

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

## **UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 JUNE 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.), which comprise the interim statement of financial position as at 30 June 2017 and the related interim statements of income and comprehensive income for the three month and six month periods then ended and interim statements of cash flows and changes in equity for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 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 and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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

8 August 2017

Dubai, United Arab Emirates

**Dubai Refreshment (P.J.S.C.)**  
**INTERIM INCOME STATEMENT**  
 Period ended 30 June 2017 (Unaudited)

	<i>Notes</i>	<i>Six month ended</i>		<i>Three month ended</i>	
		<b>30 June 2017 AED '000</b>	<b>30 June 2016 AED '000</b>	<b>30 June 2017 AED '000</b>	<b>30 June 2016 AED '000</b>
Sales		<b>415,663</b>	434,787	<b>229,321</b>	232,143
Cost of sales		<b>(265,558)</b>	(275,925)	<b>(146,601)</b>	(147,088)
<b>GROSS PROFIT</b>		<b>150,105</b>	158,862	<b>82,720</b>	85,055
Other operating income		<b>3,728</b>	3,531	<b>1,875</b>	1,814
Selling and distribution expenses		<b>(77,936)</b>	(80,524)	<b>(40,119)</b>	(42,507)
General and administrative expenses		<b>(27,939)</b>	(26,680)	<b>(14,334)</b>	(13,905)
Amortisation of intangible assets		<b>(4,116)</b>	(4,097)	<b>(2,052)</b>	(2,061)
Relocation expense of production lines		<b>(7,467)</b>	-	<b>(2,841)</b>	-
<b>OPERATING INCOME</b>		<b>36,375</b>	51,092	<b>25,249</b>	28,396
Finance (expense) / income, net		<b>(1,383)</b>	(205)	<b>(729)</b>	(520)
Dividend income		<b>6,780</b>	6,780	-	-
Other income / (expense), net		<b>317</b>	273	<b>168</b>	157
<b>PROFIT FOR THE PERIOD</b>	4	<b>42,089</b>	57,940	<b>24,688</b>	28,033
Earnings per share (in AED)	9	<b>0.47</b>	0.64	<b>0.27</b>	0.31

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

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

### INTERIM STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2017 (Unaudited)

	Note	<i>Six month ended</i>		<i>Three month ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>Profit for the period</b>		<b>42,089</b>	<b>57,940</b>	<b>24,688</b>	<b>28,033</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Change in fair value of available-for-sale investment	6	(10,508)	(1,360)	(10,868)	(3,398)
Changes in fair value of effective portion of cash flow hedges		(1,134)	5,525	(2,448)	3,993
<b>Other comprehensive income for the period</b>		<b>(11,642)</b>	<b>4,165</b>	<b>(13,316)</b>	<b>595</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>30,447</b>	<b>62,105</b>	<b>11,372</b>	<b>28,628</b>

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

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

## INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 (Unaudited)

	Notes	30 June 2017 AED '000 (Unaudited)	31 December 2016 AED '000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	705,834	718,586
Intangible assets	6	29,754	33,870
Available-for-sale investment		135,112	145,620
		<b>870,700</b>	<b>898,076</b>
<b>Current assets</b>			
Inventories		68,132	75,298
Trade and other receivables		140,324	107,020
Advances to greenfield contractors and suppliers		-	350
Bank balances and cash	7	111,310	160,922
		<b>319,766</b>	<b>343,590</b>
<b>TOTAL ASSETS</b>		<b>1,190,466</b>	<b>1,241,666</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		90,000	90,000
Statutory reserve		45,000	45,000
General reserve		567,543	567,543
Fair value reserve		104,029	114,537
Cash flow hedge reserve		675	1,809
Retained earnings		92,947	113,858
<b>Total equity</b>		<b>900,194</b>	<b>932,747</b>
<b>Non-current liabilities</b>			
Employees' end of service benefits		22,148	21,559
Non-current portion of term loans	11	81,285	102,611
		<b>103,433</b>	<b>124,170</b>
<b>Current liabilities</b>			
Trade and other payables		143,708	141,643
Current portion of term loans	11	43,131	43,106
		<b>186,839</b>	<b>184,749</b>
<b>Total liabilities</b>		<b>290,272</b>	<b>308,919</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,190,466</b>	<b>1,241,666</b>

The financial statements have been approved by the Board of Directors on 8 August 2017, and signed on their behalf by:



Mr. Abdulla Mohamed Al Huraiz  
Director



Mr. Ali Humaid Al Owais  
Vice Chairman

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

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

INTERIM STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 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	-	-	-	-	-	42,089	42,089
Other comprehensive income for the period	-	-	-	(10,508)	(1,134)	-	(11,642)
Total comprehensive income for the period	-	-	-	(10,508)	(1,134)	42,089	30,447
Dividends paid (Note 8)	-	-	-	-	-	(63,000)	(63,000)
<b>Balance as of 30 June 2017</b>	<b>90,000</b>	<b>45,000</b>	<b>567,543</b>	<b>104,029</b>	<b>675</b>	<b>92,947</b>	<b>900,194</b>

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

### INTERIM STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2016 (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	-	-	-	-	-	57,940	57,940
Other comprehensive income for the period	-	-	-	(1,360)	5,525	-	4,165
Total comprehensive income for the period	-	-	-	(1,360)	5,525	57,940	62,105
Dividends paid (Note 8)	-	-	-	-	-	(63,000)	(63,000)
Balance as of 30 June 2016	90,000	45,000	486,002	117,600	462	139,481	878,545

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

### INTERIM STATEMENT OF CASH FLOWS

Period ended 30 June 2017 (Unaudited)

	Notes	Six month ended	
		30 June 2017 AED '000	30 June 2016 AED '000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		42,089	57,940
Adjustments for:			
Depreciation		23,639	13,489
Amortisation of intangible assets		4,116	4,097
Gain on disposal of property, plant and equipment		(60)	-
Finance expense		1,383	205
Dividend income		(6,780)	(6,780)
Provision for employees' end of service benefits		1,595	1,363
		<u>65,982</u>	<u>70,314</u>
Working capital changes:			
Inventories		7,166	7,937
Trade and other receivables		(33,304)	(19,484)
Trade and other payables		5,131	(12,749)
		<u>45,050</u>	<u>46,018</u>
Cash from operations		45,050	46,018
Employees' end of service benefits paid		(1,006)	(724)
		<u>43,969</u>	<u>45,294</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	5	(10,552)	(29,583)
Proceeds from disposal of property, plant and equipment		75	-
Advances to Greenfield project contractors and suppliers		-	(350)
Dividend income received		6,780	6,780
		<u>(3,697)</u>	<u>(23,153)</u>
Net cash used in investing activities		(3,697)	(23,153)
<b>FINANCING ACTIVITIES</b>			
Repayment of term loans		(21,301)	(21,093)
Dividends paid	8	(63,000)	(63,000)
Director fees paid		(4,200)	(4,200)
Finance expense paid		(1,383)	(205)
		<u>(89,884)</u>	<u>(88,498)</u>
Net cash used in financing activities		(89,884)	(88,498)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		<u>(49,612)</u>	<u>(66,357)</u>
Cash and cash equivalents at 1 January		160,922	158,288
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	7	<u>111,310</u>	<u>91,931</u>

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



## 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 (“UAE”).

The Federal Law No. 2 of 2015, concerning commercial companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Company is currently 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 the UAE. The Company also exports Pepsi Cola International products from time to time to foreign countries after obtaining authorisation 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 SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

The interim condensed financial statements have been prepared in accordance with IAS 34 “*Interim Financial Reporting*”.

These interim condensed financial statements do not include all the information and disclosures required for full annual audited financial statements and should be read in conjunction with the Group’s annual financial statements as at and for the year ended 31 December 2016.

In addition, results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

### b) Basis of measurement

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives and available for sale investments.

### c) Use of estimates and judgment

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim condensed financial statements, significant judgment is exercised by management in applying the Company’s accounting policies. The key sources of estimation and uncertainty are consistent with the annual audited financial statements of the Company as at and for the year ended 31 December 2016.

### d) Risk governance and financial risk management

The Company’s risk governance and financial risk management objectives, policies and procedures are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2016.

### e) 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 audited 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 condensed financial statements of the Company.

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2017 (Unaudited)

#### 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 statement of financial position, interim 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 period ended 30 June 2016, revenue from customers located in the Company's country of domicile (UAE) is AED 362,934 thousands (period ended 30 June 2016: AED 365,049 thousands) and revenue from customers outside UAE (foreign customers) is AED 52,729 thousands (period ended 30 June 2016: AED 69,738 thousands).

b) *Major customer*

During the period ended 30 June 2017, there was no single customer of the Group with revenues greater than 10% of the total revenue of the Company.

#### 4 PROFIT FOR THE PERIOD

The profit for the period is stated after charging:

	<i>Six month ended</i>		<i>Three month ended</i>	
	<i>30 June 2017 AED '000</i>	<i>30 June 2016 AED '000</i>	<i>30 June 2017 AED '000</i>	<i>30 June 2016 AED '000</i>
Staff costs	47,746	48,954	24,236	24,066
Depreciation expense	23,639	13,489	11,840	7,536
Rental-operating lease	11,887	12,611	6,103	6,269

#### 5 PROPERTY, PLANT AND EQUIPMENT

*Additions and disposal*

During the period ended 30 June 2017, the additions to property, plant and equipment amounted to AED 10,902 thousands (period ended 30 June 2016: AED 70,039 thousands).

During the period ended 30 June 2017, the Company transferred assets amounting to AED 12,589 thousand, from capital work in progress to buildings, plant and machinery and furniture and fixtures category in property plant and equipment.

Assets with a net book value of AED 15 thousands were disposed of by the Group during the period ended 30 June 2017 (period ended 30 June 2016: Nil), resulting in a net gain on disposal of AED 60 thousands (period ended 30 June 2016: Nil).

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2017 (Unaudited)

#### 6 AVAILABLE-FOR-SALE INVESTMENT

	<i>30 June 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Opening balance	145,620	150,043
Change in market fair value	(10,508)	(4,423)
Closing Balance	<u>135,112</u>	<u>145,620</u>

#### 7 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Cash at banks and on hand	55,299	55,401
Short-term deposits with original maturity of less than three months	56,011	105,521
	<u>111,310</u>	<u>160,922</u>

#### 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 year ended 31 December 2016 (period ended 30 June 2016: AED 0.70 per share totaling to AED 63 million relating to year ended 31 December 2015).

#### 9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company of AED 42,089 thousands (period ended 30 June 2016: AED 57,940 thousands) by the weighted average number of shares outstanding during the period of 90 million shares (period ended 30 June 2015: 90 million shares).

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

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2017 (Unaudited)

#### 10 RELATED PARTY TRANSACTIONS AND BALANCES

##### a) Significant transactions with related parties:

Related parties represent shareholders, directors and key management personnel of the Group, 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.

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

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>30 June 2017 AED '000</i>	<i>30 June 2016 AED '000</i>	<i>30 June 2017 AED '000</i>	<i>30 June 2016 AED '000</i>
Sales to a related party	<b>1,723</b>	122	<b>1,441</b>	69

##### Compensation of key management personnel

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

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>30 June 2017 AED '000</i>	<i>30 June 2016 AED '000</i>	<i>30 June 2017 AED '000</i>	<i>30 June 2016 AED '000</i>
Short-term benefits	<b>4,899</b>	5,506	<b>2,309</b>	2,686
Employees' end of service benefits	<b>208</b>	219	<b>88</b>	110
Directors' sitting fees	<b>30</b>	250	<b>30</b>	150
	<b>5,137</b>	5,975	<b>2,427</b>	2,946

##### b) Due from a related party:

	<i>30 June 2017 AED '000 (Unaudited)</i>	<i>31 December 2016 AED '000 (Audited)</i>
<i>Other related party</i>		
Oman Refreshments Company Limited	<b>1,004</b>	72

#### 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)	5,930	19,658	25,588
Loan 3 (c)	3,201	10,627	13,828
<b>Balance at 30 June 2017</b>	<b>43,131</b>	<b>81,285</b>	<b>124,416</b>
Balance at 31 December 2016	43,106	102,611	145,717

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2017 (Unaudited)

#### 11 TERM LOANS (continued)

- (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 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 purchase of a new plant and machinery. The loans will be repaid in 14 semi-annual instalments commencing from 15 January 2015 and carry interests at 6 months LIBOR plus margin. In AED terms, the outstanding amount as of 30 June 2017 is AED 39,416 thousands (31 December 2016: AED 43,717 thousands). In dollar terms, the outstanding amount as of 30 June 2017 is USD 10,734 thousands (31 December 2016: USD 11,905 thousands).

#### 12 CONTINGENCIES AND CAPITAL COMMITMENTS

	<i>30 June 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Bank guarantees	953	2,828
Letter of credit	1,499	1,427
Capital commitments - contracted	<u>31,998</u>	<u>33,857</u>

The Company's 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.

##### **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.

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2017 (Unaudited)

#### 13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

As at 30 June 2017, the Company held the following financial instruments measured at fair value:

##### Assets measured at fair value

	<i>30 June 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>
<b>Available-for-sale investment</b>				
Quoted equity shares				
Consumer product sector	<u>135,112</u>	<u>135,112</u>	<u>-</u>	<u>-</u>
	<i>30 June 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>675</u>	<u>-</u>	<u>675</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>
<b>Available-for-sale investments</b>				
Quoted equity shares				
Consumer products sector	<u>145,620</u>	<u>145,620</u>	<u>-</u>	<u>-</u>
<b>Liabilities measured at fair value</b>				
	<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 TRANSACTION

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

	<i>30 June</i> <i>2017</i> <i>AED'000</i>	<i>30 June</i> <i>2016</i> <i>AED'000</i>
Accrual for project costs	-	-
Transfer from advances to Greenfield contractors and suppliers to property, plant and equipment (Note 5)	<u>350</u>	<u>40,456</u>

#### 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.