

Dubai Refreshment (P.J.S.C)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2017

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF DUBAI REFRESHMENT (P.J.S.C.)

Introduction

We have reviewed the accompanying interim condensed financial statements of Dubai Refreshment P.J.S.C. (the “Company”) as at 31 March 2017 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

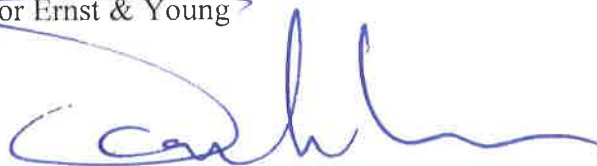
Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:
Ashraf Abu Sharkh
Partner
Registration No. 690

7 May 2017

Dubai, United Arab Emirates

Dubai Refreshment (P.J.S.C.)

INTERIM CONDENSED INCOME STATEMENT

Period ended 31 March 2017 (Unaudited)

	<i>Notes</i>	<i>Period ended 31 March 2017 AED '000</i>	<i>Period ended 31 March 2016 AED '000</i>
Sales		186,342	202,644
Cost of sales		(118,957)	(128,837)
GROSS PROFIT		67,385	73,807
Other operating income		1,853	1,717
Selling and distribution expenses		(37,817)	(38,017)
General and administrative expenses		(13,605)	(12,775)
Amortisation of intangible assets		(2,064)	(2,036)
Relocation expense of production lines		(4,626)	-
OPERATING INCOME		11,126	22,696
Finance (expense) / income		(654)	315
Dividend income		6,780	6,780
Other income, net		149	116
PROFIT FOR THE PERIOD	4	17,401	29,907
Earnings per share in AED	9	0.19	0.33

The attached notes 1 to 15 form part of these interim condensed financial statements.

Dubai Refreshment (P.J.S.C.)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2017 (Unaudited)

		<i>Period ended 31 March 2017 AED '000</i>	<i>Period ended 31 March 2016 AED '000</i>
Profit for the period		17,401	29,907
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Change in fair value of available-for-sale investments	6	360	2,038
Change in fair value of cash flow hedges		1,314	1,532
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		1,674	3,570
Other comprehensive income		1,674	3,570
Total comprehensive income for the period		19,075	33,477


The attached notes 1 to 15 form part of these interim condensed financial statements.

Dubai Refreshment (P.J.S.C.)
 STATEMENT OF FINANCIAL POSITION
 At 31 December 2016

	<i>Notes</i>	<i>31 March 2017 AED '000 (Unaudited)</i>	<i>31 December 2016 AED '000 (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	5	710,841	718,586
Intangible assets		31,806	33,870
Available-for-sale investment	6	145,980	145,620
		<u>888,627</u>	<u>898,076</u>
Current assets			
Inventories		68,383	75,298
Trade and other receivables		135,054	107,020
Advances to Greenfield project contractors and suppliers		-	350
Bank balances and cash	7	148,007	160,922
		<u>351,444</u>	<u>343,590</u>
TOTAL ASSETS		<u>1,240,071</u>	<u>1,241,666</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		90,000	90,000
Statutory reserve		45,000	45,000
General reserve		567,543	567,543
Fair value reserve		114,897	114,537
Cash flow hedge reserve		3,123	1,809
Retained earnings		68,259	113,858
Total equity		<u>888,822</u>	<u>932,747</u>
Non-current liabilities			
Employees' end of service benefits		22,164	21,559
Non-current portion of term loans	11	81,285	102,611
		<u>103,449</u>	<u>124,170</u>
Current liabilities			
Trade and other payables	8	204,928	141,643
Current portion of term loans	11	42,872	43,106
		<u>247,800</u>	<u>184,749</u>
Total liabilities		<u>351,249</u>	<u>308,919</u>
TOTAL EQUITY AND LIABILITIES		<u>1,240,071</u>	<u>1,241,666</u>

The interim condensed financial statements have been approved by the Board of Directors on May 7, 2017, and signed on their behalf by:


 Mr. Abdulla Mohamed Al Huraiz
 Director
 May 7, 2017


 Mr. Ahmad Bin Eisa Alserkal
 Chairman
 May 7, 2017

The attached notes 1 to 15 form part of these interim condensed financial statements.

Dubai Refreshment (P.J.S.C.)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2017 (Unaudited)

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Fair value reserve AED '000	Cash flow hedge reserve AED '000	Retained earnings AED '000	Total AED '000
Balance as of 1 January 2017	90,000	45,000	567,543	114,537	1,809	113,858	932,747
Profit for the period	-	-	-	-	-	17,401	17,401
Other comprehensive income for the period	-	-	-	360	1,314	-	1,674
Total comprehensive income for the period	-	-	-	360	1,314	17,401	19,075
Dividends declared (Note 8)	-	-	-	-	-	(63,000)	(63,000)
Balance as of 31 March 2017	90,000	45,000	567,543	114,897	3,123	68,259	888,822

Dubai Refreshment (P.J.S.C.)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2017 (Unaudited)

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Fair value reserve AED '000	Cash flow hedge reserve AED '000	Retained earnings AED '000	Total AED '000
Balance as of 1 January 2016	90,000	45,000	486,002	118,960	(5,063)	144,541	879,440
Profit for the period	-	-	-	-	-	29,907	29,907
Other comprehensive income for the period	-	-	-	2,038	1,532	-	3,570
Total comprehensive income for the period	-	-	-	2,038	1,532	29,907	33,477
Dividends declared (Note 8)	-	-	-	-	-	(63,000)	(63,000)
Balance as of 31 March 2016	90,000	45,000	486,002	120,998	(3,531)	111,448	849,917

The attached notes 1 to 14 form part of these interim condensed financial statements.

Dubai Refreshment (P.J.S.C.)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

Period ended 31 March 2017 (Unaudited)

<i>Notes</i>	<i>Quarter ended 31 March 2017 AED '000</i>	<i>Quarter ended 31 March 2016 AED '000</i>
OPERATING ACTIVITIES		
Profit for the period	17,401	29,907
Adjustments for:		
Depreciation	11,799	5,953
Amortisation of intangible assets	2,064	2,036
Finance expense, net	654	-
Finance income, net	-	(315)
Loss on sales of asset	4	-
Dividend income	(6,780)	(6,780)
Provision for employees' end of service benefits	907	619
	<u>26,049</u>	<u>31,420</u>
Working capital changes:		
Inventories	6,915	(6,311)
Trade and other receivables	(21,254)	(7,482)
Trade and other payables	5,799	(20,288)
	<u>17,509</u>	<u>(2,661)</u>
Cash from/(used in) generated from operating activities	17,509	(2,661)
Employees' end of service benefits paid	(302)	(341)
	<u>17,207</u>	<u>(3,002)</u>
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	5 (3,708)	(18,514)
Additions to advances to Greenfield contractors and suppliers	-	350
Finance income, net	-	315
	<u>(3,708)</u>	<u>(17,849)</u>
FINANCING ACTIVITIES		
Repayment of term loans	(21,560)	(21,345)
Director fees paid	(4,200)	(4,200)
Finance expense, paid	(654)	-
	<u>(26,414)</u>	<u>(25,545)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		
	<u>(12,915)</u>	<u>(46,396)</u>
Cash and cash equivalents at 1 January	<u>160,922</u>	<u>158,288</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u><u>148,007</u></u>	<u><u>111,892</u></u>

The attached notes 1 to 15 form part of these interim condensed financial statements.

Dubai Refreshment (P.J.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

1 ACTIVITIES

Dubai Refreshment (P.J.S.C) (the “Company”) was incorporated in Dubai in 1959 by a Decree issued by His Highness The Ruler of Dubai. The Company is listed on the Dubai Financial Market (“DFM”). The registered address of the Company is P.O. Box 420, Dubai, United Arab Emirates.

The Federal Law No. 2 of 2015, concerning commercial Companies came into effect from 1 July 2015, is replacing the existing Federal Law No. 8 of 1984. The Company has progressed on adoption of the new law and continuously assessing the impact of the new law and expects to be fully compliant on or before the end of the grace period on 30 June 2017.

The Company is engaged in bottling and selling Pepsi Cola International products in Dubai, Sharjah and the other Northern emirates of UAE. The Company also exports Pepsi Cola International products from time to time to foreign countries after obtaining authorization from Pepsi Cola International. The Company holds 7Up and Aquafina bottling and selling rights for the whole of the UAE.

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the three months period ended 31 March 2017 have been prepared in accordance with IAS 34 “*Interim Financial Reporting*”.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2016.

In addition, results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2016. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2017 has had no effect on the interim financial statements of the Company.

3 OPERATING SEGMENT INFORMATION

The Company operates in a single reporting segment of canning, bottling, distribution and trading of soft drinks and related beverages products. All the relevant information relating to this operating segment is disclosed in the interim condensed statement of financial position, interim condensed income statement and notes to the interim condensed financial statements.

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

a) Information about geographical segments

During the quarter ended 31 March 2017, revenue from customers located in the Company’s country of domicile (UAE) is AED 162,593 thousands (quarter ended 31 March 2016: AED 170,596 thousands) and revenue from customers outside UAE (foreign customers) is AED 23,749 thousands (quarter ended 31 March 2016: AED 32,048 thousands).

b) Major customer

During the period ended 31 March 2017 and 31 March 2016, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

Dubai Refreshment (P.J.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

4 PROFIT FOR THE PERIOD

The profit for the period is stated after charging:

	<i>31 March 2017 AED'000</i>	<i>31 March 2016 AED'000</i>
Staff costs	<u>23,510</u>	<u>24,888</u>
Depreciation expense	<u>11,799</u>	<u>5,953</u>
Rentals – operating lease	<u>5,784</u>	<u>6,342</u>

5 PROPERTY, PLANT AND EQUIPMENT

Additions and transfers

During the period ended 31 March 2017, the additions to property, plant and equipment amounting to AED 4,058 thousand (period ended 31 March 2016: AED 53,240 thousand).

During the period ended 31 March 2017, the Company transferred assets amounting to AED 8,618 thousand, from capital work in progress to buildings and plant and machinery category in property, plant and equipment.

6 AVAILABLE-FOR-SALE INVESTMENTS

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Opening balance	<u>145,620</u>	150,043
Change in fair market value for the period/year	<u>360</u>	(4,423)
Closing balance	<u>145,980</u>	<u>145,620</u>

7 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents comprise the following:

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Cash at bank and on hand	<u>92,275</u>	55,401
Short-term deposits with original maturity of less than three months	<u>55,732</u>	<u>105,521</u>
Cash and cash equivalents	<u>148,007</u>	<u>160,922</u>

Dubai Refreshment (P.J.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

8 DIVIDENDS

During the Annual General Meeting held on 23 March 2017, the shareholders approved a cash dividend of AED 0.70 per share totaling to AED 63 million relating to 2016 (quarter ended 31 March 2015: AED 0.70 per share totaling to AED 63 million relating to 2015).

The dividend was payable as of 31 March 2017 and is included in trade and other payables.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company amounting to AED 17,401 thousands (quarter ended 31 March 2016: AED 29,907 thousands) by the weighted average number of shares outstanding during the period of 90 million shares (quarter ended 31 March 2016: 90 million shares).

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

10 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a Significant transactions with related parties:

Significant transactions with related parties included in the interim condensed income statement are as follows:

	<i>Period ended 31 March 2017 AED'000</i>	<i>Period ended 31 March 2016 AED'000</i>
Sales to a related party	<u>282</u>	<u>53</u>

Compensation of key management personnel

The remuneration of directors and other key members of management during the period was as follows:

	<i>Period ended 31 March 2017 AED'000</i>	<i>Period ended 31 March 2016 AED'000</i>
Short-term benefits	2,590	2,820
Employees' end of service benefits	120	109
Directors' sitting fees	-	100
	<u>2,710</u>	<u>3,029</u>

b Due from a related party:

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
<i>Other related party</i> Oman Refreshments Company Limited	<u>203</u>	<u>72</u>

Dubai Refreshment (P.J.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

11 TERM LOANS

	<i>Current portion AED'000</i>	<i>Non-current portion AED'000</i>	<i>Total AED'000</i>
Loan 1 (a)	34,000	51,000	85,000
Loan 2 (b)	5,762	19,658	25,420
Loan 3 (c)	3,110	10,627	13,737
Balance at 31 March 2017	42,872	81,285	124,157
Balance at 31 December 2016	43,106	102,611	145,717

- (a) The Company obtained a term loan from a local bank to finance the construction of an office and plant facility (Greenfield Project) at Dubai Investment Park. As approved by the Board of Directors of the Company, this loan has been capped at AED 170 million with 5 years repayment period. The repayment has started from January 2015 and will end in July 2019. The loan carries interest at 3 months EIBOR plus margin. The loan is secured by assignment of leasehold rights over the plot and chattel mortgage and assignment of insurance benefits over plant and machinery.
- (b & c) The Company obtained two term loans denominated in US Dollar to finance the acquisition of a new plant and machinery. The loans will be repaid in 14 semi-annual instalments commenced from 15 January 2015 and carry interests at 6 months LIBOR plus margin. In AED terms, the outstanding amount as of 31 March 2017 is AED 39,157 thousands (31 December 2016: AED 43,717 thousands). In dollar terms, the outstanding amount as of 31 March 2017 is USD 10,602 thousands (31 December 2016: USD 11,905 thousands).

12 CONTINGENCIES AND CAPITAL COMMITMENTS

	<i>31 March 2017 AED'000</i>	<i>31 December 2016 AED'000</i>
Bank guarantees	2,328	2,828
Letter of credit	1,498	1,427
Capital commitments - contracted	32,898	33,857

The Company capital commitments mainly pertain to approved expenditure of AED 658.3 million on office and plant facility (Greenfield project) at the Dubai Investment Park.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, receivables and available-for-sale investments. Financial liabilities consist of bank borrowings, payables and derivatives.

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

Dubai Refreshment (P.J.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The Company 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 based on observable market data.

Assets measured at fair value

	<i>31 March 2017</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
Available-for-sale investments				
Quoted equity shares				
Consumer products sector	<u>145,980</u>	<u>145,980</u>	<u>-</u>	<u>-</u>
	<i>31 March 2017</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
Positive fair value of derivatives				
- held as cash flow hedge	<u>3,123</u>	<u>-</u>	<u>3,123</u>	<u>-</u>

As at 31 December 2016, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 Dec 2016</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
Available-for-sale investments				
Quoted equity shares				
Consumer products sector	<u>145,620</u>	<u>145,620</u>	<u>-</u>	<u>-</u>
	<i>31 Dec 2016</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
Positive fair value of derivatives				
- held as cash flow hedge	<u>1,809</u>	<u>-</u>	<u>1,809</u>	<u>-</u>

14 NON-CASH TRANSACTIONS

The following non-cash transactions have been excluded from the interim condensed statement of cash flows:

	<i>31 March</i> <i>2017</i> <i>AED'000</i>	<i>31 March</i> <i>2016</i> <i>AED'000</i>
Accrual for project costs	<u>-</u>	<u>3,700</u>
Transfer from advances to Greenfield contractors and suppliers to property, plant and equipment (Note 5)	<u>350</u>	<u>31,026</u>

Dubai Refreshment (P.J.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

15 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the presentation adopted in these interim condensed financial statements, the effect of which are considered immaterial.