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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER
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”), which comprise the interim statement of financial position as at 30 September 2017 and the related interim statements of income and comprehensive income for the three month and nine month periods then ended and interim statements of cash flows and changes in equity for the nine 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.

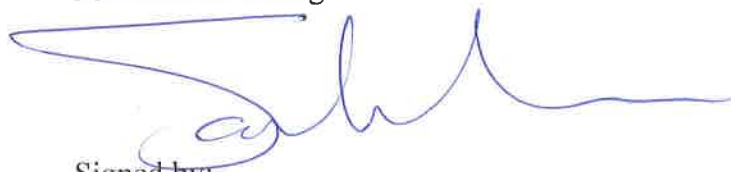
Scope of Review

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

12 November 2017

Dubai, United Arab Emirates

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

INTERIM CONDENSED INCOME STATEMENT

Period ended 30 September 2017 (Unaudited)

	<i>Notes</i>	<i>Nine months ended</i>		<i>Three months ended</i>	
		30 September 2017	<i>30 September 2016</i>	30 September 2017	<i>30 September 2016</i>
		AED '000	<i>AED '000</i>	AED '000	<i>AED '000</i>
Sales		728,979	698,197	313,316	263,410
Cost of sales		(456,196)	(443,835)	(190,638)	(167,910)
GROSS PROFIT		272,783	254,362	122,678	95,500
Other operating income		5,768	5,345	2,040	1,814
Selling and distribution expenses		(125,174)	(124,735)	(47,238)	(44,211)
General and administrative expenses		(42,475)	(41,618)	(14,536)	(14,938)
Amortisation of intangible assets		(6,140)	(6,149)	(2,024)	(2,052)
Relocation expense of production lines		(7,810)	-	(343)	-
OPERATING INCOME		96,952	87,205	60,577	36,113
Finance expense, net		(2,002)	(1,216)	(619)	(1,011)
Dividend income		6,780	6,780	-	-
Other income, net		517	414	200	141
PROFIT FOR THE PERIOD	4	102,247	93,183	60,158	35,243
Earnings per share (in AED)	9	1.14	1.04	0.67	0.39

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 30 September 2017 (Unaudited)

		<i>Nine months ended</i>		<i>Three months ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>Note</i>		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
	Profit for the period	102,247	93,183	60,158	35,243
	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 (16,923)	(4,714)	(6,415)	(3,354)
	Change in fair value of effective portion of cash flow hedges	(1,809)	6,537	(675)	1,012
	Other comprehensive income for the period	(18,732)	1,823	(7,090)	(2,342)
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	83,515	95,006	53,068	32,901

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

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	<i>Notes</i>	30 September 2017 AED '000 (Unaudited)	31 December 2016 AED '000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	700,371	718,586
Intangible assets		27,730	33,870
Available-for-sale investments	6	128,697	145,620
		<u>856,798</u>	<u>898,076</u>
Current assets			
Inventories		56,383	75,298
Trade and other receivables		174,228	107,020
Advances to Greenfield project contractors and suppliers		-	350
Cash and cash equivalents	7	161,097	160,922
		<u>391,708</u>	<u>343,590</u>
TOTAL ASSETS		<u>1,248,506</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		97,614	114,537
Cash flow hedge reserve		-	1,809
Retained earnings		153,105	113,858
Total equity		<u>953,262</u>	<u>932,747</u>
Non-current liabilities			
Employees' end of service benefits		21,758	21,559
Non-current portion of term loans	11	59,959	102,611
		<u>81,717</u>	<u>124,170</u>
Current liabilities			
Trade and other payables		170,664	141,643
Current portion of term loans	11	42,863	43,106
		<u>213,527</u>	<u>184,749</u>
Total liabilities		<u>295,244</u>	<u>308,919</u>
TOTAL EQUITY AND LIABILITIES		<u>1,248,506</u>	<u>1,241,666</u>

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



Mr. Abdulla Mohamed Al Huraiz

Director

___ November 2017



Mr. Ahmad Bin Eisa Alserkal

Chairman

___ November 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 30 September 2017 (Unaudited)

<u>2017:</u>	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				102,247		102,247	102,247
Other comprehensive income for the period		-	-	(16,923)	(1,809)	-	(18,732)
Total comprehensive income for the period				(16,923)	(1,809)	102,247	83,515
Dividends paid (Note 8)		-	-	-	-	(63,000)	(63,000)
Balance as of 30 September 2017	90,000	45,000	567,543	97,614	-	153,105	953,262

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 (continued)

Period ended 30 September 2017 (Unaudited)

2016:

	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	-	-	-	(4,714)	6,537	93,183	93,183
Other comprehensive income for the period	-	-	-	(4,714)	6,537	-	1,823
Total comprehensive income for the period	-	-	-	(4,714)	6,537	93,183	95,006
Dividends paid (Note 8)	-	-	-	-	-	(63,000)	(63,000)
Balance as of 30 September 2016	90,000	45,000	486,002	114,246	1,474	174,724	911,446

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 30 September 2017 (Unaudited)

	Notes	Nine months ended	
		30 September 2017 AED '000	30 September 2016 AED '000
OPERATING ACTIVITIES			
Profit for the period		102,247	93,183
Adjustments for:			
Depreciation		35,397	25,267
Amortisation of intangible assets		6,140	6,149
Finance expense		2,002	1,216
Gain on disposal of property, plant and equipment		(60)	-
Dividend income		(6,780)	(6,780)
Provision for employees' end of service benefits		2,068	2,100
		<u>141,014</u>	<u>121,135</u>
Working capital changes:			
Inventories		18,915	(7,763)
Trade and other receivables		(67,208)	(19,849)
Trade and other payables		31,412	(650)
		<u>124,133</u>	<u>92,873</u>
Cash from operations		124,133	92,873
Employees' end of service benefits paid		(1,869)	(1,272)
		<u>122,264</u>	<u>91,601</u>
INVESTING ACTIVITIES			
Acquisition of intangible assets		-	(506)
Acquisition of property, plant and equipment		(16,847)	(43,762)
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>(9,992)</u>	<u>(37,838)</u>
Net cash used in investing activities		(9,992)	(37,838)
FINANCING ACTIVITIES			
Repayment of term loans		(42,895)	(42,461)
Dividends paid	8	(63,000)	(63,000)
Director fees paid		(4,200)	(4,200)
Finance expense paid		(2,002)	(1,216)
		<u>(112,097)</u>	<u>(110,877)</u>
Net cash used in financing activities		(112,097)	(110,877)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		175	(57,114)
Cash and cash equivalents at 1 January		<u>160,922</u>	<u>158,288</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	7	<u>161,097</u>	<u>101,174</u>

Non-cash transaction

During the period, there is a transfer from advances to Greenfield project contractors and suppliers amounting to AED 350 thousand to property, plant and equipment. This transaction has been excluded from the above statement of cash flows as it does not involve movement of cash.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 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 (“UAE”).

The Company is engaged in bottling and selling Pepsi Cola International products in Dubai, Sharjah and the other Northern emirates in 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 also holds 7Up and Aquafina bottling and selling rights for the whole of the UAE.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of preparation

The interim condensed financial statements for the nine months period ended 30 September 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 for full annual audited financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 and for the year ended December 2016.

In addition, the results for the nine months period ended 30 September 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 September 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 September 2017, revenue from customers located in the Company's country of domicile (UAE) is AED 633,984 thousands (period ended 30 September 2016: AED 599,207 thousands) and revenue from customers outside the UAE (foreign customers) is AED 94,995 thousands (period ended 30 September 2016: AED 98,990 thousands).

b) *Major customer*

During the period ended 30 September 2017, there was no single customer of the Company 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>Nine months ended</i>		<i>Three months ended</i>	
	30 September 2017 <i>AED '000</i>	<i>30 September 2016</i> <i>AED '000</i>	30 September 2017 <i>AED '000</i>	<i>30 September 2016</i> <i>AED '000</i>
Staff costs	72,569	73,461	24,823	24,507
Depreciation expense	35,397	25,267	11,759	11,778
Rental-operating lease	18,313	18,952	6,426	6,341

5 PROPERTY, PLANT AND EQUIPMENT

Additions and disposal

During the period ended 30 September 2017, the additions to property, plant and equipment amounted to AED 17,197 thousands (period ended 30 September 2016: AED 43,762 thousands).

During the period ended 30 September 2017, the Company transferred assets amounting to AED 14,880 thousands (period ended 30 September 2016: AED 512,705 thousands) from capital work in progress to buildings, plant, machinery & equipment and furniture and fixture category in property, plant and equipment.

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

6 AVAILABLE-FOR-SALE INVESTMENTS

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Opening balance	145,620	150,043
Change in market fair value	(16,923)	(4,423)
Closing balance	<u>128,697</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 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Cash at banks and on hand	84,858	55,401
Short-term deposits with original maturity of less than three months	76,239	105,521
	<u>161,097</u>	<u>160,922</u>

8 DIVIDENDS

During the Annual General Meeting held on 23 March 2017, the shareholders approved cash dividends of AED 0.70 per share totaling to AED 63 million relating to year ended 31 December 2016 (period ended 30 September 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 102,247 thousands (period ended 30 September 2016: AED 93,183 thousands) by the weighted average number of shares outstanding during the period of 90 million shares (period ended 30 September 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

a) Significant transactions with related parties:

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Significant transactions with related parties: (continued)

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

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</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>
Sales to a related party	<u>3,823</u>	<u>182</u>	<u>746</u>	<u>60</u>

Compensation of key management personnel

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

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</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>
Short-term benefits	7,269	8,275	2,370	2,769
Employees' end of service benefits	473	330	265	111
Directors' sitting fees	60	320	30	70
	<u>7,802</u>	<u>8,925</u>	<u>2,665</u>	<u>2,950</u>

b) Due from related parties:

	<i>30 September</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>AED '000</i>	<i>AED '000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Other related party</i>		
Oman Refreshment Company Limited	<u>949</u>	<u>72</u>

Outstanding balances at the period-end arise in the normal course of business. For the period ended 30 September 2017, the Company has not recorded any impairment of amounts owed by related parties (30 September 2016: AED Nil).

11 TERM LOANS

	<i>Current</i>	<i>Non-current</i>	<i>Total</i>
	<i>portion</i>	<i>portion</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Loan 1 (a)	34,000	34,000	68,000
Loan 2 (b)	5,756	16,850	22,606
Loan 3 (c)	3,107	9,109	12,216
Balance at 30 September 2017	<u>42,863</u>	<u>59,959</u>	<u>102,822</u>
Balance at 31 December 2016	<u>43,106</u>	<u>102,611</u>	<u>145,717</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 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 September 2017 is AED 34,822 thousands (31 December 2016: AED 43,717 thousands). In dollar terms, the outstanding amount as of 30 September 2017 is USD 9,467 thousands (31 December 2016: USD 11,905 thousands).

12 CONTINGENCIES AND CAPITAL COMMITMENTS

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Bank guarantees	953	2,828
Letter of credit	454	1,427
Capital commitments – contracted	<u>33,019</u>	<u>33,857</u>

The Company's capital commitments mainly pertain to an approved expenditure 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 September 2017 (Unaudited)

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

Assets measured at fair value

	<i>30 September 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 product sector	<u>128,697</u>	<u>128,697</u>	<u>-</u>	<u>-</u>

Liabilities measured at fair value

	<i>30 September 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>-</u>	<u>-</u>	<u>-</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 product sector	<u>145,620</u>	<u>145,620</u>	<u>-</u>	<u>-</u>

Liabilities 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>
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 transaction has been excluded from the interim condensed statement of cash flows:

	<i>30 Sept</i> <i>2017</i> <i>AED'000</i>	<i>30 Sept</i> <i>2016</i> <i>AED'000</i>
Accrual for project costs	-	7,040
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.