

Dubai Refreshment (P.J.S.C.)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016



CHAIRMAN'S REPORT

Dear Shareholders,

I have the great pleasure of sharing with you the highlights of another year of accomplishments for Dubai Refreshment Company ('DRC').

The year 2016 marked a historic step for DRC as the company finally moved to its newly built manufacturing facility in DIP. The factory is much bigger, has more capacity and is equipped with modern and state-of-the art equipment. This investment would give DRC an opportunity to potentially become one of the largest bottlers of PepsiCo in the GCC region. DRC started its first commercial production in the new facility in March 2016. All production lines are expected to be operational out of the new facility by the first half of 2017.

As part of Company's long term vision, DRC is in the process of starting in house production of Lipton and Aquafina products which are currently being outsourced from external vendors. Lipton Iced tea production has already started while Aquafina production is expected to start in quarter two of 2017. While adding more capacity to the existing product portfolio, the new facility will also provide a solid foundation and a robust platform to diversify into a wider range of products as well as venturing into new business opportunities. DRC has invested ahead of the curve and is ready to capture all the potential opportunities that will arise in the next phase of growth in UAE.

In spite of the fact that year 2016 posed many challenges to DRC, the Company through its sound management and strategy achieved reasonable financial results. The company was facing fierce competitive situation as well as a general softness in the market which engulfed the region throughout 2016. These challenges were countered through various initiatives including a cost saving program as well as an effective rationalization of our revenue streams.

Market Share

In 2016 we have seen much fluctuation in market share due to fierce competition. We have generally been successful in maintaining a positive share trend throughout the year and exited the year at 64.3% share.

Revenues

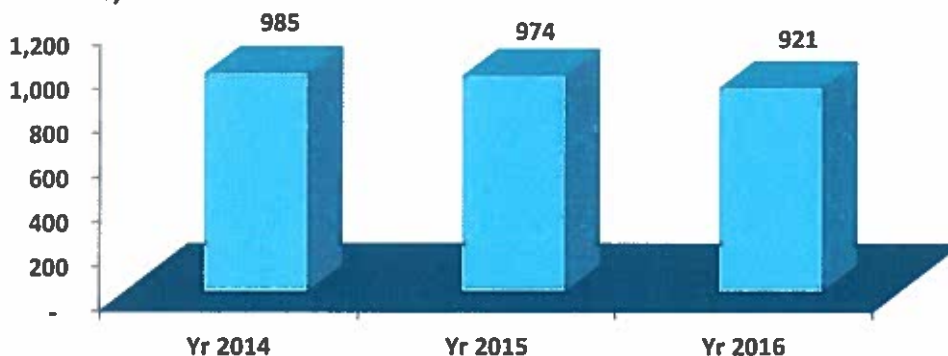
The year 2016 saw a decline in volumes and revenues in both Local and Exports markets. DRC achieved the total revenues of AED 921 million, which represents a decline of 5% when compared to 2015.

The decline in local segment of the business reflects the general slowdown in the market and the economic headwinds across serviced territories.

The negative trend in exports was mainly due to a continuous downward pressure on sales in the African markets resulting from continuous strength of the US Dollar against local currencies. The sharp increase in import duties in some of the serviced countries took its toll on sales as well.

Despite the challenges faced in 2016 and the uncertain regional outlook for the coming year, DRC will focus on growing its share of the local market and increasing its exports to GCC and African countries by expanding the product range to include Lipton brand.

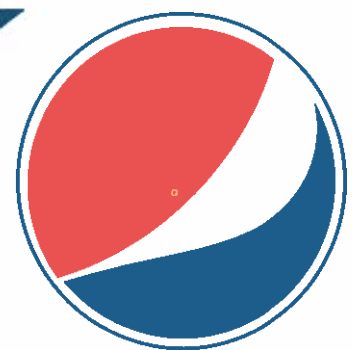
(AED Millions)



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Paid up Capital AED 90,000,000

2017



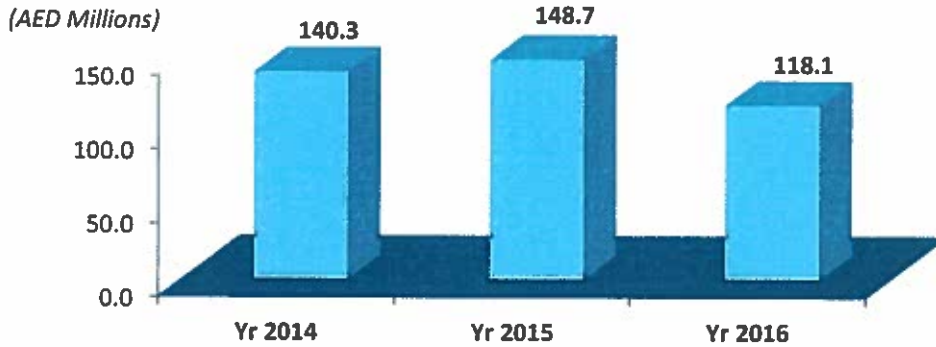


Profitability

Total Net Profit declined by 21% in 2016 to reach AED 118.1 Million or 12.8% of Net Revenues vs. AED 148.7 Million or 15.3% of Net Revenues in 2015. Going forward, DRC will continue to focus on maximizing revenues and optimizing the operating cost to maintain healthy margins.

The additional depreciation and interest costs related to the new facility in DIP accounted for about 60% of the decline in net profit. The drop in sales volume has been, to a great extent, mitigated by savings in raw material prices and cost cutting initiatives driven by management, which resulted in a significant reduction in operating expenses.

DRC has been able to maintain a solid level of operating profitability as measured by EBITDA, which amounted to AED 165.2 Million or 18% of net revenues in 2016 vs. AED 178.6 Million or 18% of net revenues in 2015.



Cash Flow:

In 2016, DRC generated AED 169.2 million (18.4% of revenues) from operations, which reflects sound financial management strategy. During the year, the company paid AED 63 million in dividends to shareholders and repaid loans of AED 43.2 million related to the DIP project. DRC held AED 160.9 million as cash and cash equivalents at the end of 2016.

We believe with the new factory being operational, many potential business opportunities will be available to DRC. The management and the Board of Directors are committed to consider these opportunities as they arise and to take advantage of the best available option.

Capital Projects

In order to support its growth strategy, DRC aims to invest in improving its sales and distribution networks in 2017. DRC has already started developing a new warehouse in Fujairah to improve its distribution infrastructure in the North of the country. The project is expected to be completed by end of the year 2017. Also, the work on the extension of Sharjah Distribution Warehouse has started to further support the distribution network in Sharjah and north of Dubai.

On behalf of the Board of Directors, I would like to express my gratitude and appreciation to leaders of the UAE, their highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE and Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister of the UAE and ruler of Dubai and their brothers and members of Federal National Council for providing us with the business environment and infrastructure necessary to build a strong and prosperous business. Their continuous support has been invaluable for our success.

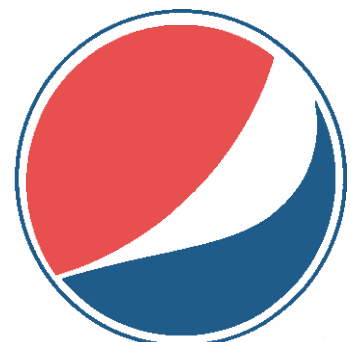
Further, I would like to thank all the people who continue to provide their support and demonstrate their commitment and dedication towards achieving our objectives. Our employees, shareholders, customers, suppliers, and business partners are all equally important to us in our efforts to seek a better future for all.

Thank you.

On behalf of the Board of Directors,

Chairman of the Board
Ahmad Bin Eisa Alserkal
P.O. Box 420, Dubai - U.A.E.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUBAI REFRESHMENT (P.J.S.C.)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Dubai Refreshment (P.J.S.C.) (the "Parent Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition

Revenue is a material and an important determinant of the Group's performance and profitability. This gives rise to the inherent risk that revenue recognised is overstated in order to increase profitability. The Group generates revenue from sale of goods when the significant risks and rewards of ownerships are transferred to customers (refer to Note 2.4 to the consolidated financial statements for the revenue recognition policy). Given the magnitude of the amount and inherent risk of revenue overstatement, we considered revenue recognition to be a key audit matter.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUBAI REFRESHMENT (P.J.S.C.) (continued)

Report on the audit of the financial statements (continued)

Revenue recognition (continued)

To address the above risk, we performed the following procedures among others:

- Tested the design and operating effectiveness of controls in respect of the Group's revenue and accounts receivable processes;
- Performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculation of the accruals for rebates and discounts;
- Performed analytical procedures, including gross profit margin analysis and obtained explanations for significant variances as compared to previous year;
- Performed sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period;
- Inquired of management at different levels and departments of their knowledge of fraud risk and actual fraud instances; and
- Performed journal entries testing for accounts related to identified risks of material misstatement and verified them with supporting documents.

Relationship with Pepsi International

The Group is engaged in bottling and selling carbonated products as a sole distributor for Pepsi International in Dubai and the Northern Emirates, and certain other countries as agreed with Pepsi International. The Group receives various types of rebates and monetary support from Pepsi International. These rebates and monetary support are a significant component of the Group's results. These rebates are adjusted against a running balance with Pepsi International.

Given the number of arrangements with Pepsi International for various types of rebates and monetary support, there is a risk that the rebates and monetary supports are not appropriately measured and recognised as per the agreed arrangements.

To address the above risk, we performed the following procedures among others:

- Tested management's controls around the completeness and accuracy of transactions recorded in the consolidated financial statements of the Group in accordance with the contractual agreements, challenged management's calculations used in determining the unrealised rebates through discussions with management and performing specific substantive procedures;
- Tested the recorded amount of rebates and monetary supports on a sample basis to supporting contractual arrangement with Pepsi International; in addition, evaluated the reliability of management's calculations by performing a retrospective review of the subsequent collections of the rebates and monetary supports of prior periods;
- Requested direct confirmation for the outstanding balances at the year end and, in the absence of a reply, we performed alternative audit procedures by testing statements of account and other correspondences with Pepsi International; and
- Tested cut-off through assessing the obligation fulfilment of rebates recorded during a period shortly before and after year-end.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUBAI REFRESHMENT (P.J.S.C.) (continued)

Report on the audit of the financial statements (continued)

Capitalisation of Greenfield project

During the year the Group capitalised a material spending on a new facility called Greenfield Project, as disclosed in Note 5. The assessment of whether assets meet the capitalisation criteria according to IAS 16 Property, Plant and Equipment requires significant management's judgment as set out in the Group's accounting policies in Note 2.4. In addition, there are a number of other areas where management's judgment impacts the carrying value of property, plant and equipment such as timeliness of transfer of assets from work in progress to assets in use, its proper classification and useful life determination, refer to Note 3 to the financial statements.

As a result, there is a risk that expenditures on Greenfield project are not capitalised in accordance with accounting policies of the Group and that assets not yet in use are not fully recoverable.

To address the above risk, we performed the following procedures among others:

- Tested a sample of additions to property, plant and equipment during the year and agreed the amounts to supporting documents including management's assessment as to whether the amount capitalised meets the recognition criteria set forth in IAS 16 Property, Plant and Equipment;
- Tested a sample of transfers of assets from work in progress to asset category when they are ready for use and evaluated the timeliness of such transfers; and
- Evaluated judgments made by management for the appropriateness of asset lives applied in the calculation of depreciation.

Other information included in Group's 2016 Annual Report

Other information consists of the information included in the Group's 2016 Annual Report other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Board of Directors prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2016 Annual Report after the date of our auditors' report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
DUBAI REFRESHMENT (P.J.S.C.) (continued)**

Report on the audit of the financial statements (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUBAI REFRESHMENT (P.J.S.C.) (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Building a better
working world

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
DUBAI REFRESHMENT (P.J.S.C.) (continued)**

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Company;
- v) investments in shares and stocks during the year ended 31 December 2016 are disclosed in note 7 to the financial statements;
- vi) note 19 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position; and
- viii) note 4 and note 5 reflects the social contributions made during the year.

For Ernst & Young

Ashraf Abu Sharkh
Partner
Registration No. 690

19 February 2017

Dubai, United Arab Emirates

Dubai Refreshment (P.J.S.C.)
CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2016

	<i>Notes</i>	<i>2016</i> <i>AED '000</i>	<i>2015</i> <i>AED '000</i>
Sales		920,576	974,013
Cost of sales		<u>(580,474)</u>	<u>(610,064)</u>
GROSS PROFIT		340,102	363,949
Other operating income		7,497	11,788
Selling and distribution expenses		(167,842)	(166,387)
General and administrative expenses		(58,657)	(61,394)
Amortisation of intangible assets	6	<u>(8,207)</u>	<u>(7,772)</u>
OPERATING INCOME		112,893	140,184
Finance income		782	874
Finance expense		(2,893)	(195)
Dividend income		6,780	6,780
Other income, net		<u>496</u>	<u>1,098</u>
PROFIT FOR THE YEAR	4	<u>118,058</u>	<u>148,741</u>
Earnings per share in AED	18	<u>1.27</u>	<u>1.61</u>

The attached notes 1 to 26 form part of these consolidated financial statements.

Dubai Refreshment (P.J.S.C.)**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2016

	<i>Notes</i>	2016 AED '000	2015 AED '000
Profit for the year		118,058	148,741
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	7	(4,423)	(15,583)
		(4,423)	(15,583)
Change in fair value of cash flow hedges	25	6,872	(4,344)
Other comprehensive income for the year		2,449	(19,927)
Total comprehensive income for the year		120,507	128,814

The attached notes 1 to 26 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 AED '000	2015 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	718,586	653,327
Intangible assets	6	33,870	41,572
Available-for-sale investments	7	145,620	150,043
		<u>898,076</u>	<u>844,942</u>
Current assets			
Inventories	8	75,298	85,079
Trade and other receivables	9	107,020	109,875
Advances to Greenfield contractors and suppliers		350	40,456
Bank balances and cash	10	160,922	158,288
		<u>343,590</u>	<u>393,698</u>
TOTAL ASSETS		<u><u>1,241,666</u></u>	<u><u>1,238,640</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	90,000	90,000
Statutory reserve	13	45,000	45,000
General reserve	14	567,543	486,002
Fair value reserve	15	114,537	118,960
Cash flow hedge reserve	25	1,809	(5,063)
Retained earnings		113,858	144,541
Total equity		<u>932,747</u>	<u>879,440</u>
Non-current liabilities			
Employees' end of service benefits	17	21,559	20,851
Non-current portion of term loans	20	102,611	143,237
		<u>124,170</u>	<u>164,088</u>
Current liabilities			
Trade and other payables	11	141,643	152,440
Current portion of term loans	20	43,106	42,672
		<u>184,749</u>	<u>195,112</u>
Total liabilities		<u>308,919</u>	<u>359,200</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,241,666</u></u>	<u><u>1,238,640</u></u>

The financial statements have been approved by the Board of Directors on 19 February 2017, and signed on their behalf by:


 Mr. Abdulla Mohamed Al Huratz
 Director
 19 February 2017


 Mr. Ahmad Bin Eisa Alserkal
 Chairman
 19 February 2017

The attached notes 1 to 26 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 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 at 31 December 2015	90,000	45,000	486,002	118,960	(5,063)	144,541	879,440
Profit for the year	-	-	-	-	-	118,058	118,058
Other comprehensive income for the year	-	-	-	(4,423)	6,872	-	2,449
Total comprehensive income for the year	-	-	-	(4,423)	6,872	118,058	120,507
Dividends paid (Note 16)	-	-	-	-	-	(63,000)	(63,000)
Directors' fees (Note 11)	-	-	-	-	-	(4,200)	(4,200)
Transfer to general reserve (Note 14)	-	-	81,541	-	-	(81,541)	-
Balance as of 31 December 2016	90,000	45,000	567,543	114,537	1,809	113,858	932,747

In accordance with the Ministry of Economy interpretation, Directors' fees have been treated as an appropriation from equity.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 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 at 31 December 2014	90,000	45,000	407,665	134,543	(719)	136,837	813,326
Profit for the year	-	-	-	-	-	148,741	148,741
Other comprehensive income for the year	-	-	-	(15,583)	(4,344)	-	(19,927)
Total comprehensive income for the year	-	-	-	(15,583)	(4,344)	148,741	128,814
Dividends paid	-	-	-	-	-	(58,500)	(58,500)
Directors' fees (Note 11)	-	-	-	-	-	(4,200)	(4,200)
Transfer to general reserve (Note 14)	-	-	78,337	-	-	(78,337)	-
Balance as of 31 December 2015	90,000	45,000	486,002	118,960	(5,063)	144,541	879,440

The attached notes 1 to 26 form part of these consolidated financial statements.

Dubai Refreshment (P.J.S.C.)
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2016

	<i>Notes</i>	2016 AED '000	2015 AED '000
OPERATING ACTIVITIES			
Profit for the year		118,058	148,741
Adjustments for:			
Depreciation	5	36,913	22,848
Amortisation of intangible assets	6	8,207	7,772
Loss on disposal of property, plant and equipment		55	4
Finance income		(782)	(874)
Finance expense		2,893	195
Dividend income		(6,780)	(6,780)
Provision for employees' end of service benefits	17	3,116	2,977
		161,680	174,883
Working capital changes:			
Inventories		9,781	(14,212)
Trade and other receivables		4,664	(5,231)
Trade and other payables		(4,539)	(3,322)
		171,586	152,118
Employees' end of service benefits paid	17	(2,408)	(1,813)
Net cash generated from operating activities		169,178	150,305
INVESTING ACTIVITIES			
Additions to property, plant and equipment*	5	(103,927)	(109,792)
Additions to intangible assets	6	-	(3,680)
Advances to Greenfield contractors and suppliers		40,106	-
Dividend income received		6,780	6,780
Finance income received		782	874
Net cash used in investing activities		(56,259)	(105,818)
FINANCING ACTIVITIES			
Proceeds from term loans		3,018	39,440
Repayment of term loans		(43,210)	(50,748)
Dividends paid		(63,000)	(58,500)
Directors' fees		(4,200)	(4,200)
Finance expense paid		(2,893)	(195)
Net cash used in financing activities		(110,285)	(74,203)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,634	(29,716)
Cash and cash equivalents at 1 January		158,288	188,004
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	160,922	158,288

*Additions to property, plant and equipment includes AED 805 thousand (2015: AED 2,000 thousand) as accruals for project costs. These being non-cash transactions were excluded in the statement of cash flows.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

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 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.

The Company was also the holding company for Emirates International Food Holdings Inc. (the "Subsidiary"), a limited liability company registered in the British Virgin Islands. During 2015, the subsidiary was fully liquidated. The Company and its subsidiary together are referred to as the "Group".

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been presented in U.A.E. Dirhams, which is the functional and reporting currency of the Group, rounded to the nearest thousand (AED '000), except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments and derivative financial instruments.

2.2 BASIS OF CONSOLIDATION

The financial statement for the year ended 31 December 2016 represents the financial position and the financial performance of the Company only, as the subsidiary was liquidated on 31 August 2015. The consolidated financial statements of 2015 comprise those of Dubai Refreshment Company (PJSC) ("Parent Company") and its subsidiary (collectively the "Group"). The consolidated financial statements incorporated the financial statements of the Company and its subsidiary for the year ended 31 December 2015.

Control is achieved when the Group is exposed on / has rights to variable returns from its involvements with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls as investee if and only if, the Group has:

- Power over the investee - the Group has existing rights that give it the current ability to direct the relevant activities of the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2.2 BASIS OF CONSOLIDATION (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated statement of change in equity. Any investment retained is recognised at fair value.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective for annual period beginning on or after 1 January 2016

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Improvements 2012-2014 Cycle :
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
 - IFRS 7 Financial Instruments: Disclosures
 - IAS 19 Employee Benefits
 - IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- IFRS 14 Regulatory Deferral Accounts

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 7 Disclosure Initiative - Amendments to IAS 7
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12
- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2
- IFRS 16 Leases

The Group is currently assessing the impact of these standards on the future consolidated financial statements and intends to adopt these standards, if applicable, when they become effective.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments, such as derivatives and available-for-sale investments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy, as explained above.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of rebates, discount, payments, and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Sale incentives

The Group receives sale incentives on its export sales based on volumes sold and agreed rates. These incentives are recognised when related export sales are recognised.

Interest income

Interest income is recognised as the interest accrues.

Dividend income

Dividend income is recognised when the Group's right to receive the dividend payment is established.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	3 to 30 years
Plant, machinery and equipment	2 to 20 years
Coolers and vending machines	5 to 7 years
Furniture and fixtures	2 years

Land and capital work-in-progress are not depreciated.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the period the asset is derecognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

During the year ended 31 December 2016, the Group has capitalised borrowing costs amounting to AED 1,803 thousand (2015: AED 7,513 thousand).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated on a straight line basis over the assets' estimated useful lives as follows:

Franchise and bottling rights	20 years
Lease rights	20 years
Software	5 years

Impairment of non-financial assets

At each reporting date the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

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

Available-for-sale investments

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "fair value reserve" within equity is included in the consolidated income statement for the year.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and short term deposits with an original maturity of three months or less.

Impairment and uncollectibility of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is an objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognised in the consolidated income statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets (continued)

Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Available-for-sale investments

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from statement of other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through consolidated income statement; increases in their fair value after impairment are recognised in statement of other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those incurred in bringing each product to its present location and condition, as follows:

Raw materials – purchase cost on weighted average basis;

Spares and consumables – purchase cost on weighted average basis;

Finished goods – cost of direct materials plus an appropriate share of production overheads based on normal operating capacity and is determined on weighted average basis.

Net realisable value is based on the estimated selling price less any further costs expected to be incurred on disposal. Damaged and obsolete inventories are written off.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the Group receives a non-monetary grant, the asset and the grant are recorded at a nominal amount of AED 1.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

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

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward commodity contracts, to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the consolidated income statement in cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, on usage requirements are held at cost.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in statement of other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods in which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in consolidated income statement.

For fair value hedges related to items carried at amortised cost, the adjustment to the carrying value is amortised through the consolidated income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortised through the consolidated income statement.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement. The changes in the fair value of the hedging instrument are also recognised in the consolidated income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in statement of other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated income statement.

Amounts recognised as other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects consolidated income statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated income statement are also recognised in other comprehensive income or consolidated income statements, respectively).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These factors could include:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant impact on the amounts recognised in the consolidated financial statements.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Group has the intention and ability to hold these to maturity.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss. All other investments are classified as available-for-sale.

Classification of properties

Management decides at the time of acquisition of a property whether it should be classified as held for sale, property, plant and equipment or an investment property. The Group classifies properties as properties held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group also classifies properties as property, plant and equipment when the properties are held for use by, or in the operations, of the Group. Properties are classified as investment properties when the intention is to hold them for capital appreciation, for rental or for undetermined use. The Group changes the classification when the intention changes.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 71,420 thousand (2015: AED 69,824 thousand), and the provision for doubtful debts was AED 2,672 thousand (2015: AED 2,914 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory were AED 76,894 thousand (2015: AED 86,406 thousand) with provisions for slow moving inventories of AED 1,596 thousand (2015: AED 1,327 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Useful lives and depreciation of property, plant and equipment

The management periodically reviews the estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Useful lives and amortisation of intangible assets

The management periodically reviews the estimated useful lives and amortisation method to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from these assets.

Derivatives

The fair values are obtained from quoted market prices available from the counter party bank, discounted cash flow models and other valuation models as appropriate. The Group uses widely recognised valuation models for determining the fair value of forward commodity contracts. For these financial instruments, inputs into models are market observable.

4 NET PROFIT FOR THE YEAR

The net profit for the year is stated after charging:

	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Staff costs	<u>97,499</u>	<u>100,978</u>
Rental - operating lease	<u>21,962</u>	<u>28,305</u>
Depreciation expense	<u>36,913</u>	<u>22,848</u>

During the year ended 31 December 2016, social contributions made by the Group amounted to AED 176 thousand (2015: AED 56 thousand).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

5 PROPERTY, PLANT AND EQUIPMENT

	Land AED '000	Buildings AED '000	Plant, machinery and equipment AED '000	Coolers and vending machines AED '000	Furniture and fixtures AED '000	Capital work-in- progress AED '000	Total AED '000
Cost:							
At 1 January 2016	38,041	55,519	163,161	68,186	6,843	518,607	850,357
Additions	-	42,938	31,927	3,634	2,473	21,760	102,732
Transfer	-	374,010	140,010	-	-	(514,020)	-
Reclassification to intangibles (Note 6)	-	-	(605)	-	-	(155)	(760)
Disposals	-	(5,485)	(2,397)	(5,054)	(166)	-	(13,102)
At 31 December 2016	38,041	466,982	332,096	66,766	9,150	26,192	939,227
Accumulated depreciation:							
At 1 January 2016	-	40,666	104,512	45,293	6,559	-	197,030
Charge for the year	-	12,043	17,275	7,091	504	-	36,913
Reclassification to intangibles (Note 6)	-	22	(277)	-	-	-	(255)
Disposal	-	(5,485)	(2,397)	(4,999)	(166)	-	(13,047)
At 31 December 2016	-	47,246	119,113	47,385	6,897	-	220,641
Net book value:							
At 31 December 2016	38,041	419,736	212,983	19,381	2,253	26,192	718,586

During 2016, construction of new Greenfield Factory has substantially been completed and relevant assets (including buildings, machineries and equipment) have been capitalised.

The old factory buildings are constructed on land granted by H.H. The Ruler of Dubai. In 2014, the land was converted from granted status to owned status.

The staff accommodation are constructed on land leased to the Group on an annual basis. In the opinion of management, the lease will be renewed for a period at least equivalent to the useful life of the staff accommodation.

Capital work in progress pertains to the remaining assets of Greenfield Factory AED 21.16 million (2015: AED 517.13 million) and a mosque at Dubai Investment Park 2 of AED 5.03 million (2015: AED 1.47 million). The mosque on completion will be charged to equity as a social contribution.

Plant and machinery at Dubai Investment Park (DIP) are mortgaged against a term loan (Note 20 a).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2016

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land AED '000	Buildings AED '000	Plant, machinery and equipment AED '000	Coolers and vending machines AED '000	Furniture and fixtures AED '000	Capital work-in- progress AED '000	Total AED '000
Cost:							
At 1 January 2015	38,041	55,586	153,839	61,517	6,574	425,762	741,319
Additions	-	-	6,135	9,173	293	96,191	111,792
Transfer	-	(67)	3,346	-	67	(3,346)	-
Disposals	-	-	(159)	(2,504)	(91)	-	(2,754)
At 31 December 2015	38,041	55,519	163,161	68,186	6,843	518,607	850,357
Accumulated depreciation:							
At 1 January 2015	-	38,441	91,296	41,091	6,104	-	176,932
Charge for the year	-	2,225	13,374	6,703	546	-	22,848
Disposal	-	-	(158)	(2,501)	(91)	-	(2,750)
At 31 December 2015	-	40,666	104,512	45,293	6,559	-	197,030
Net book value:							
At 31 December 2015	38,041	14,853	58,649	22,893	284	518,607	653,327

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charge for the year has been allocated as follows:

	2016 AED'000	2015 AED'000
Cost of sales	16,753	8,152
Selling and distribution expenses	13,633	10,191
General and administrative expenses	6,527	4,505
	<u>36,913</u>	<u>22,848</u>

6 INTANGIBLE ASSETS

	<i>Franchise and bottling rights AED'000</i>	<i>Lease rights AED'000</i>	<i>Software AED'000</i>	<i>Total AED'000</i>
Cost:				
At 1 January 2016	62,391	7,000	22,090	91,481
Reclassification from property, plant and equipment (Note 5)	-	-	760	760
At 31 December 2016	<u>62,391</u>	<u>7,000</u>	<u>22,850</u>	<u>92,241</u>
Amortisation:				
At 1 January 2016	39,775	904	9,230	49,909
Charge for the year	3,120	344	4,743	8,207
Reclassification from property, plant and equipment (Note 5)	-	-	255	255
At 31 December 2016	<u>42,895</u>	<u>1,248</u>	<u>14,228</u>	<u>58,371</u>
Net book value:				
At 31 December 2016	<u>19,496</u>	<u>5,752</u>	<u>8,622</u>	<u>33,870</u>
	<i>Franchise and bottling rights AED'000</i>	<i>Lease rights AED'000</i>	<i>Software AED'000</i>	<i>Total AED'000</i>
Cost:				
At 1 January 2015	62,391	7,000	18,410	87,801
Additions	-	-	3,680	3,680
At 31 December 2015	<u>62,391</u>	<u>7,000</u>	<u>22,090</u>	<u>91,481</u>
Amortisation:				
At 1 January 2015	36,655	554	4,928	42,137
Charge for the year	3,120	350	4,302	7,772
At 31 December 2015	<u>39,775</u>	<u>904</u>	<u>9,230</u>	<u>49,909</u>
Net book value:				
At 31 December 2015	<u>22,616</u>	<u>6,096</u>	<u>12,860</u>	<u>41,572</u>

Dubai Refreshment (P.J.S.C.)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Year ended 31 December 2016

7 AVAILABLE-FOR-SALE INVESTMENTS

	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Balance at 1 January	150,043	165,626
Change in market fair value	(4,423)	(15,583)
Balance at 31 December	<u>145,620</u>	<u>150,043</u>

8 INVENTORIES

	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Raw material and consumables	44,361	55,796
Finished goods	28,074	25,756
Spare part and supplies	4,459	4,854
	<u>76,894</u>	<u>86,406</u>
Less: provision for slow moving spare parts and supplies inventories	(1,596)	(1,327)
	<u>75,298</u>	<u>85,079</u>

Movements in the provision for slow moving spare parts and supplies inventories were as follows:

	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
At 1 January	1,327	1,327
Provided during the year	269	-
At 31 December	<u>1,596</u>	<u>1,327</u>

During the year ended 31 December 2016, the carrying amount of raw material inventories recognised as an expense and included as part of cost of goods sold in the consolidated statement of income amounts to AED 514,227 thousand (2015: AED 558,659 thousand).

9 TRADE AND OTHER RECEIVABLES

	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Trade receivables	71,420	69,824
Less: provision for doubtful debts	(2,672)	(2,914)
	<u>68,748</u>	<u>66,910</u>
Prepaid expenses	5,065	7,334
Advances to suppliers	7,784	6,837
Due from a related party (Note 19b)	72	6
Positive fair value of derivatives (Note 26)	1,809	-
Other receivables	23,542	28,788
	<u>107,020</u>	<u>109,875</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

9 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2016, trade accounts receivable with a nominal value of AED 2,672 thousand (2015: AED 2,914 thousand) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2016 AED'000	2015 AED'000
At 1 January	2,914	2,914
Write off during the year	(242)	-
At 31 December	<u>2,672</u>	<u>2,914</u>

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total AED'000	Neither past due nor impaired AED'000	Past due but not impaired				
			<30 days AED'000	30-60 days AED'000	60-90 days AED'000	90-120 days AED'000	>120 days AED'000
2016	68,748	62,716	6,032	-	-	-	-
2015	66,910	64,127	2,783	-	-	-	-

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

10 CASH AND CASH EQUIVALENTS

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

	2016 AED'000	2015 AED'000
Cash at banks and on hand	55,401	47,525
Short-term deposits	105,521	110,763
Bank balances and cash	<u>160,922</u>	<u>158,288</u>

Short-term deposits are made for varying periods between one day and three months and earn interest at the respective short-term deposits rates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

11 TRADE AND OTHER PAYABLES

	2016 AED'000	2015 AED'000
Trade payable	69,730	71,997
Accrued expenses	34,778	26,458
Accrual for staff costs	11,514	13,560
Accrual for project costs	805	2,000
Advances from customers	1,063	1,577
Retentions payable	4,693	14,882
Deferred income	13,235	11,069
Negative fair value of derivatives (Note 26)	-	5,063
Other payables	5,825	5,834
	<u>141,643</u>	<u>152,440</u>

Other payables include Board of Directors' fees of AED 4.2 million (2015: AED 4.2 million) payable to the directors of the Group after obtaining the shareholders' approval in the Annual General Meeting.

12 SHARE CAPITAL

	2016 AED'000	2015 AED'000
<i>Authorised issued and fully paid up:</i> 90 million shares of AED 1 each	<u>90,000</u>	<u>90,000</u>

13 STATUTORY RESERVE

In accordance with Article 239 of Commercial Companies Law No. 2 of 2015 and the Company's articles of association, 10% of the annual profit of the Company is required to be transferred to a statutory reserve until the reserve equals 50% of the share capital. No transfer was made to the statutory reserve in 2016 as the reserve has already reached 50% of the share capital. This reserve is not available for distribution except as stipulated by the law.

14 GENERAL RESERVE

In accordance with Article 240 of the UAE Commercial Companies Law No. 2 of 2015 and the Company's articles of association, 10% of the Company's net profit may be transferred to a general reserve to be used only for the purposes stated in the Company's article of association.

In accordance with Clause 70 of the Company's article of association, 10% of the net profit for each year should be transferred to this reserve and such transfers may cease when the reserve equals 5% of the paid up share capital of the Company.

During the Board of Directors' meeting held on 13 February 2017, the Directors have approved to transfer AED 81,541 thousand (2015: AED 78,337 thousand) from retained earnings to general reserve.

15 FAIR VALUE RESERVE

Changes in fair value of available-for-sale investments are recognised in other comprehensive income and reported as fair value reserve within equity. Upon impairment loss or upon derecognition, any loss or gain previously reported as fair value reserve within equity is included in the consolidated income statement for the year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

16 DIVIDENDS

During the Board of Directors' meeting held on 13 February 2017, the Directors proposed a cash dividend of AED 0.70 per share totaling to AED 63 million relating to 2016 (2015: AED 0.70 per share totaling to AED 63 million). The dividend is subject to the approval of the shareholder in the Annual General Meeting.

17 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision recognised in the consolidated statement of financial position is as follows:

	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Provision as at 1 January	20,851	19,687
Provided during the year	3,116	2,977
End of service benefits paid	(2,408)	(1,813)
Provision as at 31 December	<u>21,559</u>	<u>20,851</u>

18 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Group, net of directors fees, amounting to AED 113.86 million (2015: AED 144.54 million) by the weighted average number of shares outstanding during the year of 90 million shares (2015: 90 million shares).

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

19 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major 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 Group's management.

a Significant transactions with related parties:

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

	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Sales to a related party	<u>262</u>	<u>12,485</u>

Compensation of key management personnel

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

	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Short-term benefits	14,213	13,490
Employees' end of service benefits	499	547
Board of Directors' sitting fees	460	550
	<u>15,172</u>	<u>14,587</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

19 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b Due from a related party:

	2016 AED'000	2015 AED'000
<i>Other related party</i>		
Oman Refreshments Company Limited (Note 9)	72	6

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2016, the Group has not recorded any impairment of amounts owed by related parties (2015: AED Nil).

20 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	68,000	102,000
Loan 2 (b)	5,924	22,466	28,390
Loan 3 (c)	3,182	12,145	15,327
Balance at 31 December 2016	43,106	102,611	145,717
Balance at 31 December 2015	42,672	143,237	185,909

(a) The Group obtained a term loan from a local bank to finance the construction of an office and plant facility (Greenfield Project) at DIP. As approved by the Board of Directors of the Group, this loan was 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 & machinery. (Note 5).

(b & c) The Group obtained two term loans denominated in US Dollar to finance the acquisition of new plant and machinery. The loans are repayable 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 December 2016 is AED 43,717 thousand (31 December 2015: AED 49,910 thousand). In dollar terms, the outstanding amount as of 31 December 2016 is USD 11,905 thousand (31 December 2015: USD 13,590 thousand).

21 OPERATING LEASE COMMITMENTS

The Group leases land, staff accommodations, office and warehouse premises and vehicles under operating lease agreements. The leases typically run for a period of 1 year to 30 years with an option to renew the lease after that date. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 AED'000	2015 AED'000
Within 1 year	16,171	16,671
After one year but not more than five years	37,231	46,159
More than 5 years	120,240	125,708
Total operating lease expenditure contracted for at the reporting date	173,642	188,538

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

22 CONTINGENCIES AND CAPITAL COMMITMENTS

	2016 AED'000	2015 AED'000
Bank guarantees	2,828	2,828
Letter of credit	1,427	5,957
Capital commitments - contracted	<u>33,857</u>	<u>88,629</u>

The Group's capital commitments mainly pertain to approved expenditure on office and plant facility (Greenfield Project) at the Dubai Investment Park.

23 SEGMENT REPORTING

The Group 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 reporting/operating segment is disclosed in the consolidated statement of financial position, consolidated income statement and notes to the consolidated financial statements.

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

a) *Information about geographical segments*

During the year ended 31 December 2016, revenue from customers located in the Group's country of domicile (UAE) is AED 792 million (year ended 31 December 2015: AED 824 million) and revenue from customers outside UAE (foreign customers) is AED 128 million (year ended 31 December 2015: AED 150 million).

b) *Major customer*

During the year ended 31 December 2016, there were no customers of the Group with revenues greater than 10% of the total revenue of the Group (2015: AED Nil).

24 RISK MANAGEMENT

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include term loans, bank deposits, available-for-sale investments and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and term loans).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

24 RISK MANAGEMENT (continued)

Market risk (continued)

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

There is no impact on the Group's equity.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year AED'000</i>
2016		
AED	+50	(729)
AED	-50	729
2015		
AED	+50	(930)
AED	-50	930

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group had the following significant net exposures denominated in foreign currencies in the form of bank balances and term loans.

	<i>2016 AED'000 equivalent</i>	<i>2015 AED'000 equivalent</i>
Net assets:		
Euro	<u>161</u>	<u>9,434</u>

The below analysis calculates the effect of a reasonably possible movement of the AED currency rate against the above mentioned currency, with all other variables held constant, on the income (due to the fair value of currency sensitive monetary assets and liabilities).

	<i>Increase/ decrease in exchange rate to the AED</i>	<i>Effect on profit for the year increase/ (decrease) AED'000</i>	<i>Effect on other comprehensive income for the year increase/ (decrease) AED'000</i>
2016			
	+5%	8	-
	-5%	(8)	-
2015			
	+5%	472	-
	-5%	(472)	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

24 RISK MANAGEMENT (continued)

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks. The Group's listed equity security is susceptible to market price risk arising from uncertainties about future values of the investment security.

The effect on equity (fair value reserve) as a result of a change in the fair value of equity instrument quoted on Muscat Securities Market – Oman and held as available-for-sale at 31 December 2016 and 31 December 2015, due to reasonably possible changes in the prices of these quoted shares held by the Group, with all other variables held constant, is as follows:

Market index – Muscat Securities Market (Oman)	2016		2015	
	Increase / decrease in market prices %	Effect on equity (fair value reserve) AED'000	Increase / decrease in market prices %	Effect on equity (fair value reserve) AED'000
Impact of change in market prices	+10%	14,562	+10%	15,004
	-10%	(14,562)	-10%	(15,004)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks. The Group also manages the risk through dealings with large diversified base of customers as well as local and foreign banks.

Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

With respect to credit risk arising from other financial assets of the Group, including cash and cash equivalents, trade and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group limits its liquidity risk by ensuring that adequate internally generated funds and bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 60 days from the date of sale. Trade payables are normally settled within 30 to 90 days from the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2016

	Less than 6 months AED'000	6 to 12 months AED'000	1 to 5 years AED'000	>5 years AED'000	Total AED'000
Trade and other payables	122,652	4,693	-	-	127,345
Term loans	22,070	22,729	105,464	-	150,263
Total	144,722	27,422	105,464	-	277,608

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

24 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2015

	Less than 6 months AED'000	6 to 12 months AED'000	1 to 5 years AED'000	>5 years AED'000	Total AED'000
Trade and other payables	124,212	14,882	-	-	139,094
Term loans	21,934	23,096	140,968	8,248	194,246
Total	146,146	37,978	140,968	8,248	333,340

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. Capital comprises share capital, reserves and retained earnings and is measured at AED 933 million as at 31 December 2016 (2015: AED 879 million).

25 FAIR VALUE OF DERIVATIVES

Cash flow hedges

The Group also uses forward commodity contracts to manage some of its financing transaction exposures, highly probable transactions and commitment. The hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transaction is accounted for as a cash flow hedge.

The cash flow hedges were assessed to be highly effective and as at 31 December 2016, and a net unrealized gain of AED 6,872 thousand (2015: net unrealized loss of AED 4,344 thousand) was included in other comprehensive income in respect of these contracts.

The table below shows the positive and negative fair values of derivative financial instruments including cash flow hedges, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Notional amounts by term to maturity	
				Within 1 year AED'000	1-5 years AED'000
Derivatives					
Designated as cash flow hedge	1,809	-	22,048	22,048	-
31 December 2016	1,809	-	22,048	22,048	-
Derivatives					
Designated as cash flow hedge	-	(5,063)	58,386	36,338	22,048
31 December 2015	-	(5,063)	58,386	36,338	22,048

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

25 FAIR VALUE OF DERIVATIVES (continued)

The fair value of derivatives is presented in the consolidated statement of financial position as:

	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Positive fair value of derivatives – current assets (Note 9)	<u>1,809</u>	<u>-</u>
Negative fair value of derivatives – current liabilities (Note 11)	<u>-</u>	<u>5,063</u>

26 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 term loans, payables and negative fair value of derivatives.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2016, the Group 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 (Note 7)	<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 (Note 9)	<u>1,809</u>	<u>-</u>	<u>1,809</u>	<u>-</u>

Dubai Refreshment (P.J.S.C.)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 December 2016

26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy (continued)**

As at 31 December 2015, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 Dec 2015</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>

Available-for-sale investments**Quoted equity shares**

Consumer products sector (Note 7)	150,043	150,043	-	-
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Liabilities measured at fair value

	<i>31 Dec 2016</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>

Negative fair value of derivatives

- held as cash flow hedge (Note 11)	5,063	-	5,063	-
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During the years ended 31 December 2016 and 31 December 2015, there were no transfers between the various levels of fair value measurements.