Dubai Refreshments (P.J.S.C.) and its subsidiary

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2013

ERNST & YOUNG

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Dubai Refreshments (P.J.S.C.) and its subsidiary (the "Group") as at 30 June 2013, comprising the interim consolidated statement of financial position as at 30 June 2013 and the related interim consolidated statements of income and comprehensive income for the three month and six month periods then ended, and the related statements of changes in equity and cash flows for the six-month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Ernst + Young

Signed by
Anthony O'Sullivan
Partner
Registration No. 687
28 July 2013
Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2013 (Unaudited)

		Six months ended		*Three months ended*	
		30 June 2013 AED '000	*30 June 2012 AED '000*	***30 June 2013 AED '000***	*30 June 2012 AED '000*
Profit for the period		**60,246**	88,658	**31,578**	52,797
Other comprehensive income:					
Change in fair value of available-for-sale investments	6	**292**	19,731	**(3,452)**	17,165
Gain on sale of available-for-sale investments recognised in income statement		**(1,957)**	(3,336)	**-**	(3,336)
Change in fair value of cash flow hedges		**(2,696)**	(2,090)	**(1,120)**	(649)
		(4,361)	14,305	**(4,572)**	13,180
Total comprehensive income for the period		**55,885**	102,963	**27,006**	65,977

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	Notes	*30 June 2013 AED '000 (Unaudited)*	*31 December 2012 AED '000 (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**317,165**	255,271
Intangible assets		**37,386**	31,974
Available-for-sale investments	6	**178,850**	184,816
		533,401	472,061
Current assets			
Inventories		**60,807**	60,743
Trade and other receivables		**103,988**	73,849
Advances to contractors		**89,883**	49,511
Bank balances and cash	7	**248,583**	292,396
		503,261	476,499
TOTAL ASSETS		**1,036,662**	948,560
EQUITY AND LIABILITIES			
Equity			
Share capital		**90,000**	90,000
Statutory reserve		**45,000**	45,000
General reserve		**226,403**	226,403
Fair value reserve		**142,990**	144,655
Cash flow hedge reserve		**(3,822)**	(1,126)
Retained earnings		**176,025**	160,779
Total equity		**676,596**	665,711
Non-current liabilities			
Non-current portion of term loans	11	**100,510**	58,085
Employees' end of service benefits		**15,966**	15,671
Non-current portion of amount payable for land conversion to freehold		**5,774**	11,548
		122,250	85,304
Current liabilities			
Trade and other payables		**172,891**	174,130
Current portion of term loans	11	**29,398**	12,265
Bank overdrafts	7	**35,527**	11,150
		237,816	197,545
Total liabilities		**360,066**	282,849
TOTAL EQUITY AND LIABILITIES		**1,036,662**	948,560

Director
28 July 2013

Director
28 July 2013

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 30 June 2013 (Unaudited)

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve AED'000*	*Cash flow hedge reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance as of 1 January 2013	90,000	45,000	226,403	144,655	(1,126)	160,779	665,711
Profit for the period	-	-	-	-	-	60,246	60,246
Other comprehensive income for the period	-	-	-	(1,665)	(2,696)	-	(4,361)
Total comprehensive income for the period	-	-	-	(1,665)	(2,696)	60,246	55,885
Dividends paid (Note 8)	-	-	-	-	-	(45,000)	(45,000)
Balance as of 30 June 2013	**90,000**	**45,000**	**226,403**	**142,990**	**(3,822)**	**176,025**	**676,596**

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 30 June 2013 (Unaudited)

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve AED'000*	*Cash flow hedge reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance as of 1 January 2012	90,000	43,217	149,241	97,121	(779)	116,662	495,462
Profit for the period	-	-	-	-	-	88,658	88,658
Other comprehensive income for the period	-	-	-	16,395	(2,090)	-	14,305
Total comprehensive income for the period	-	-	-	16,395	(2,090)	88,658	102,963
Interim transfer to statutory reserve	-	1,783	-	-	-	(1,783)	-
Dividends paid (Note 8)	-	-	-	-	-	(36,000)	(36,000)
Balance as of 30 June 2012	90,000	45,000	149,241	113,516	(2,869)	167,537	562,425

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

At 30 June 2013 (Unaudited)

	Notes	*Six months ended* 30 June 2013 AED '000	30 June 2012 AED '000
OPERATING ACTIVITIES			
Profit for the period		**60,246**	88,658
Adjustments for:			
Depreciation		**9,466**	9,677
Amortisation of intangible assets		**1,588**	1,560
Profit on disposal of property, plant and equipment		**(122)**	(125)
Finance expense		**1,943**	670
Finance income		**(935)**	(1,002)
Dividend income		**(6,745)**	(4,398)
Gain on sale of available-for-sale investments		**(1,957)**	(3,336)
Provision for employees' end of service benefits		**1,150**	998
		64,634	92,702
Working capital changes:			
Inventories		**(64)**	(30,248)
Trade and other receivables		**(30,139)**	(32,013)
Trade and other payables		**(435)**	13,845
Cash from operations		**33,996**	44,286
Employees' end of service benefits paid		**(855)**	(661)
Finance income received		**935**	1,002
Net cash from operating activities		**34,076**	44,627
INVESTING ACTIVITIES			
Acquisition of lease rights		**(7,000)**	-
Acquisition of property, plant and equipment	5	**(71,360)**	(41,667)
Proceeds from disposal of property, plant and		**122**	144
Advances to contractors		**(40,372)**	(46,180)
Purchase of available-for-sale investments		**-**	(21,697)
Proceeds from sale of available-for-sale investments		**6,258**	4,163
Dividend income received		**6,745**	4,398
Net cash used in investing activities		**(105,607)**	(100,839)
FINANCING ACTIVITIES			
Proceeds from term loans obtained		**64,285**	37,243
Repayment of term loans		**(4,727)**	(2,816)
Dividends paid	8	**(45,000)**	(36,000)
Director fees paid		**(3,500)**	(3,500)
Finance expense paid		**(1,943)**	(670)
Amount paid for the conversion of land to freehold		**(5,774)**	-
Net cash from (used in) financing activities		**3,341**	(5,743)
DECREASE IN CASH AND CASH EQUIVALENTS		**(68,190)**	(61,955)
Cash and cash equivalents at 1 January		**281,246**	280,400
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	**213,056**	218,445

1 ACTIVITIES

Dubai Refreshments (P.J.S.C.) (the "Company") was incorporated in Dubai in 1959 by a decree issued by His Highness The Ruler of Dubai. The registered address of the Company is P. O. Box 420, Dubai, United Arab Emirates.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation
The interim condensed consolidated financial statements for the six months period ended 30 June 2013 have been prepared in accordance with IAS 34 "*Interim Financial Reporting*".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2012.

In addition, results for the six months period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

New standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of the amended standards as of 1 January 2013, noted below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 13.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group (continued)
The following new amendments and standards adopted by the group did not have an impact on the interim condensed consolidated financial statements of the Group:

- IAS 1 Clarification of the requirement for comparative information (Amendment);
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment);
- IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment);
- IAS 19 Employee Benefits (Revised 2011);
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments);
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7;
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements;
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures; and
- IFRS 12 Disclosure of Interests in Other Entities.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 OPERATING SEGMENT INFORMATION

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 operating segment is disclosed in the interim consolidated statement of financial position, interim consolidated income statement and notes to the interim condensed consolidated financial statements.

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

a) Information about geographical segments

During the period ended 30 June 2013, revenue from customers located in the Group's country of domicile (UAE) is AED 362,873 thousands (period ended 30 June 2012: AED 342,540 thousands) and revenue from customers outside UAE (foreign customers) is AED 64,911 thousands (period ended 30 June 2012: AED 167,089 thousands).

b) Major customer

During the period ended 30 June 2013, there was no single customer of the Group with revenues greater than 10% of the total revenue of the Group.

4 PROFIT FOR THE YEAR

The profit for the year stated after charging:

	Six months ended		*Three months ended*	
	30 June 2013 AED '000	*30 June 2012 AED '000*	***30 June 2013 AED '000***	*30 June 2012 AED '000*
Staff costs	**42,607**	38,818	**22,847**	20,618
Rental-operating lease	**11,726**	11,097	**6,170**	6,130
	54,333	49,915	**29,017**	26,748

5 PROPERTY, PLANT AND EQUIPMENT

Additions and disposal

During the period ended 30 June 2013, the Group acquired assets amounting to AED 10,010 thousands (period ended 30 June 2012: AED 2,569 thousands)

The Group also incurred AED 61,350 thousands (period ended 30 June 2012: AED 24,152 thousands) for the in progress construction of a warehouse and a new office building and production facility.

During the period ended 30 June 2013, the Group made disposals of assets with net book value of AED Nil (period ended 30 June 2012: AED 19 thousands).

6 AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2013 AED'000	*31 December 2012 AED'000 (Audited)*
Opening balance	**184,816**	116,359
Additions during the period / year	**-**	21,750
Changes in fair market value	**292**	50,870
Disposals during the period / year	**(6,258)**	(4,163)
Closing balance	**178,850**	184,816

The Group's available-for-sale investments are held in equity securities listed on stock exchanges. Included in the above are investments in 47,914 shares of Etisalat with a carrying amount of AED 539 thousands, which were held in the name of the late Mr. Humaid Al Owais in trust and for the benefit of the Group. These shares are in the process of being transferred in the name of a Director of the Group who will hold them in trust for the beneficial interest of the Group.

7 CASH AND CASH EQUIVALENTS

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

	30 June 2013 AED'000	*31 December 2012 AED'000 (Audited)*
Cash at banks and on hand	**67,917**	105,641
Short-term deposits	**180,666**	186,755
Bank balances and cash	**248,583**	292,396
Bank overdraft	**(35,527)**	(11,150)
	213,056	281,246

8 DIVIDENDS

During the Annual General Meeting held on 25 February 2013, the shareholders approved a cash dividend of AED 0.50 per share totaling AED 45 million relating to 2012 (period ended 30 June 2012: AED 0.40 per share totaling AED 36 million relating to 2011).

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company of AED 60,246 thousands (period ended 30 June 2012: AED 88,658 thousands) by the weighted average number of shares outstanding during the period of 90 million shares (period ended 30 June 2012: 90 million shares).

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

10 RELATED PARTY TRANSACTIONS AND BALANCES

a) Significant transactions with related parties:

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

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Significant transactions with related parties (continued)

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

	Six months ended		*Three months ended*	
	30 June 2013 AED '000	*30 June 2012 AED '000*	***30 June 2013 AED '000***	*30 June 2012 AED '000*
Sales to a related party	**2,406**	3,869	**759**	1,980
Purchases from related parties	**3,000**	3,226	**1,527**	1,907

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

	Six months ended		*Three months ended*	
	30 June 2013 AED '000	*30 June 2012 AED '000*	***30 June 2013 AED '000***	*30 June 2012 AED '000*
Short-term benefits	**5,719**	4,281	**2,858**	2,103
Employees' end of service benefits	**486**	106	**289**	58
Directors' sitting fees	**330**	430	**180**	260
	6,535	4,817	**3,327**	2,421

b) Due from related parties:

	30 June 2013 AED'000	*31 December 2012 AED'000 (Audited)*
Other related party		
Oman Refreshments Company Limited	**1,741**	648

c) Due to related parties:

	30 June 2013 AED'000	*31 December 2012 AED'000 (Audited)*
Other related party		
Emirates Refreshments Company	**652**	697

11 TERM LOANS

	30 June 2013 AED'000	*31 December 2012 AED'000 (Audited)*
Term loans availed	**129,908**	70,350
Less: current portion of term loans	**(29,398)**	(12,265)
Non-current portion	**100,510**	58,085

In 2010, the Group obtained three term loans denominated in Euro to finance the purchasing and installation of new plant and machinery. These loans will be repaid over the term of 3-5 years and carry interest at 6 months EURIBOR plus 1.85% per annum. An economic hedge has been created through a series of forward foreign exchange contracts matching the repayment dates.

Plant and machinery having a carrying value of AED 4.4 million has been assigned in favour of the banks against these term loans denominated in Euro.

During the period, the Group availed a term loan from a local bank amounting to AED 33,354 thousands (period ended 30 June 2012: AED 37,243 thousands) to finance the construction of an office and plant facility (Greenfield Project) at the Dubai Investment Park out of the total AED 250 million approved facility. The loan is repayable in 14 half yearly installments starting on August 2013 and ending on December 2019 and carries interest at 3 months EIBOR plus 1.85% per annum.

During the period, the Group also obtained a term loan from a local bank amounting to AED 30,929 thousands for the purpose of payment to Dubai Electricity and Water Authority for the Greenfield project. The loan is repayable in 30 monthly installments starting in April 2013 and carries interest of 4% per annum.

12 CONTINGENCIES AND CAPITAL COMMITMENTS

	30 June 2013 AED'000	*31 December 2012 AED'000 (Audited)*
Bank guarantees	**103**	103
Letter of credit	**29,961**	869
Capital commitments - contracted	**352,301**	331,134
Capital commitments - uncontracted	**146,188**	231,921

The Group's capital commitments mainly pertain to an approved expenditure of AED 658.2 million on office and plant facility (Greenfield project) at the Dubai Investment Park.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

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

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

Fair value hierarchy
The 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 30 June 2013, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	30 June 2013 AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Available-for-sale investments	**178,850**	**178,850**	-	-

Liabilities measured at fair value

	30 June 2013 AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Financial instruments at fair value through profit or loss	70	-	70	-
Financial instruments at fair value through other comprehensive income	3,822	-	3,822	-

As at 31 December 2012, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	31 Dec 2012 AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Available-for-sale investments	184,816	184,816	-	-

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

	31 Dec 2012 AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Financial instruments at fair value through profit or loss	269	-	269	-
Financial instruments at fair value through other comprehensive income	779	-	779	-

During the period ended 30 June 2013 and year ended 31 December 2012, there were no transfers between the various levels of fair value measurements.