

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

**Review report and interim financial
information
for the six month period ended
30 June 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 30 June 2020, and the related condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the six 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
23 July 2020
Dubai
United Arab Emirates



**Condensed statement of financial position
as at 30 June 2020**

	Notes	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	632,432	648,033
Right-of-use assets		113,797	120,107
Intangible assets		13,624	15,732
Investment securities	5	67,830	81,391
Total non-current assets		827,683	865,263
Current assets			
Inventories		82,094	50,663
Trade and other receivables		172,620	182,773
Contract assets		5,185	6,532
Cash and cash equivalents	6	56,746	120,299
Total current assets		316,645	360,267
Total Assets		1,144,328	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	5	36,747	50,308
Cash flow hedge reserve		(548)	(414)
Retained earnings		38,462	82,808
Total equity		828,062	886,103
Non-current liabilities			
Employees' end of service benefits		25,312	24,344
Lease liabilities - non-current portion		105,469	110,417
Term loans - non-current portion	10	5,016	10,032
Total non-current liabilities		135,797	144,793
Current liabilities			
Trade and other payables		133,820	148,405
Lease liabilities - current portion		13,673	13,571
Contract liabilities		22,719	22,291
Term loans - current portion	10	10,257	10,367
Total current liabilities		180,469	194,634
Total Liabilities		316,266	339,427
Total Equity and Liabilities		1,144,328	1,225,530

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Company.

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 six month period ended 30 June 2020**

	Notes	Six month period ended 30 June		Three month period ended 30 June	
		2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Revenue	11	261,940	302,167	119,885	162,671
Cost of sales		(176,043)	(196,621)	(81,138)	(101,544)
Gross profit		85,897	105,546	38,747	61,127
Other operating income		4,406	4,292	2,219	2,174
Selling and distribution expenses		(46,225)	(53,206)	(22,759)	(28,913)
General and administrative expenses		(25,078)	(26,010)	(13,018)	(13,293)
Amortisation of intangible assets		(2,108)	(2,112)	(1,050)	(1,057)
Operating income		16,892	28,510	4,139	20,038
Finance costs		(2,015)	(2,859)	(1,153)	(1,491)
Dividend income		3,389	5,073	-	-
Other income, net		388	161	148	141
Profit for the period		18,654	30,885	3,134	18,688
Earnings per share in AED	8	0.21	0.34	0.03	0.21

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

**Condensed statement of comprehensive income (unaudited)
for the six month period ended 30 June 2020**

	Six month period ended 30 June		Three month period ended 30 June	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Profit for the period	18,654	30,885	3,134	18,688
Other comprehensive loss <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 (Note 5)	(13,561)	(15,555)	(6,753)	(15,544)
Change in fair value of cash flow hedges	(134)	487	1,743	(319)
Total other comprehensive loss	(13,695)	(15,068)	(5,010)	(15,863)
Total comprehensive income/(loss) for the period	4,959	15,817	(1,876)	2,825

**Condensed statement of changes in equity
for the six month period ended 30 June 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	-	-	-	-	-	30,885	30,885
Other comprehensive (loss)/income	-	-	-	(15,555)	487	-	(15,068)
Total comprehensive (loss)/income for the period	-	-	-	(15,555)	487	30,885	15,817
Dividends declared (Note 7)	-	-	-	-	-	(41,940)	(41,940)
At 30 June 2019 (unaudited)	90,000	45,000	618,401	68,363	(794)	50,535	871,505
At 1 January 2020 (audited)	90,000	45,000	618,401	50,308	(414)	82,808	886,103
Profit for the period	-	-	-	-	-	18,654	18,654
Other comprehensive loss (Note 5)	-	-	-	(13,561)	(134)	-	(13,695)
Total comprehensive (loss)/income for the period	-	-	-	(13,561)	(134)	18,654	4,959
Dividend declared (Note 7)	-	-	-	-	-	(63,000)	(63,000)
At 30 June 2020 (unaudited)	90,000	45,000	618,401	36,747	(548)	38,462	828,062

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

**Condensed statement of cash flows (unaudited)
for the six month period ended 30 June 2020**

	Six month period ended 30 June	
	2020 AED'000	2019 AED'000
Cash flows from operating activities		
Profit for the period	18,654	30,885
Adjustments for:		
Amortisation of intangible assets	2,108	2,112
Depreciation on property, plant and equipment	22,646	23,109
Depreciation on right-of-use assets	6,310	6,435
Finance costs, net	(158)	780
Gain on sale of assets	(42)	(28)
Lease interest costs	2,149	2,079
Dividend income	(3,389)	(5,073)
Provision for employees' end of service benefits	1,549	1,037
	<hr/>	<hr/>
Operating cash flows before changes in operating assets and liabilities	49,827	61,336
Increase in inventories	(31,431)	(2,446)
Decrease/(increase) in trade and other receivables	10,153	(3,587)
Decrease in contract assets	1,347	77
(Decrease)/increase in trade and other payables	(10,519)	2,699
Increase in contract liabilities	428	1,346
	<hr/>	<hr/>
Cash generated from operations	19,805	59,425
Employees' end of service benefits paid	(581)	(722)
	<hr/>	<hr/>
Net cash generated from operating activities	19,224	58,703
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of intangible assets	-	(46)
Purchase of property, plant and equipment	(7,248)	(10,601)
Proceeds from disposal of property, plant and equipment	245	48
Dividend income, net	3,389	5,073
Finance income, net	405	265
	<hr/>	<hr/>
Net cash used in investing activities	(3,209)	(5,261)
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of term loans	(5,126)	(22,073)
Director fees paid	(4,200)	(3,780)
Dividends paid	(63,000)	(41,940)
Finance expense, paid	(247)	(1,044)
Lease payments	(6,995)	(7,086)
	<hr/>	<hr/>
Net cash used in financing activities	(79,568)	(75,923)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(63,553)	(22,481)
Cash and cash equivalents at beginning of the period	120,299	94,810
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	56,746	72,329
	<hr/>	<hr/>

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

**Notes to the interim financial information
for the six month period ended 30 June 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 six months period ended 30 June 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 six months period ended 30 June 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, 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 six month period ended 30 June 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 30 June 2020, revenue from customers located in the Company's country of domicile (UAE) is AED 216,891 thousand (period ended 30 June 2019: AED 249,796 thousand) and revenue from customers outside UAE (foreign customers) is AED 45,049 thousand (period ended 30 June 2019: AED 52,371 thousand).

b) Major customers

During the period ended 30 June 2020 and 30 June 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 30 June 2020, the additions to property, plant and equipment amounted to AED 7,248 thousand (period ended 30 June 2019: AED 10,601 thousand).

Depreciation for the period ended 30 June 2020 amounting to AED 22,646 thousand (period ended 30 June 2019: AED 23,109 thousand).

During the period ended 30 June 2020, the Company transferred assets amounting to AED 3,838 thousand (2019: AED 8,114 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 30 June 2020, assets with a net carrying value of AED 203 thousand (period ended 30 June 2019: AED 20 thousand) were disposed of by the Company resulting in a net gain of AED 42 thousand (period ended 30 June 2019: AED 28 thousand).

**Notes to the interim financial information
for the six month period ended 30 June 2020 (continued)**

5. Investment securities

	30 June 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	(13,561)	(33,610)
	<hr/> 67,830 <hr/>	<hr/> 81,391 <hr/>

6. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Cash at bank and on hand	56,674	70,084
Short-term deposits with original maturity of less than six months	72	50,215
	<hr/> 56,746 <hr/>	<hr/> 120,299 <hr/>

7. Dividends

During the Annual General Meeting held on 23 March 2020 the shareholders approved and paid a cash dividend of AED 0.70 per share totaling to AED 63 million relating to 2019 during the period (period ended 30 June 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:

	Six month period ended 30 June		Three month period ended 30 June	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Profit for the period (AED'000)	18,654	30,885	3,134	18,688
Weighted average number of ordinary shares ('000)	90,000	90,000	90,000	90,000
Earnings per ordinary share - Basic and diluted (AED)	0.21	0.34	0.03	0.21

**Notes to the interim financial information
for the six month period ended 30 June 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:

	Six month period ended 30 June		Three month period ended 30 June	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Sales to a related party	907	1,312	506	703
Purchases from a related party	389	295	205	109
	<u>907</u>	<u>1,312</u>	<u>506</u>	<u>703</u>

Compensation of key management personnel

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

	Six month period ended 30 June		Three month period ended 30 June	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Short-term benefits	5,572	5,394	2,797	2,607
Employees' end of service benefits	507	227	121	114
	<u>6,079</u>	<u>5,621</u>	<u>2,918</u>	<u>2,721</u>

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

	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
<i>Due from a related party</i>		
<i>Other related party (included in trade and other receivables)</i>		
Oman Refreshments Company Limited	<u>1,116</u>	<u>709</u>

**Notes to the interim financial information
for the six month period ended 30 June 2020 (continued)**

9. Related party transactions and balances (continued)

	30 June 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	514	472

Amounts due from and due to a related party is not offset as management has assessed that these financial assets and liabilities do not meet the offset criteria described in IAS 32 – *Financial Instruments: Presentation*. Amount due from related parties are interest free and payable on demand.

10. Term loans

	Current portion AED'000	Non-current portion AED'000	Total AED'000
Loan 1 (a)	7,153	3,498	10,651
Loan 2 (a)	3,104	1,518	4,622
Balance at 30 June 2020	10,257	5,016	15,273
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 30 June 2020 is AED 15.3 million (31 December 2019: AED 20.4 million).

11. Revenues

	Six month period ended 30 June		Three month period ended 30 June	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Local sales				
Long term contracts	150,999	164,209	72,693	90,904
Transaction based contracts	65,892	85,587	25,671	45,733
	216,891	249,796	98,364	136,637
Export sales				
Long term contracts	17,887	15,925	10,074	8,351
Transaction based contracts	27,162	36,446	11,447	17,683
	45,049	52,371	21,521	26,034
Total revenue	261,940	302,167	119,885	162,671

**Notes to the interim financial information
for the six month period ended 30 June 2020 (continued)**

12. Profit for the period

The profit for the period is stated after charging:

	Six month period ended 30 June		Three month period ended 30 June	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Staff cost	<u>43,411</u>	43,601	<u>21,207</u>	21,295
Depreciation expense	<u>28,956</u>	29,544	<u>14,456</u>	18,002

13. Contingencies and capital commitments

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Bank guarantees	<u>8,978</u>	<u>12,285</u>

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, 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 condensed 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 six month period ended 30 June 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
30 June 2020 (unaudited)				
<i>Investment securities</i>				
Quoted equity shares consumer products sector (Note 5)	67,830	67,830	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Negative fair value of derivatives - held as cash flow hedge	548	-	548	-
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2019 (audited)				
<i>Investment securities</i>				
Quoted equity shares Consumer products sector (Note 5)	81,391	81,391	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Negative fair value of derivatives - held as cash flow hedge	414	-	414	-
	<hr/>	<hr/>	<hr/>	<hr/>

15. Seasonality of results

No income of seasonal nature was recorded in the condensed financial statements for the six-month period ended 30 June 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 23 July 2020.