	Percentage of national employees			Talent Development and Nationalization
S12. Community Investment	Amount invested in the community, as a percentage of company revenues	GRI 413: Local Communities 2016		Community Engagement and Investment
Governance				
G1. Board Diversity	G1.1) Percentage: Total board seats occupied by men and women G1.2) Percentage: Committee chairs occupied by men and women	GRI 405: Diversity and Equal Opportunity 2016		Governance, Ethics and Anti-Corruption
G2. Board Independence	G2.1) Does your company prohibit CEO from serving as board chair? Yes/No G2.2) Percentage: Total board seats occupied by independent board members			Governance, Ethics and Anti-Corruption
G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability?			Yes
G4. Supplier Code of Conduct	G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?			Sustainable Procurement- Yes or No
G5. Ethics and Prevention of Corruption	G5.1) Does your company follow an Ethics and/or Prevention of Corruption policy? Yes/No G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?			Governance, Ethics and Anti-corruption
G6. Data Privacy	G6.1) Does your company follow a Data Privacy policy? Yes/No G6.2) Has your company taken steps to comply with GDPR rules? Yes/No			Yes

G7. Sustainability Reporting	Does your company publish a sustainability report? Yes/No		Yes
G8. Disclosure Practices	G8.1) Does your company provide sustainability data to sustainability reporting frameworks? Yes/No G8.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No G8.3) Does your company set targets and report progress on the UN SDGs? Yes/No		Yes Yes No
G9. External Assurance	Are your sustainability disclosures assured or validated by a third-party audit firm? Yes/No	GRI 103: Management Approach 2016 is to be used in combination with the topic specific Standards	No

www.erc.ae