

# Dubai Refreshments (PSC)

Condensed interim financial statements

*31 March 2010*

# Dubai Refreshments (PSC)

## Condensed interim financial statements

31 March 2010

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## **Independent auditors' report on review of condensed interim financial information**

The Shareholders  
Dubai Refreshments (PSC)

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Dubai Refreshments (PSC) ("the Company") as at 31 March 2010, and the condensed statement of comprehensive income (comprising a separate condensed interim income statement and a condensed statement of comprehensive income), condensed statement of cash flows and condensed statement of changes in equity and selected explanatory notes for the three-month period then ended ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard (IAS) 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The interim financial information of the Company for the period ended 31 March 2009, was reviewed by another auditor whose report dated 14 May 2009, concluded satisfactorily. Furthermore, the financial statements of the Company as of 31 December 2009, were audited by another auditor whose report dated 4 February 2010, expressed an unqualified opinion on those statements.

### **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 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 condensed interim financial information as at and for the three-month period ended 31 March 2010 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

12 MAY 2010

Vijendranath Malhotra  
Registration No. 48B  
Dubai, United Arab Emirates

## Dubai Refreshments (PSC)

### Condensed income statement

for the period ended 31 March 2010

		<b>Unaudited Three months period ended 31 March 2010 AED'000</b>	Unaudited Three months period ended 31 March 2009 AED'000
	<i>Note</i>		
<b>Revenue</b>		<b>160,388</b>	140,778
Cost of sales	4	<b>(120,822)</b>	(109,739)
<b>Gross profit</b>		<b>39,566</b>	31,039
Selling and distribution expenses	5	<b>(22,764)</b>	(26,608)
Administrative and general expenses	6	<b>(11,245)</b>	(8,591)
Amortisation of intangibles		<b>(780)</b>	(815)
Finance income		<b>741</b>	-
Finance expense		<b>(704)</b>	(319)
Dividend income		<b>2,444</b>	1,807
Other income		<b>50</b>	702
<b>Profit/(loss) for the period</b>		<b>7,308</b>	(2,785)
Earnings per share in AED	14	<b>0.12</b>	(0.05)

The notes set out on pages 8 to 13 form part of the condensed interim financial information.

## Dubai Refreshments (PSC)

Condensed statement of comprehensive income  
for the period ended 31 March 2010

	<b>Unaudited Three months period ended 31 March 2010 AED'000</b>	Unaudited Three months period ended 31 March 2009 AED'000
<b>Profit/(loss) for the period</b>	<b>7,308</b>	(2,785)
<b>Other comprehensive income:</b>		
Net change in fair value of available for sale investments	<b>3,691</b>	2,961
<b>Total comprehensive income for the period</b>	<b><u>10,999</u></b>	<u>176</u>

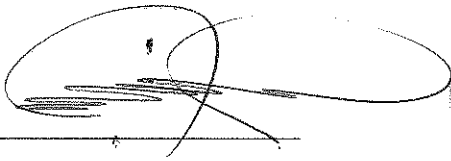
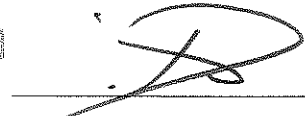
The notes set out on pages 8 to 13 form part of the condensed interim financial information.

# Dubai Refreshments (PSC)

## Condensed statement of financial position

		Unaudited 31 March 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
	<i>Note</i>			
<b>Property, plant and equipment</b>	7	126,743	107,813	119,100
<b>Intangible assets</b>		40,554	41,334	43,674
<b>Available for sale investment</b>	8	60,646	56,955	56,398
<b>Due from a related party</b>	12	-	6,500	6,500
<b>Current assets</b>				
Inventories	9	47,800	38,953	49,662
Trade and other receivables	10	63,261	62,166	64,916
Due from related parties	12	16,878	10,247	21,705
Cash at bank and in hand		92,310	80,624	26,080
Fixed deposits under lien		-	10,205	-
Financial assets at fair value through profit or loss		-	-	441
		<u>220,249</u>	<u>202,195</u>	<u>162,804</u>
<b>Current liabilities</b>				
Trade and other payables	11	89,004	91,670	66,291
Due to related parties	12	5,621	4,628	950
Current portion of term loans	13	5,551	-	-
Bank overdrafts		31,311	8,999	36,340
		<u>131,487</u>	<u>105,297</u>	<u>103,581</u>
<b>Net current assets</b>		88,762	96,898	59,223
Non current portion of term loans	13	(10,056)	-	-
Employees' end of service benefits		(11,324)	(10,174)	(11,021)
<b>Net assets</b>		<u>295,325</u>	<u>299,326</u>	<u>273,874</u>
<b>Represented by</b>				
Share capital		60,000	60,000	60,000
Statutory reserve		30,000	24,682	21,471
General reserve		149,241	7,062	7,062
Dividend equalisation reserve		-	31,962	31,962
Plant replacement reserve		-	45,200	45,200
Fair value reserve		48,776	45,085	44,528
Retained earnings		7,308	85,335	63,651
		<u>295,325</u>	<u>299,326</u>	<u>273,874</u>

The condensed interim financial information was authorized for issue on behalf of the Board of Directors on


12 MAY 2010


Director Director

The notes set out on pages 8 to 13 form part of the condensed interim financial information.

# Dubai Refreshments (PSC)

Condensed statement of cash flows  
for the period ended 31 March 2010

	Unaudited 31 March 2010 AED'000	Unaudited 31 March 2009 AED'000
<b>Operating activities</b>		
Profit/(loss) for the period	7,308	(2,785)
<i>Adjustment for:</i>		
Depreciation	5,060	6,253
Amortisation of intangible assets	780	815
Profit on disposal of property, plant and equipment	(14)	(466)
Gain on financial assets at fair value through profit or loss	-	(204)
Finance expense	704	319
Provision for employees' end of service benefits	1,335	1,162
	-----	-----
<i>Operating profit before working capital changes</i>	15,173	5,094
Change in inventories	(8,847)	(8,999)
Change in trade and other receivables	(1,095)	2,151
Change in due from related parties	(131)	(1,705)
Change in trade and other payables	(4,768)	(5,977)
Change in due to related parties	993	(1,410)
Employees' end of service benefits paid	(185)	(479)
	-----	-----
<i>Net cash from/(used in) operating activities</i>	1,140	(11,325)
	-----	-----
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(23,990)	(6,271)
Proceeds from disposal of property, plant and equipment	14	629
	-----	-----
<i>Net cash used in investing activities</i>	(23,976)	(5,642)
	-----	-----
<b>Financing activities</b>		
Term loan availed	17,709	-
Net movement in fixed deposits under lien	10,205	-
Dividend paid	(15,000)	-
Finance expense paid	(704)	(319)
	-----	-----
<i>Net cash from/ (used in) financing activities</i>	12,210	(319)
	-----	-----
<b>Net decrease in cash and cash equivalents</b>	(10,626)	(17,286)
Cash and cash equivalents at beginning of the year	71,625	7,026
	-----	-----
<b>Cash and cash equivalents at end of the year</b>	60,999	(10,260)
	=====	=====
These comprise the following:		
Cash at bank and in hand	92,310	26,080
Bank overdraft	(31,311)	(36,340)
	-----	-----
<b>Cash and cash equivalents at end of the year</b>	60,999	(10,260)
	=====	=====

The notes set out on pages 8 to 13 form part of the condensed interim financial information.

# Dubai Refreshments (PSC)

## Condensed statement of changes in equity for the period ended 31 March 2010 (Unaudited)

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Dividend equalization reserve AED'000	Plant replacement reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2009	60,000	21,471	7,062	31,962	45,200	41,567	66,436	273,698
<b>Total comprehensive income for the period</b>							(2,785)	(2,785)
Loss for the period	-	-	-	-	-	-	-	-
<b>Other comprehensive income</b>								
Fair value adjustment on available for sale investment	-	-	-	-	-	2,961	-	2,961
Total comprehensive income for the period	-	-	-	-	-	2,961	(2,785)	176
<b>Transactions with owners, recorded directly in equity</b>								
Total contributions by and distribution to owners	-	-	-	-	-	-	-	-
<b>At 31 March 2009</b>	<b>60,000</b>	<b>21,471</b>	<b>7,062</b>	<b>31,962</b>	<b>45,200</b>	<b>44,528</b>	<b>63,651</b>	<b>273,874</b>



# Dubai Refreshments (PSC)

## Condensed statement of changes in equity (continued)

for the period ended 31 March 2010 (Unaudited)

	Share Capital AED'000	Statutory reserve AED'000	General reserve AED'000	Dividend equalization reserve AED'000	Plant replacement reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2010	60,000	24,682	7,062	31,962	45,200	45,085	85,335	299,326
<b>Total comprehensive income for the year</b>								
Profit for the period	-	-	-	-	-	-	7,308	7,308
<b>Other comprehensive income</b>								
Fair value adjustment on available for sale investment	-	-	-	-	-	3,691	-	3,691
Total comprehensive income for the period	-	-	-	-	-	3,691	7,308	10,999
<b>Transactions with owners, recorded directly in equity</b>								
Transfer to general reserve	-	-	142,179	(31,962)	(45,200)	-	(65,017)	-
Transfer to statutory reserve	-	5,318	-	-	-	-	(5,318)	-
Dividend paid	-	-	-	-	-	-	(15,000)	(15,000)
Total contributions by and distribution to owners	-	5,318	142,179	(31,962)	(45,200)	-	(85,335)	(15,000)
<b>At 31 March 2010</b>	<b>60,000</b>	<b>30,000</b>	<b>149,241</b>	<b>-</b>	<b>-</b>	<b>48,776</b>	<b>7,308</b>	<b>295,325</b>

Shareholders passed a resolution in Annual General Meeting held on 28 February 2010 to transfer the dividend equalization reserve, plant replacement reserve and part of retained earnings to general reserve.

The notes set out on pages 8 to 13 form part of the condensed interim financial information.

# Dubai Refreshments (PSC)

## Notes to the condensed interim financial information for the three month period ended 31 March 2010

### **1 Reporting entity**

Dubai Refreshments (PSC) (“the Company”) is a Public Shareholding Company, incorporated in Dubai in 1959 by a Decree from His Highness, The Ruler of Dubai.

The Company is engaged in bottling and selling of Pepsi Cola International products in Dubai, Sharjah and the other Northern Emirates of the UAE. The Company also exports Pepsi Cola International products from time to time to foreign countries after obtaining authorization from Pepsi Cola International. The Company holds the 7up and Aquafina bottling and selling rights for the whole of the UAE. The registered address of the Company is P.O.Box 420, Dubai, United Arab Emirates (UAE).

The Company is listed on the Dubai Financial Market (DFM).

### **2 Basis of preparation and significant accounting policies**

The condensed interim financial information has been prepared in accordance with the International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2009.

The condensed financial information of the Company, presented in UAE Dirhams (“AED”), which is the Company’s functional currency, rounded to the nearest thousand, have been prepared under the historical cost convention, except for financial instruments classified as available for sale and fair value through profit or loss are stated at fair value.

Except as described below, the accounting policies applied in the preparation of the condensed financial information are consistent with those applied in the annual financial statements of the Company for the year ended 31 December 2009.

#### **(a) Accounting policies for new transactions and events**

##### ***Derivative financial instruments, including hedge accounting***

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value.

### **3 Accounting estimates and judgements**

The preparation of interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparation of the financial statements as at and for the year ended 31 December 2009.

## Dubai Refreshments (PSC)

Notes to the condensed interim financial information *(continued)*  
for the three month period ended 31 March 2010

### 4 Cost of sales

	<b>Unaudited Three months period ended 31 March 2010 AED'000</b>	Unaudited Three months period ended 31 March 2009 AED'000
<i>These include:</i>		
Raw material consumption	113,786	100,430
Staff costs	3,588	4,045
Depreciation	<u>2,404</u>	<u>2,408</u>

### 5 Selling and distribution expenses

	<b>Unaudited Three months period ended 31 March 2010 AED'000</b>	Unaudited Three months period ended 31 March 2009 AED'000
<i>These include:</i>		
Staff costs	9,726	10,241
Advertisement and marketing expenses	4,949	7,923
Rental charges	4,269	1,028
Depreciation	1,996	3,110
Fleet expenses	<u>1,043</u>	<u>2,910</u>

### 6 Administrative and general expenses

	<b>Unaudited Three months period ended 31 March 2010 AED'000</b>	Unaudited Three months period ended 31 March 2009 AED'000
<i>These include:</i>		
Staff costs	5,080	4,633
Rental charges	1,688	418
Building maintenance expenses	1,131	992
Depreciation	<u>660</u>	<u>735</u>

### 7 Property, plant and equipment

#### Additions and disposals (Unaudited)

During the quarter ended 31 March 2010, the Company acquired assets amounting to AED 0.85 million (*quarter ended 31 March 2009: AED 6.27 million*) and incurred AED 23.14 million on capital work in progress (*quarter ended 31 March 2009: nil*). Also the Company made disposal of assets amounting to AED 0.47 million (*quarter ended 31 March 2009: AED 28.3 million*.)

## Dubai Refreshments (PSC)

Notes to the condensed interim financial information *(continued)*  
for the three month period ended 31 March 2010

### 8 Available for sale investments

	<b>Unaudited</b> <b>31 March 2010</b> <b>AED'000</b>	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Opening balance	56,955	53,437	53,437
Gain on fair valuation	3,691	3,518	2,961
	-----	-----	-----
Closing balance	<u>60,646</u>	<u>56,955</u>	<u>56,398</u>

All the investments in available for sale financial assets are held in equity securities listed on the stock exchanges. Included in above are investments of 479,160 shares of Etisalat with a carrying amount of AED 5,989,500, which are held in the name of late Mr. Humaid Al Owais in trust and for the benefit of the Company. These shares are in the process of being transferred in name of a Director of the Company who will hold these shares in trust and for the beneficial interest of the Company.

### 9 Inventories

	<b>Unaudited</b> <b>31 March 2010</b> <b>AED'000</b>	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Raw materials and consumable	21,920	18,033	20,822
Finished goods	13,020	14,376	16,475
Spare parts and supplies	4,671	4,296	3,646
	-----	-----	-----
	39,611	36,705	40,943
Less: Provision for slow moving inventory	(1,418)	(1,418)	(967)
	-----	-----	-----
	38,193	35,287	39,976
Goods in transit	9,607	3,666	9,686
	-----	-----	-----
	<u>47,800</u>	<u>38,953</u>	<u>49,662</u>

### 10 Trade and other receivables

	<b>Unaudited</b> <b>31 March 2010</b> <b>AED'000</b>	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Trade receivables	54,123	53,101	53,268
Less: Provision for bad and doubtful debts	(3,526)	(3,026)	(2,026)
	-----	-----	-----
	50,597	50,075	51,242
Other receivables	12,664	12,091	13,674
	-----	-----	-----
	<u>63,261</u>	<u>62,166</u>	<u>64,916</u>

# Dubai Refreshments (PSC)

Notes to the condensed interim financial information *(continued)*  
for the three month period ended 31 March 2010

## 11 Trade and other payables

	<b>Unaudited</b> <b>31 March 2010</b> <b>AED'000</b>	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Trade payable	<b>50,953</b>	58,514	39,479
Other payables	<b>38,051</b>	33,156	26,812
	<b>89,004</b>	91,670	66,291

## 12 Related party transactions and balances

Significant related party transactions are as follows:

	<b>Unaudited</b> <b>Three months</b> <b>period ended</b> <b>31 March</b> <b>2010</b> <b>AED'000</b>	Unaudited Three months period ended 31 March 2009 AED'000
Sales to a related party	<b>948</b>	1,032
Purchases from related parties	<b>1,721</b>	1,658

The compensation to key management is as follows:

	<b>Unaudited</b> <b>Three months</b> <b>period ended</b> <b>31 March 2010</b> <b>AED'000</b>	Unaudited Three months period ended 31 March 2009 AED'000
Employee benefits (including remuneration)	<b>1,727</b>	1,292

<b>Due from related parties</b>	<b>Unaudited</b> <b>31 March 2010</b> <b>AED'000</b>	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Jeema Mineral Water (PSC)	<b>16,500</b>	10,000	20,000
Oman Refreshments Company Limited	<b>378</b>	247	1,705
	<b>16,878</b>	10,247	21,705

## Dubai Refreshments (PSC)

Notes to the condensed interim financial information *(continued)*  
for the three month period ended 31 March 2010

### 12 Related party transactions and balances *(continued)*

#### Long term receivable from a related party

Jeema Mineral Water (PSC)	-	6,500	6,500
	<u>          </u>	<u>          </u>	<u>          </u>

<b>Due to related parties</b>	<b>Unaudited 31 March 2010 AED'000</b>	<b>Audited 31 December 2009 AED'000</b>	<b>Unaudited 31 March 2009 AED'000</b>
Jeema Mineral Water (PSC)	5,513	4,592	828
Al Tajir Glass Industry	108	36	122
	<u>          </u>	<u>          </u>	<u>          </u>
	<b>5,621</b>	<b>4,628</b>	<b>950</b>
	<u>          </u>	<u>          </u>	<u>          </u>

### 13 Term loans

	<b>Unaudited 31 March 2010 AED'000</b>	<b>Audited 31 December 2009 AED'000</b>	<b>Unaudited 31 March 2009 AED'000</b>
Term loans availed	15,607	-	-
Less: current portion of term loans	(5,551)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Non current portion	<b>10,056</b>	-	-
	<u>          </u>	<u>          </u>	<u>          </u>

During the current quarter the Company 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 carries 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.

### 14 Earnings per share

	<b>Unaudited Three months period ended 31 March 2010</b>	<b>Unaudited Three months period ended 31 March 2009</b>
Earnings per share in AED	<b>0.12</b>	<b>(0.05)</b>
	<u>          </u>	<u>          </u>

# Dubai Refreshments (PSC)

Notes to the condensed interim financial information (*continued*)  
for the three month period ended 31 March 2010

## 15 Operating lease commitments

The future aggregate minimum lease payments under a non-cancellable operating lease are as follows:

	<b>Unaudited 31 March 2010 AED'000</b>	Unaudited 31 March 2009 AED'000
Less than 1 year	<b>14,718</b>	13,443
Later than 1 year and no later than 5 years	<b>27,592</b>	47,145
Later than 5 years	<b>3,088</b>	66,300

## 16 Contingent liabilities and capital commitments

	<b>Unaudited 31 March 2010 AED'000</b>	Unaudited 31 March 2009 AED'000
Bank guarantees	<b>3,373</b>	103
Capital commitments	<b>425,080</b>	53,956

## 17 Segment reporting

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 reporting/operating segment is disclosed in the condensed interim statement of financial position, condensed interim income statement and notes to the condensed 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 2010, revenue from customers located in the Company's country of domicile (UAE) is AED 124 million (*quarter ended 31 March 2009: AED 121 million*) and revenue from customers outside UAE (foreign customers) is AED 37 million (*quarter ended 31 March 2009: AED 20 million*).

### b) Major customer

During the period ended 31 March 2010, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

## 18 Subsequent events

During April 2010, the Company has signed a long term loan agreement contract with a bank, amounting to AED 250 million to partially finance the construction and development of a new beverage manufacturing facility in the UAE. The duration of the loan will be for a period of nine years and one month.

The proposed total cost of the project is AED 400 million which mainly includes installation of the production lines, construction of semi automated warehousing space, administration offices and plant buildings.