

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

**Review report and interim financial
information
for the three month period ended
31 March 2020**

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

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors
Dubai Refreshment (P.J.S.C.)
Dubai
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed statement of financial position of **Dubai Refreshment (P.J.S.C.)** (the "Company"), as at 31 March 2020, and the related condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended and explanatory notes. Management of the Company is responsible for the preparation and fair presentation of these interim financial information in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte & Touche (M.E.)



Musa Ramahi
Registration No.: 872
12 May 2020
Dubai
United Arab Emirates

**Condensed statement of financial position
as at 31 March 2020**

	Notes	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	638,276	648,033
Right-of-use assets		116,952	120,107
Intangible assets		14,674	15,732
Investment securities	5	74,583	81,391
Total non-current assets		844,485	865,263
Current assets			
Inventories		59,971	50,663
Trade and other receivables		193,014	182,773
Contract assets		6,252	6,532
Cash and cash equivalents	6	118,373	120,299
Total current assets		377,610	360,267
Total Assets		1,222,095	1,225,530
EQUITY AND LIABILITIES			
Equity			
Share capital		90,000	90,000
Statutory reserve		45,000	45,000
General reserve		618,401	618,401
Fair value reserve		43,500	50,308
Cash flow hedge reserve		(2,291)	(414)
Retained earnings		35,328	82,808
Total equity		829,938	886,103
Non-current liabilities			
Employees' end of service benefits		24,883	24,344
Lease liabilities- non-current portion		109,095	110,417
Term loans - non-current portion	10	5,016	10,032
Total non-current liabilities		138,994	144,793
Current liabilities			
Trade and other payables		207,899	148,405
Lease liabilities- current portion		12,525	13,571
Contract liabilities		22,601	22,291
Term loans - current portion	10	10,138	10,367
Total current liabilities		253,163	194,634
Total Liabilities		392,157	339,427
Total Equity and Liabilities		1,222,095	1,225,530

.....
Mr. Ahmad Bin Eisa Alserkal
Chairman

.....
Mr. Abdulla Mohamed Rashed Al Huraiz
Director

The accompanying notes form an integral part of this interim financial information.

**Condensed statement of profit or loss (unaudited)
for the three month period ended 31 March 2020**

	Notes	Three month period ended 31 March	
		2020 AED'000	2019 AED'000
Revenue	11	142,055	139,496
Cost of sales		(94,905)	(95,077)
Gross profit		47,150	44,419
Other operating income		2,187	2,118
Selling and distribution expenses		(23,466)	(24,293)
General and administrative expenses		(12,060)	(12,717)
Amortisation of intangible assets		(1,058)	(1,055)
Operating income		12,753	8,472
Finance Income		358	215
Finance costs		(135)	(533)
Lease interest costs		(1,085)	(1,050)
Dividend income		3,389	5,073
Other income, net		240	20
Profit for the period		15,520	12,197
Earnings per share in AED	8	0.17	0.14

The accompanying notes form an integral part of this interim financial information.

**Condensed statement of comprehensive income (unaudited)
for the three month period ended 31 March 2020**

	Three month period ended 31 March	
	2020 AED'000	2019 AED'000
Profit for the period	15,520	12,197
Other comprehensive (loss)/ income <i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of investment securities measured at FVOCI, equity instruments	(6,808)	(11)
Change in fair value of cash flow hedges	(1,877)	806
Total other comprehensive (loss)/ income	(8,685)	795
Total comprehensive income for the period	6,835	12,992

The accompanying notes form an integral part of this interim financial information.

**Condensed statement of changes in equity
for the three month period ended 31 March 2020**

	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
At 1 January 2019 (audited)	90,000	45,000	618,401	83,918	(1,281)	61,590	897,628
Profit for the period	-	-	-	-	-	12,197	12,197
Other comprehensive (loss)/income	-	-	-	(11)	806	-	795
Total comprehensive (loss)/income for the period	-	-	-	(11)	806	12,197	12,992
Dividends declared (Note 7)	-	-	-	-	-	(41,940)	(41,940)
At 31 March 2019 (unaudited)	90,000	45,000	618,401	83,907	(475)	31,847	868,680
At 1 January 2020 (audited)	90,000	45,000	618,401	50,308	(414)	82,808	886,103
Profit for the period	-	-	-	-	-	15,520	15,520
Other comprehensive loss	-	-	-	(6,808)	(1,877)	-	(8,685)
Total comprehensive (loss)/income for the period	-	-	-	(6,808)	(1,877)	15,520	6,835
Dividend declared (Note 7)	-	-	-	-	-	(63,000)	(63,000)
At 31 March 2020 (unaudited)	90,000	45,000	618,401	43,500	(2,291)	35,328	829,938

The accompanying notes form an integral part of this interim financial information.

**Condensed statement of cash flows (unaudited)
for the three month period ended 31 March 2020**

	Three month period ended 31 March	
	2020 AED'000	2019 AED'000
Cash flows from operating activities		
Profit for the period	15,520	12,197
Adjustments for:		
Depreciation on property, plant and equipment	11,345	11,542
Depreciation on right-of-use assets	3,155	3,217
Amortisation of intangible assets	1,058	1,055
Finance costs, net	(223)	318
Gain on sale of property, plant and equipment	(33)	-
Lease interest costs	1,085	1,050
Dividend income	(3,389)	(5,073)
Provision for employees' end of service benefits	840	523
	<hr/>	<hr/>
Operating cash flows before changes in operating assets and liabilities	29,358	24,829
(Increase)/decrease in inventories	(9,308)	1,903
Increase in trade and other receivables	(10,241)	(7,446)
Increase/(decrease) in contract assets	280	(358)
(Decrease)/increase in trade and other payables	(1,183)	4,406
Increase in contract liabilities	310	940
	<hr/>	<hr/>
Cash generated from operations	9,216	24,274
Employees' end of service benefits paid	(301)	(242)
	<hr/>	<hr/>
Net cash generated from operating activities	8,915	24,032
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,593)	(7,126)
Proceeds from disposal of property, plant and equipment	38	-
Dividend income, net	3,389	-
Finance income, net	358	215
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	2,192	(6,911)
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of term loans	(5,245)	(22,334)
Director fees paid	(4,200)	(3,780)
Finance expense, paid	(135)	(533)
Lease payments	(3,453)	(3,529)
	<hr/>	<hr/>
Net cash used in financing activities	(13,033)	(30,176)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,926)	(13,055)
Cash and cash equivalents at beginning of the period	120,299	94,810
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	118,373	81,755
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of this interim financial information.

**Notes to the interim financial information
for the three month period ended 31 March 2020****1. Legal status and activities**

Dubai Refreshment (P.J.S.C) (the “Company”) was incorporated in Dubai in 1959 by a Decree issued by His Highness The Ruler of Dubai. The Company is listed on the Dubai Financial Market (“DFM”). The registered address of the Company is P.O. Box 420, Dubai, United Arab Emirates.

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

2. Basis of preparation and accounting policies**2.1 Basis of preparation**

The interim financial information for the three months period ended 31 March 2020 has been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim financial information does 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 2019.

In addition, results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The financial information has been prepared under the historical cost convention except for a financial asset at fair value through other comprehensive income (FVOCI) that has been measured at fair value.

2.2 Use of judgements and estimates

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

The Company has consistently applied the estimates and judgements as applied by the Company in the annual financial statements for the year ended 31 December 2019.

In January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”). Subsequently (March 2020), the WHO classified COVID-19 outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this disease has necessitated global travel restrictions and total lockdown in most countries of the world, with negative implications on the global economy and social life.

As a result of the above and the resulting disruptions to the social and economic activities, the Company continues to assess regularly the impact of COVID-19 on its business, in particular the reduction of sales and the important erosion of certain of its revenue lines. The evolution of the COVID-19 is changing rapidly on a daily basis. The unprecedented nature of the crisis, the lack of enough historical data, the low visibility and the high uncertainty related to its evolution, its duration and its impact on the economy in general and the business in particular, make the quantification of its adverse negative impact on the business difficult to assess accurately at this stage. The management considered several foreseeable areas of operational risk and implemented various measures to ensure the continuity of the operations, the availability of the network and the ability of the organisation to cope with the lock-down situation.

**Notes to the interim financial information
for the three month period ended 31 March 2020 (continued)****2. Basis of preparation and accounting policies (continued)****2.2 Use of judgements and estimates (continued)**

The assumptions and estimates used by the Company will be revisited according to the evolution of the situation and the availability of data allowing better estimation. The Company will continue to monitor the situation and make the necessary judgements and estimates as may be required.

3. Operating segment information

The Company operates in a single reporting segment of canning, bottling, distribution and trading of soft drinks and related beverages products. All the relevant information relating to this operating segment is disclosed in the condensed statement of financial position, condensed income statement and notes to the interim financial information.

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

a) Information about geographical segments

During the quarter ended 31 March 2020, revenue from customers located in the Company's country of domicile (UAE) is AED 118,527 thousand (period ended 31 March 2019: AED 113,158 thousand) and revenue from customers outside UAE (foreign customers) is AED 23,528 thousand (period ended 31 March 2019: AED 26,338 thousand).

b) Major customers

During the period ended 31 March 2020 and 31 March 2019, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

4. Property, plant and equipment*Additions and transfers*

During the period ended 31 March 2020, the additions to property, plant and equipment amounted to AED 1,593 thousand (period ended 31 March 2019: AED 7,126 thousand).

Depreciation for the period ended 31 March 2020 amounting to AED 11,345 thousand (period ended 31 March 2019: AED 11,542 thousand).

During the period ended 31 March 2020, the Company transferred assets amounting to AED 3,838 thousand (2019: AED 460 thousand), from capital work in progress to buildings, plant and machinery, coolers and vending machine and freezers category in property, plant and equipment.

During the period ended 31 March 2020, assets with a net carrying value of AED 5 thousand (period ended 31 March 2019: Nil) were disposed of by the Company resulting in a net gain of AED 33 thousand (period ended 31 March 2019: nil).

**Notes to the interim financial information
for the three month period ended 31 March 2020 (continued)**

5. Investment securities

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Balance at the beginning of the period/year	81,391	115,001
Change in market fair value for the period/year	(6,808)	(33,610)
	<hr/> 74,583 <hr/>	<hr/> 81,391 <hr/>

6. Cash and cash equivalents

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

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Cash at bank and on hand	72,981	70,084
Short-term deposits with original maturity of less than three months	45,392	50,215
	<hr/> 118,373 <hr/>	<hr/> 120,299 <hr/>

7. Dividends

During the Annual General Meeting held on 23 March 2020 the shareholders approved a cash dividend of AED 0.70 per share totaling to AED 63 million relating to 2019 (period ended 31 March 2019: AED 0.467 per share totaling to AED 42 million relating to 2018).

8. Basic earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation:

	Three month period ended 31 March	
	2020 (Unaudited)	2019 (Unaudited)
Profit for the period (AED'000)	15,520	12,197
Weighted average number of ordinary shares ('000)	90,000	90,000
	<hr/> 0.17 <hr/>	<hr/> 0.14 <hr/>
Earnings per ordinary share - Basic and diluted (AED)	<hr/> 0.17 <hr/>	<hr/> 0.14 <hr/>

**Notes to the interim financial information
for the three month period ended 31 March 2020 (continued)**

9. Related party transactions and balances

Related parties represent shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management, which are substantially the same terms as those prevailing at the same time for comparable transactions with un-related parties.

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control and key management personnel.

The management decides on the terms and conditions of the transactions and of the services received/rendered from/to related parties, as well as on any other charges, which are substantially the same terms as those prevailing at the same time for comparable transactions with un-related parties.

Significant transactions with related parties included in the condensed statement of profit or loss are as follows:

	Three month period ended 31 March	
	2020	2019
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Sales to a related party	401	609
Purchase from a related party	184	185
	<hr/>	<hr/>

Compensation of key management personnel

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

	Three month period ended 31 March	
	2020	2019
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Short-term benefits	2,775	2,787
Employees' end of service benefits	386	113
Director's sitting fee	80	60
	<hr/>	<hr/>
	3,241	2,960
	<hr/>	<hr/>

Significant balances with related parties included in the condensed statement of financial position:

	31 March 2020	31 December 2019
	AED'000	AED'000
	(Unaudited)	(Audited)
<i>Due from a related party</i>		
<i>Other related party (included in trade and other receivables)</i>		
Oman Refreshments Company Limited	571	709
	<hr/>	<hr/>

**Notes to the interim financial information
for the three month period ended 31 March 2020 (continued)**

9. Related party transactions and balances (continued)

	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
<i>Due to a related party</i>		
<i>Other related party (included in trade and other payables)</i>		
Oman Refreshments Company Limited	308	472

10. Term loans

	Current portion AED'000	Non-current portion AED'000	Total AED'000
Loan 1 (a)	7,071	3,498	10,569
Loan 2 (a)	3,067	1,518	4,585
Balance at 31 March 2020	10,138	5,016	15,154
Balance at 31 December 2019	10,367	10,032	20,399

- (a) The Company 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 as per market. In AED terms, the outstanding amount as of 31 March 2020 is AED 15.1 million (31 December 2019: AED 20.4 million).

11. Revenues

	Three month period ended 31 March	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
<i>Local sales</i>		
Long term contracts	78,306	73,305
Transaction based contracts	40,221	39,854
	118,527	113,159
<i>Export sales</i>		
Long term contracts	7,813	7,574
Transaction based contracts	15,715	18,763
	23,528	26,337
Total revenues	142,055	139,496

**Notes to the interim financial information
for the three month period ended 31 March 2020 (continued)**

12. Profit for the period

The profit for the period is stated after charging:

	Three month period ended 31 March	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Staff cost	22,204	22,306
Depreciation expense	14,500	14,759

13. Contingencies and capital commitments

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
	Bank guarantees	12,585

During the year ended 31 December 2018, the Company filed objections with regards to the excise duty levied by the Federal Tax Authority's ("Authority") on the inventory in hand of carbonated drinks as on 1 October 2017 being the effective date of the excise duty. The objections were filed with Tax Disputes Settlement Committee ("Committee") relating to excise duty for penalty amount of about AED 20.8 million recorded under "Trade and other receivables". In April 2019, the Committee awarded the decision to reduce the penalty to AED 8.8 million. The Company and FTA both have filed appeals against the decision before the Federal courts of UAE in accordance with the applicable laws and regulations. Legal proceedings are still on-going and based on the latest hearing it has been decided to refer the matter to the court appointed experts. As such the proceedings have been adjourned until the next hearing and no decision has been made by the court until the date of signing of this interim financial statements.

14. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, receivables, contract assets, derivatives and investment securities. Financial liabilities consist of bank borrowings, payables, contract liabilities and derivatives.

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

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not base on observable market data.

**Notes to the interim financial information
for the three month period ended 31 March 2020 (continued)**

14. Fair values of financial instruments (continued)

As at reporting date, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
31 March 2020 (unaudited)				
<i>Investment securities</i>				
Quoted equity shares consumer products sector (Note 5)	74,583	74,583	-	-
Negative fair value of derivatives - held as cash flow hedge	2,291	-	2,291	-
31 December 2019 (audited)				
<i>Investment securities</i>				
Quoted equity shares Consumer products sector (Note 5)	81,391	81,391	-	-
Negative fair value of derivatives - held as cash flow hedge	414	-	414	-

15. Seasonality of results

No income of seasonal nature was recorded in the condensed financial statements for the three-month period ended 31 March 2020 and 2019.

16. Approval of interim financial information

The interim financial information was approved by the Board of Directors and authorised for issue on 12 May 2020.