

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

## **UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE NINE MONTH PERIOD ENDED 30  
SEPTEMBER 2018**

## **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 comprised the interim condensed statement of financial position as at 30 September 2018 and the related interim condensed statements of income and comprehensive income for the three month and nine month period then ended and interim condensed statements of changes in equity and cash flows for the nine month periods 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:  
Anthony O’Sullivan  
Partner  
Registration No.: 687

12 November 2018

Dubai, United Arab Emirates

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

### INTERIM CONDENSED INCOME STATEMENT

Period ended 30 September 2018 (Unaudited)

	<i>Notes</i>	<i>Nine months ended</i>		<i>Three month ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Sales	2 & 4	456,246	728,979	170,270	313,316
Cost of sales		(311,213)	(456,196)	(114,472)	(190,638)
<b>GROSS PROFIT</b>		<b>145,033</b>	<b>272,783</b>	<b>55,798</b>	<b>122,678</b>
Other operating income		6,403	5,768	2,170	2,040
Selling and distribution expenses	2	(75,363)	(125,174)	(20,078)	(47,238)
General and administrative expenses		(40,715)	(42,475)	(13,755)	(14,536)
Amortisation of intangible assets		(5,952)	(6,140)	(1,842)	(2,024)
Relocation expense of production lines		-	(7,810)	-	(343)
<b>OPERATING INCOME</b>	2	<b>29,406</b>	<b>96,952</b>	<b>22,293</b>	<b>60,577</b>
Finance costs		(2,140)	(2,002)	(759)	(619)
Dividend income		5,085	6,780	-	-
Other income, net		1,369	517	1,186	200
<b>PROFIT FOR THE PERIOD</b>	2 & 5	<b>33,720</b>	<b>102,247</b>	<b>22,720</b>	<b>60,158</b>
Earnings per share in AED	10	0.37	1.14	0.25	0.67

The attached notes 1 to 16 form part of these interim condensed financial statements.

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

### INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2018 (Unaudited)

	Note	<i>Nine months ended</i>		<i>Three month ended</i>	
		<b>30 September 2018</b>	<b>30 September 2017</b>	<b>30 September 2018</b>	<b>30 September 2017</b>
		<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>
<b>Profit for the period</b>		<b>33,720</b>	102,247	<b>22,720</b>	60,158
<b>Other comprehensive loss</b>					
<i>Other comprehensive loss not to be reclassified to income statement in subsequent periods:</i>					
Change in fair value of investment securities measured at FVOCI, equity instruments	2	(20,780)	-	(29)	-
<i>Other comprehensive loss to be reclassified to income statement in subsequent periods:</i>					
Change in fair value of available-for-sale investments		-	(16,923)	-	(6,415)
Change in fair value of cash flow hedges	2	(1,144)	(1,809)	86	(675)
<b>Other comprehensive loss</b>		<b>(21,924)</b>	(18,732)	<b>57</b>	(7,090)
<b>Total comprehensive income for the period</b>		<b>11,796</b>	83,515	<b>22,777</b>	53,068

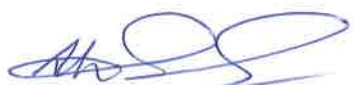
The attached notes 1 to 16 form part of these interim condensed financial statements.

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

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	<i>Notes</i>	<b>30 September 2018 AED '000 (Unaudited)</b>	<b>31 December 2017 AED '000 (Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	671,585	702,005
Intangible assets		20,729	25,707
Investment securities	7	118,058	138,838
		<u>810,372</u>	<u>866,550</u>
<b>Current assets</b>			
Inventories		48,935	70,630
Trade and other receivables		198,051	136,221
Contract assets	2	11,739	-
Bank balances and cash	8	72,756	165,525
		<u>331,481</u>	<u>372,376</u>
<b>TOTAL ASSETS</b>		<u><b>1,141,853</b></u>	<u><b>1,238,926</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		90,000	90,000
Statutory reserve		45,000	45,000
General reserve		618,401	618,401
Fair value reserve		86,975	107,755
Cash flow hedge reserve		86	1,230
Retained earnings		56,799	87,489
<b>Total equity</b>		<u><b>897,261</b></u>	<u><b>949,875</b></u>
<b>Non-current liabilities</b>			
Employees' end of service benefits		23,248	22,252
Non-current portion of term loans	12	20,064	59,959
		<u>43,312</u>	<u>82,211</u>
<b>Current liabilities</b>			
Trade and other payables	2	139,928	163,721
Contract liabilities	2	17,075	-
Current portion of term loans	12	44,277	43,119
		<u>201,280</u>	<u>206,840</u>
<b>Total liabilities</b>		<u><b>244,592</b></u>	<u><b>289,051</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,141,853</b></u>	<u><b>1,238,926</b></u>



**Mr. Abdulla Mohamed Al Huraiz**  
Director



**Mr. Ahmad Bin Eisa Alserkal**  
Chairman

The attached notes 1 to 16 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 2018 (Unaudited)

	Share capital	Statutory reserve	General reserve	Fair value reserve (Note 7)	Cash flow hedge reserve	Retained earnings	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Balance as of 1 January 2018	90,000	45,000	618,401	107,755	1,230	87,489	949,875
Adjustment on initial application of IFRS 15 (Note 2)	-	-	-	-	-	4,503	4,503
Adjusted balance as of 1 January 2018	90,000	45,000	618,401	107,755	1,230	91,992	954,378
Profit for the period	-	-	-	-	-	33,720	33,720
Other comprehensive loss for the period	-	-	-	(20,780)	(1,144)	-	(21,924)
Total comprehensive (loss)/income for the period	-	-	-	(20,780)	(1,144)	33,720	11,796
Other movements (Note 6)	-	-	-	-	-	(5,913)	(5,913)
Dividends declared (Note 9)	-	-	-	-	-	(63,000)	(63,000)
<b>Balance as of 30 September 2018</b>	<b>90,000</b>	<b>45,000</b>	<b>618,401</b>	<b>86,975</b>	<b>86</b>	<b>56,799</b>	<b>897,261</b>

The attached notes 1 to 16 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 2018

(Unaudited)

	Share capital	Statutory reserve	General reserve	Fair value reserve (Note 7)	Cash flow hedge reserve	Retained earnings	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	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
Other comprehensive loss for the period	-	-	-	(16,923)	(1,809)	-	(18,732)
Total comprehensive (loss)/income for the period	-	-	-	(16,923)	(1,809)	102,247	83,515
Dividends declared (Note 8)	-	-	-	-	-	(63,000)	(63,000)
Balance as of 30 September 2017	90,000	45,000	567,543	97,614	-	153,105	953,262

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

### INTERIM CONDENSED STATEMENT OF CASH FLOWS

Period ended 30 September 2018 (Unaudited)

	Notes	Nine months ended	
		30 September 2018 AED '000	30 September 2017 AED '000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		33,720	102,247
Adjustments for:			
Depreciation		35,828	35,397
Amortisation of intangible assets		5,952	6,140
Loss/(gain) on disposal of property, plant and equipment		110	(60)
Finance expense, net		2,140	2,002
Dividend income		(5,085)	(6,780)
Provision for employees' end of service benefits		2,337	2,068
		<u>75,002</u>	<u>141,014</u>
Working capital changes:			
Inventories		21,695	18,915
Trade and other receivables		(61,830)	(67,208)
Contract assets *		(2,733)	-
Trade and other payables		(22,978)	31,412
Contract liabilities *		14,813	-
		<u>23,969</u>	<u>124,133</u>
Cash generated from operating activities		23,969	124,133
Employees' end of service benefits paid		(1,341)	(1,869)
		<u>22,628</u>	<u>122,264</u>
Net cash generated from operating activities		22,628	122,264
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible assets		(974)	-
Acquisition of property, plant and equipment	5	(11,788)	(16,847)
Proceeds from disposal of property, plant and equipment		357	75
Dividend income, net		5,085	6,780
Finance income, net		512	-
		<u>(6,808)</u>	<u>(9,992)</u>
Net cash used in investing activities		(6,808)	(9,992)
<b>FINANCING ACTIVITIES</b>			
Proceeds from term loans		5,651	-
Repayment of term loans		(44,388)	(42,895)
Director fees paid		(4,200)	(4,200)
Dividends paid		(63,000)	(63,000)
Finance expense, paid		(2,652)	(2,002)
		<u>(108,589)</u>	<u>(112,097)</u>
Net cash used in financing activities		(108,589)	(112,097)
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(92,769)</b>	<b>175</b>
Cash and cash equivalents at 1 January		<u>165,525</u>	<u>160,922</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>7</b>	<u><u>72,756</u></u>	<u><u>161,097</u></u>

\* these represent net movements in contract assets and contract liabilities from those arose on initial application of IFRS 15 (as disclosed in Note 2) and to contract assets and liabilities carried in the interim condensed statement of financial position as of 30 September 2018.

The attached notes 1 to 16 form part of these interim condensed financial statements.



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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2018 (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 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 authorisation from Pepsi Cola International. The Company holds 7Up and Aquafina bottling and selling rights for the whole of the UAE.

The interim condensed financial statements have been approved by the Board of Directors on November 6, 2018.

### 2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY ACCOUNTING POLICIES

#### Basis of preparation

The interim condensed financial statements for the nine months period ended 30 September 2018 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 2017.

In addition, results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

#### Changes in significant accounting policies

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 2017, except for the adoption of new standards effective as of 1 January 2018, as described below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The Company applies, for the first time, IFRS 15 Revenue from Contracts with Customers using modified retrospective method while IFRS 9 Financial instruments which does not require restatement of previous financial statements. Several other amendments and interpretations apply for the first time in 2018, but do not have any significant impact on the interim condensed financial statements of the Company.

- **IFRS 15 Revenue from contracts with customers**

IFRS 15 supersedes IAS 11 Constructions Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption, with effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, and has been presented as previously reported under accounting policies disclosed in annual financial statements of the Company as per IAS 18 and related interpretations.

**2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY ACCOUNTING POLICIES  
(continued)**

**New standards, interpretations and amendments thereof, adopted by the Company (continued)**

***IFRS 15 Revenue from contracts with customers (continued)***

The Company is primarily in the business of selling Pepsi Cola International products and has adopted the following accounting policies with respect to revenue recognition under IFRS 15:

*(a) Sale of goods*

For contracts with customers in which the sale of products is generally to be the only performance obligation, adoption of IFRS 15 is not expected to have any significant impact on the Company's revenue and profit or loss.

The Company has concluded that the revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognised was affected, as noted below:

*Variable consideration*

Some contracts with customers provide a right of return, trade discounts, volume rebates or other sales supports. Prior to adoption of IFRS 15, the Company recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue could not be reliably measured, the Company deferred revenue recognition until the uncertainty was resolved.

Under IFRS 15, such provisions give rise to variable consideration under IFRS 15. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The Application of the constraint on variable consideration increases the amount of revenue that will be deferred.

• **Rights of return**

When a contract with a customer provides a right to return the good within the specified period, the Company previously accounts for the right of return using a probability-weighted average amount of return approach similar to the expected value method under IFRS 15. Prior to adoption of IFRS 15, the amount of revenue related to the expected returns is deferred and recognised in the statement of financial position within trade and other payables. A corresponding adjustment was made to the cost of sales. The initial carrying amount of goods expected to be returned is included within Inventories.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Company uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The Company applies the requirement in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Company presents a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. Upon adoption of IFRS 15, the Company assessed and determined that that no provision for right of return (i.e. refund Liabilities) and the related return asset from inventories (i.e. right to return assets) is required to be recognised based on expected value method.

• **Volume rebates and other terms of the customer contracts**

The Company provides retrospective volume rebates to some of its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract and there are other terms of the contracts with the customers including upfront payments for a period of contract or for sale certain quantity of goods, which results in variable consideration. Prior to adoption of IFRS 15, the Company used to estimate the expected volume rebates and other terms of the contract using the probability-weighted average amount of rebates approach and included them in Trade and other payables. These amounts might subsequently be repaid in cash to the customer or were offset against amounts payable by customer.

Under IFRS 15, retrospective volume rebates and other terms of the contract give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Company considered that the most likely amount method better predicts the amount of variable consideration for contracts with only a single volume threshold while for contracts with more than one volume threshold it would apply either the expected value method or the most likely amount method, depending on which of them better predicts the amount of variable consideration for the particular type of contract.

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

#### 2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY ACCOUNTING POLICIES (continued)

##### New standards, interpretations and amendments thereof, adopted by the Company (continued)

##### *IFRS 15 Revenue from contracts with customers (continued)*

###### *(b) Advances received from customers*

Generally, the Company receives only short-term advances from its customers.

Upon adoption of IFRS 15, for short term advances, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects at the inception of the contract that the period between the time the customer pays for the goods or service and when the Company transfers that promised goods or service to the customer will be one year or less. However, the Company decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Company expects, at contract inception, that the period between the Company transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for shortterm advances, the Company will not account for a financing component even if it is significant.

###### *(c) Presentation and disclosure requirements*

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. As required for the interim condensed financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, timing and uncertainty of revenue and cashflows are affected by economic factors. The Company also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer Note 4 below for disclosure on disaggregated revenue.

On adoption of IFRS 15, the determination of variable considerations were considered as per IFRS 15 and has resulted in recognition of contract assets of AED 9,006 thousand as of 1 January 2018, with corresponding increase in retained earnings by AED 4,503 thousand and other credit control account of AED 4,503 thousand. Further, contract liabilities of AED 2,262 thousand were determined to be presented separately which were previously included in 'trade and other payables'.

The following table summarises the impact of adopting IFRS 15 on the Company's interim condensed statement of financial position as at 30 September 2018 and its interim condensed income statement and OCI for the nine months period then ended for each of line items affected. There were no material impact on cash flows of the Company's interim condensed statement of cash flows for the nine months period ended 30 September 2018.

	<i>Amounts without adoption of IFRS 15 AED</i>	<i>Adjustments AED</i>	<i>As Reported AED</i>
<i>30 September 2018:</i>			
<i>Statement of financial position</i>			
Contract assets	-	11,739	<b>11,739</b>
Trade and other receivables	203,920	(5,869)	<b>198,051</b>
Retained earnings	50,930	5,869	<b>56,799</b>
Trade and other payables	155,637	(15,709)	<b>139,928</b>
Contract liabilities	-	17,075	<b>17,075</b>
<i>For the nine months period ended 30 September 2018:</i>			
<i>Income statement</i>			
Revenue	492,552	(36,306)	<b>456,246</b>
Gross profit	181,339	(36,306)	<b>145,033</b>
Selling and distribution expenses	(113,035)	37,672	<b>(75,363)</b>
Operating profit	28,040	1,366	<b>29,406</b>
Profit for the period	32,354	1,366	<b>33,720</b>

## 2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY ACCOUNTING POLICIES (continued)

### New standards, interpretations and amendments thereof, adopted by the Company (continued)

- **IFRS 9 Financial instruments**

'IFRS 9 Financial Instruments' replaces 'IAS 39 Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has opted exemption not to restate comparative information with respect to reclassification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 is under accounting policies disclosed in annual financial statements of the Company as per IAS 39 and related interpretations.

(a) *Classification and measurement*

IFRS 9 retains most of the existing requirements of IAS 39 for the classification and measurement of financial liabilities, though, it has removed held to maturity, loans and receivables and available-for-sale classification under IAS 39 for financial assets.

Adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial statements (other than those used as hedging instruments, which are discussed below). The impact of IFRS 9 on the classification and measurement of financial assets of the Company is set out below.

Except for certain trade receivables, under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. On initial recognition, a financial asset is classified and measured under IFRS 9 as follows:

- Amortised costs
- FVOCI, debt instruments
- FVOCI, equity instruments
- FVTPL

The classification is based on two criteria:

- The Company's business model for managing the assets; and
- Whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Company's business model was made as of 1 January 2018, the date of initial application.

The new classification and measurement of the Company's financial assets are as follows:

	<i>Previous classification (IAS 39)</i>	<i>New classification (IFRS 9)</i>
Investment securities, equity instruments	Available-for-sale	FVOCI, equity Instruments
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

There were no changes to the carrying values of the above financial assets on transition to new classification and measurement per IFRS 9.

**2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY ACCOUNTING POLICIES  
(continued)**

**New standards, interpretations and amendments thereof, adopted by the Company (continued)**

*(b) Impairment*

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing incurred loss approach under IAS 39 with a forward-looking expected credit loss (ECL) approach.

ECL are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Company expect to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For 'Contract assets' and 'Trade and other receivables', the Company has applied the standard's simplified approach and has calculated the ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is likely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of the ECL requirements of IFRS 9 did not result in any significant changes in impairment allowances.

*(c) Hedge accounting*

The Company applied hedge accounting prospectively. At the date of the initial application, all of the Company's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contracts in the Company's cash flow hedge relationship and, as such, the adoption of the hedge accounting requirements of IFRS 9 has no significant impact on the Company's financial statements.

Under IAS 39, all gains and losses arising from the Company's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchase of non-financial assets need to be incorporated into the initial carrying amounts on the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

**Use of judgements and estimates**

The preparation of condensed interim financial statements requires management to make judgment, estimates and assumptions that effect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The Company has consistently applied the estimates and judgements as applied by the Company in the annual financial statements for the year ended 31 December 2017, except for estimates and judgements applicable on adoption of IFRS 15 and IFRS 9, which are noted above.

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2018 (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 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 30 September 2018, revenue from customers located in the Company's country of domicile (UAE) is AED **429,428** thousands (period ended 30 September 2017: AED 633,984 thousands) and revenue from customers outside UAE (foreign customers) is AED **63,124** thousands (period ended 30 September 2017: AED 94,995 thousands).

b) *Major customer*

During the period ended 30 September 2018 and 30 September 2017, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

#### 4 REVENUE

Set out below is the disaggregation of the Company's net revenue:

	<i>Nine month ended</i>		<i>Three month ended</i>	
	<i>30 September 2018 AED'000</i>	<i>30 September 2017 AED'000</i>	<i>30 September 2018 AED'000</i>	<i>30 September 2017 AED'000</i>
<i>Local sales</i>				
Long term contracts	<b>238,046</b>	396,045	<b>90,818</b>	173,211
Transactions based contracts	<b>155,076</b>	237,939	<b>56,646</b>	97,839
	<b>393,122</b>	633,984	<b>147,464</b>	271,050
<i>Export sales</i>				
Long term contracts	<b>25,756</b>	54,307	<b>7,454</b>	24,857
Transactions based contracts	<b>37,368</b>	40,688	<b>15,352</b>	17,409
	<b>63,124</b>	94,995	<b>22,806</b>	42,266
	<b>456,246</b>	728,979	<b>170,270</b>	313,316

#### 5 PROFIT FOR THE PERIOD

The profit for the period is stated after charging:

	<i>30 September 2018 AED'000</i>	<i>30 September 2017 AED'000</i>
Staff costs	<b>67,193</b>	72,569
Depreciation expense	<b>35,828</b>	35,397
Rentals – operating lease	<b>16,201</b>	18,313

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

#### 6 PROPERTY, PLANT AND EQUIPMENT

##### *Additions and transfers*

During the period ended 30 September 2018, the additions to property, plant and equipment amounted to AED 11,788 thousands (period ended 30 September 2017: AED 17,197 thousands).

During the period ended 30 September 2018, the Company transferred assets amounting to AED 22,145 thousands (period ended 30 September 2017: AED 14,880 thousands) from capital work-in-progress to plant and machinery, coolers and freezers category in property, plant and equipment.

During the period ended 30 September 2018, assets with a net book value of AED 467 thousands were disposed of by the Company (period ended 30 September 2017: AED 15 thousands), resulting in a net loss on disposal of AED 110 thousands (period ended 30 September 2017: net gain of 60 thousands).

##### *Transfer or mosque*

As was resolved in annual general meeting of the Company held on 25 February 2013, the Company has charged the cost of the Mosque of AED 5,913 thousand on completion, to the retained earnings during the period ended 30 September 2018.

#### 7 INVESTMENT SECURITIES

	<i>30 September 2018 AED '000 (Unaudited)</i>	<i>31 December 2017 AED '000 (Audited)</i>
Opening balance	138,838	145,620
Change in fair value for the period/year	(20,780)	(6,782)
Closing balance	<u>118,058</u>	<u>138,838</u>

On adoption of IFRS 9, effective 1 January 2018, the Company has classified the equity investment securities as measured at FVOCI, (previously classified as available-for-sale investments) and re-designated the related fair value reserve as at 1 January 2018 accordingly as not to be reclassified to income statement. The Comparative information is presented under IAS 39 as previously reported in the annual financial statements of the Company under IAS 39, as the Company has elected not to restate comparative information on adoption of IFRS 9.

#### 8 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2018 AED '000 (Unaudited)</i>	<i>31 December 2017 AED '000 (Audited)</i>
Cash at bank and on hand	72,685	69,752
Short-term deposits with original maturity of less than three months	71	95,773
Cash and cash equivalents	<u>72,756</u>	<u>165,525</u>

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

#### 9 DIVIDENDS

During the Annual General Meeting held on 22 March 2018 the shareholders approved a cash dividend of AED 0.70 per share totaling to AED 63 million relating to 2017 (nine month period ended 30 September 2017: AED 0.70 per share totaling to AED 63 million relating to 2016).

#### 10 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 33,720 thousands (period ended 30 September 2017: AED 102,247 thousands) by the weighted average number of shares outstanding during the period of 90 million shares (period ended 30 September 2017: 90 million shares).

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

#### 11 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>Nine months ended</i>		<i>Three month ended</i>	
	<i>30 September 2018 AED'000</i>	<i>30 September 2017 AED'000</i>	<i>30 September 2018 AED'000</i>	<i>30 September 2017 AED'000</i>
Sales to a related party	<u>2,110</u>	<u>3,823</u>	<u>549</u>	<u>2,100</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 month ended</i>	
	<i>30 September 2018 AED'000</i>	<i>30 September 2017 AED'000</i>	<i>30 September 2018 AED'000</i>	<i>30 September 2017 AED'000</i>
Short-term benefits	7,709	7,269	2,583	2,370
Employees' end of service benefits	431	473	108	265
Director's sitting fee	90	60	20	30
	<u>8,230</u>	<u>7,802</u>	<u>2,711</u>	<u>2,665</u>

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

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
<i>Other related party</i> Oman Refreshments Company Limited	<u>536</u>	<u>949</u>



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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

#### 12 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	-	34,000
Loan 2 (b)	7,167	13,991	21,158
Loan 3 (c)	3,110	6,073	9,183
<b>Balance at 30 September 2018</b>	<b>44,277</b>	<b>20,064</b>	<b>64,341</b>
Balance at 31 December 2017	43,119	59,959	103,078

- (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 9 months LIBOR plus margin. In AED terms, the outstanding amount as of 30 September 2018 is AED **30,341** thousands (31 December 2017: AED 35,078 thousands). In dollar terms, the outstanding amount as of 30 September 2018 is USD **8,236** thousands (31 December 2017: USD 9,545 thousands).

#### 13 CONTINGENCIES AND CAPITAL COMMITMENTS

	<i>30 September 2018 AED '000</i>	<i>31 December 2017 AED '000</i>
Bank guarantees	12,577	11,659
Letter of credit	216	454
Capital commitments - contracted	2,738	11,186

The Company's capital commitments mainly pertain to approved expenditure of AED 657 million (2017: AED 658.3 million) on office and plant facility (Greenfield project) at the Dubai Investment Park.

During the third quarter of 2018, the Company filed objections with regards to the excise duty levied by the Federal Tax Authority's ("Authority") on the inventory in hand of carbonated drinks as on 1 October 2017 being the effective date of the excise duty. The objections were filed for penalties relating to excise duty for an amount of about AED 24 million. As at the reporting date, the Company is yet to receive the decision from the Disputes Settlement Committee on the objections filed and will update the Dubai Financial Markets accordingly when the Committee issues its verdict.

#### 14 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, receivables, contract assets, derivatives and investment securities. Financial liabilities consist of bank borrowings, payables, contract liabilities 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 30 September 2018 (Unaudited)

#### 14 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>30 September 2018</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>Investment securities measured at FVOCI,</b>				
<b>Quoted equity instruments</b>				
Consumer products sector	<u>118,058</u>	<u>118,058</u>	<u>-</u>	<u>-</u>
	<i>30 September 2018</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>Positive fair value of derivatives</b>				
- held as cash flow hedge	<u>86</u>	<u>-</u>	<u>86</u>	<u>-</u>

As at 31 December 2017, the Company held the following financial instruments measured at fair value:

##### Assets measured at fair value

	<i>31 Dec 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 investments</b>				
<b>Quoted equity shares</b>				
Consumer products sector	<u>138,838</u>	<u>138,838</u>	<u>-</u>	<u>-</u>
	<i>31 Dec 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>Positive fair value of derivatives</b>				
- held as cash flow hedge	<u>1,230</u>	<u>-</u>	<u>1,230</u>	<u>-</u>

#### 15 NON-CASH TRANSACTIONS

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

	<i>30 September</i> <i>2018</i> <i>AED'000</i>	<i>30 September</i> <i>2017</i> <i>AED'000</i>
Transfer from advances to Greenfield contractors and suppliers to property, plant and equipment (Note 6)	<u>-</u>	<u>350</u>
Transfer of Mosque from property, plant and equipment (Note 6)	<u>5,913</u>	<u>-</u>

#### 16 OTHER INFORMATION

The Company did not have any investments in or business relationship with the Abraaj Group as of 30 September 2018 and during the nine month period then ended.