Dubai Refreshments (P.S.C.)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2012

ERNST & YOUNG

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Dubai Refreshments (P.S.C.) and its subsidiary (the "Group") as at 31 March 2012, comprising of the interim consolidated statement of financial position as at 31 March 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. 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
Ali Issa
Partner
Registration No. 488
6 May 2012
Dubai, United Arab Emirates

Dubai Refreshments (P.S.C.)

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 31 March 2012 (Unaudited)

	Notes	*Quarter ended 31 March 2012 AED '000*	*Quarter ended 31 March 2011 AED '000*
Sales		**216,218**	188,123
Cost of sales	4	**(154,295)**	(136,035)
GROSS PROFIT		**61,923**	52,088
Other operating income		**2,936**	2,478
Selling and distribution expenses	5	**(24,247)**	(25,468)
General and administrative expenses	6	**(8,890)**	(9,344)
Amortisation of intangible assets		**(780)**	(780)
OPERATING INCOME		**30,942**	18,974
Finance income		**468**	1,667
Finance expense		**(229)**	(362)
Dividend income		**4,230**	3,745
Other income		**450**	219
PROFIT FOR THE PERIOD		**35,861**	24,243
Earnings per share in AED	15	**0.40**	0.27

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 31 March 2012 (Unaudited)

	Quarter ended 31 March 2012 AED '000	*Quarter ended 31 March 2011 AED '000*
Profit for the period	**35,861**	24,243
Other comprehensive income		
Change in fair value of available-for-sale investments	**2,566**	10,614
Change in fair value of cash flow hedges	**1,441**	-
	4,007	10,614
Total comprehensive income for the period	**39,868**	34,857

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Dubai Refreshments (P.S.C.)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2012

	Notes	*31 March 2012 AED '000 (Unaudited)*	*31 December 2011 AED '000 (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**134,114**	135,999
Intangible assets		**34,314**	35,094
Available-for-sale investments	8	**118,925**	116,359
		287,353	287,452
Current assets			
Inventories	9	**62,250**	55,810
Trade and other receivables	10	**92,842**	68,398
Advances to a contractor		**44,000**	-
Bank balances and cash	11	**247,703**	280,400
		446,795	404,608
TOTAL ASSETS		**734,148**	692,060
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**90,000**	90,000
Statutory reserve		**45,000**	43,217
General reserve		**149,241**	149,241
Fair value reserve		**99,687**	97,121
Cash flow hedge reserve		**662**	(779)
Retained earnings		**114,740**	116,662
Total equity		**499,330**	495,462
Non-current liabilities			
Non-current portion of term loans	17	**31,118**	7,472
Employees' end of service benefits		**13,779**	13,387
		44,897	20,859
Current liabilities			
Trade and other payables	12	**150,001**	170,490
Current portion of term loans	17	**9,355**	5,249
Bank overdrafts	11	**30,565**	-
		189,921	175,739
Total liabilities		**234,818**	196,598
TOTAL EQUITY AND LIABILITIES		**734,148**	692,060

Director
6 May 2012

Director
6 May 2012

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 31 March 2012 (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	-	-	-	-	-	35,861	35,861
Other comprehensive income for the period	-	-	-	2,566	1,441	-	4,007
Total comprehensive income for the period	-	-	-	2,566	1,441	35,861	39,868
Interim transfer to statutory reserve	-	1,783	-	-	-	(1,783)	-
Dividends paid (Note 14)	-	-	-	-	-	(36,000)	(36,000)
Balance as of 31 March 2012	**90,000**	**45,000**	**149,241**	**99,687**	**662**	**114,740**	**499,330**

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 31 March 2011 (Unaudited)

	Share capital AED '000	*Statutory reserve AED '000*	*General reserve AED '000*	*Fair value reserve AED '000*	*Retained earnings AED '000*	*Total AED '000*
Balance as of 1 January 2011	60,000	30,000	149,241	48,273	61,206	348,720
Profit for the period	-	-	-	-	24,243	24,243
Other comprehensive income for the period	-	-	-	10,614	-	10,614
Total comprehensive income for the period	-	-	-	10,614	24,243	34,857
Dividends paid (Note 14)	-	-	-	-	(30,000)	(30,000)
Bonus share issue (Note 13)	30,000	-	-	-	(30,000)	-
Balance as of 31 March 2011	90,000	30,000	149,241	58,887	25,449	353,577

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Dubai Refreshments (P.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 31 March 2012 (Unaudited)

	Notes	*Quarter ended 31 March 2012 AED '000*	*Quarter ended 31 March 2011 AED '000*
OPERATING ACTIVITIES			
Profit for the period		**35,861**	24,243
Adjustments for:			
Depreciation		**4,815**	5,143
Amortisation of intangible assets		**780**	780
Profit on disposal of property, plant and equipment		**(77)**	(31)
Finance expense		**229**	362
Finance income		**(468)**	(1,667)
Dividend income		**(4,230)**	(3,745)
Provision for employees' end of service benefits		**679**	697
		37,589	25,782
Working capital changes:			
Inventories		**(6,440)**	(17,478)
Trade and other receivables		**(23,782)**	(20,946)
Trade and other payables		**(19,710)**	13,735
		(12,343)	1,093
Employees' end of service benefits paid		**(287)**	(152)
Finance income received		**468**	1,667
Net cash (used in) / from operating activities		**(12,162)**	2,608
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	7	**(2,941)**	(5,666)
Proceeds from disposal of property, plant and equipment		**88**	78
Advances to a contractor		**(44,000)**	-
Purchase of available for sale investments		**-**	(5,353)
Dividend income received		**4,230**	3,745
Net cash used in investing activities		**(42,623)**	(7,196)
FINANCING ACTIVITIES			
Proceeds from term loans obtained		**29,335**	-
Repayment of term loans		**(1,583)**	(2,024)
Dividends paid		**(36,000)**	(30,000)
Finance expense paid		**(229)**	(362)
Net cash used in financing activities		**(8,477)**	(32,386)
DECREASE IN CASH AND CASH EQUIVALENTS		**(63,262)**	(36,974)
Cash and cash equivalents at 1 January		**280,400**	156,670
CASH AND CASH EQUIVALENTS AT 31 MARCH	11	**217,138**	119,696

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

1 ACTIVITIES

Dubai Refreshments (P.S.C.) (the "Company") was incorporated in Dubai in 1959 by a Decree from 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.

During the period, the Company formed a new subsidiary, 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 three months ended 31 March 2012 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 2011.

In addition, results for the three months ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

New standards, interpretations and amendments thereof, 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 Company's annual financial statements for the year ended 31 December 2011, except for the adoption of the amended standards as of 1 January 2012, noted below:

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements
The amendment to IFRS 7 is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in the derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

3 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

3 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Judgments (continued)

Classification of investments (continued)

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 till 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.

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:

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 applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 57,128 thousands (31 December 2011: AED 49,542 thousands), and the provision for doubtful debts was AED 3,167 thousands (31 December 2011: AED 3,001 thousands). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the 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 are old or obsolete, are assessed collectively and a provision 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 63,800 thousands (31 December 2011: AED 57,335 thousands) with provisions for slow moving inventories of AED 1,550 thousands (31 December 2011: AED 1,525 thousands). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives and depreciation of property, plant and equipment

The management periodically reviews 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 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.

4 COST OF SALES

	Quarter ended 31 March 2012 AED'000	Quarter ended 31 March 2011 AED'000
Raw material consumption	**143,231**	124,834
Staff costs	**4,546**	4,672
Depreciation	**2,685**	2,787
Others	**3,833**	3,742
	154,295	136,035

5 SELLING AND DISTRIBUTION EXPENSES

	Quarter ended 31 March 2012 AED'000	Quarter ended 31 March 2011 AED'000
Staff costs	**9,270**	10,156
Advertisement and marketing expenses	**6,275**	7,360
Rental charges	**4,529**	3,766
Depreciation	**1,485**	1,669
Fleet expenses	**1,302**	1,264
Others	**1,386**	1,253
	24,247	25,468

6 GENERAL AND ADMINISTRATIVE EXPENSES

	Quarter ended 31 March 2012 AED'000	Quarter ended 31 March 2011 AED'000
Staff costs	**4,384**	4,506
Depreciation	**645**	687
Rental charges	**438**	438
Building maintenance expenses	**332**	427
Utilities	**248**	367
Others	**2,843**	2,919
	8,890	9,344

7 PROPERTY, PLANT AND EQUIPMENT

Additions and disposal

During the quarter ended 31 March 2012, the Group acquired assets amounting to AED 1,364 thousands (quarter ended 31 March 2011: AED 650 thousands) and incurred AED 1,577 thousands (quarter ended 31 March 2011: AED 5,016 thousands) for the construction of a warehouse and a new office building and production facility.

During the quarter ended 31 March 2012, the Group made disposals of assets with net book value of AED 11 thousands (quarter ended 31 March 2011: AED 47 thousands).

8 AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Opening balance	**116,359**	60,143
Additions during the period / year	**-**	7,368
Changes in fair market value	**2,566**	48,848
Closing balance	**118,925**	116,359

The Group's available-for-sale investments are held in equity securities listed on stock exchanges. Included in the above are investments in 527,076 shares of Etisalat with a carrying amount of AED 4,686 thousands, which are held in the names of late Mr. Humaid Al Owais and Mr. Mana Al Mulla in trust and for the benefit of the Group. Certain shares are in the process of being transferred in the name of a Director of the Group who will hold these shares in trust and for the beneficial interest of the Group.

9 INVENTORIES

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Raw materials and consumable	**35,629**	35,774
Finished goods	**23,276**	17,229
Spare parts and supplies	**4,895**	4,332
	63,800	57,335
Less: provision for slow moving inventory	**(1,550)**	(1,525)
	62,250	55,810

10 TRADE AND OTHER RECEIVABLES

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Trade receivables	**57,128**	49,542
Less: provision for doubtful debts	**(3,167)**	(3,001)
	53,961	46,541
Prepaid expenses	**7,342**	6,989
Financial instruments at fair value through other comprehensive income	**662**	-
Due from related parties (Note 16)	**490**	323
Other receivables	**30,387**	14,545
	92,842	68,398

11 CASH AND CASH EQUIVALENTS

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

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Cash at bank and on hand	**92,373**	125,586
Short-term deposits	**155,330**	154,814
Bank balances and cash	**247,703**	280,400
Bank overdrafts	**(30,565)**	-
Cash and cash equivalents	**217,138**	280,400

12 TRADE AND OTHER PAYABLES

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Trade payables	**84,039**	100,439
Accrued expenses	**26,574**	33,233
Advances from customers	**13,332**	12,057
Deferred income	**12,824**	2,908
Accrual for staff costs	**6,977**	14,541
Due to related parties (Note 16)	**574**	1,337
Financial instruments at fair value through profit or loss	**456**	1,037
Financial instruments at fair value through other comprehensive income	**-**	779
Other payables	**5,225**	4,159
	150,001	170,490

13 SHARE CAPITAL

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Authorised issued and fully paid up:		
90 million shares of AED 1 each	**90,000**	90,000

In their Annual General Meeting dated 8 March 2011, the shareholders approved a bonus issue of 0.5 shares for every share held thereby increasing the number of shares from 60 million to 90 million.

14 DIVIDENDS

During the Annual General Meeting held on 26 February 2012, the shareholders approved a cash dividend of AED 0.4 per share totaling AED 36 million relating to 2011 (quarter ended 31 March 2011: AED 0.5 per share totaling AED 30 million relating to 2010).

15 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 35,861 thousands (quarter ended 31 March 2011: AED 24,243 thousands) by the weighted average number of shares outstanding during the period of 90 million (quarter ended 31 March 2011: 90 million).

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

16 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.

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

	Quarter ended 31 March 2012 AED'000	*Quarter ended 31 March 2011 AED'000*
Sales to a related party	**1,889**	1,206
Purchases from related parties	**1,319**	1,475

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

	Quarter ended 31 March 2012 AED'000	*Quarter ended 31 March 2011 AED'000*
Short-term benefits	**1,518**	1,449
Employees' end of service benefits	**48**	68
Directors' sitting fees	**170**	220
	1,736	1,737

b Due from related parties (Note 10):

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Other related party		
Oman Refreshments Company Limited	**490**	323

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c Due to related parties (Note 12):

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Other related party		
Emirates Refreshments Company	**574**	1,337

17 TERM LOANS

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Term loans availed	**40,473**	12,721
Less: current portion of term loans	**(9,355)**	(5,249)
Non-current portion	**31,118**	7,472

In 2010, the Group obtained three term loans denominated in Euros 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 carrying value of AED 4.9 million has been assigned in favour of the banks.

During the period, the Group obtained a term loan from a local bank amounting to AED 29 million to finance the construction of an office and plant facility (Greenfield project) at Dubai Investment Park out of the total AED 250 million approved facility. The term loan is repayable in 14 half yearly instalments starting on June 2012 and ending on December 2018 and carries interest at 6 months EIBOR plus 2.5% per annum with a minimum of 4% per annum.

Subsequent to the period ended 31 March 2012, the loan repayment has been rescheduled to commence on June 2013 and ending on December 2019.

18 OPERATING LEASE COMMITMENTS

The Group leases land, staff accommodations, office and warehouse premises under operating lease arrangements. 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 a non-cancellable operating lease are as follows:

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Within 1 year	**13,211**	14,417
After one year but not more than five years	**29,107**	31,122
More than 5 years	**144,425**	145,683
Total operating lease expenditure contracted for at the reporting date	**186,743**	191,222

19 CONTINGENCIES AND CAPITAL COMMITMENTS

	31 March 2012 AED'000	*31 December 2011 AED'000 (Audited)*
Bank guarantees	**103**	103
Letter of credit	**604**	604
Capital commitments	**501,797**	502,625

The Group's capital commitments mainly pertains to approved expenditure of AED 515.8 million on office and plant facility (Greenfield project) at Dubai Investment Park.

20 SEGMENTAL 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 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 quarter ended 31 March 2012, revenue from customers located in the Group's country of domicile (UAE) is AED 146,218 thousands (quarter ended 31 March 2011: AED 136,875 thousands) and revenue from customers outside UAE (foreign customers) is AED 70,000 thousands (quarter ended 31 March 2011: AED 51,248 thousands).

b) Major customer

During the period ended 31 March 2012, there were no customers of the Group with revenues greater than 10% of the total revenue of the Group.