Dubai Refreshments (PSC)

Condensed interim financial information for the six month period ended 30 June 2007

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Report on review of condensed interim financial information to the directors and shareholders of Dubai Refreshments (PSC)

Introduction

We have reviewed the accompanying condensed interim balance sheet of Dubai Refreshments (PSC) ("the Company") as of 30 June 2007 and the related condensed interim income statement for the three and six month periods ended 30 June 2007, and the condensed interim statement of changes in equity and condensed interim cash flow statement for the six month period then ended prepared for legal filing purposes. The management is responsible for the preparation and presentation of this condensed interim financial information set out on pages 2 to 12 in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed 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 condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
August 2007

Amin H Nasser
Registered Auditor Number 307

Dubai Refreshments (PSC)

Condensed interim balance sheet

	Note	30 June 2007 AED'000	31 December 2006 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		102,645	93,355
Investment property		2,744	2,800
Intangible assets		58,584	61,017
Available-for-sale financial assets		71,820	66,470
		235,793	223,642
Current assets			
Inventories		42,403	49,665
Trade and other receivables		124,094	111,014
Financial assets at fair value through profit or Loss		5,874	4,567
Cash at bank and in hand	5	1,244	2,420
		173,615	167,666
Total assets		409,408	391,308
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6	40,000	40,000
Statutory reserve	7	17,921	17,921
General reserve		7,062	7,062
Dividend equalisation reserve		31,962	31,962
Plant replacement reserve		45,200	45,200
Fair value reserve		59,205	53,855
Retained earnings		56,560	56,134
		257,910	252,134
Non-current liabilities			
Provision for employees' end of service benefits		7,910	6,939
Deferred revenue		1,716	2,321
		9,626	9,260
Current liabilities			
Trade and other payables	8	35,235	61,898
Bank overdraft	5	78,565	60,909
Bank borrowings	9	28,072	7,107
		141,872	129,914
Total liabilities		151,498	139,174
Total equity and liabilities		409,408	391,308

This condensed interim financial information was approved by the Board of Directors on August 2007 and signed on their behalf by:

……………………… ………………………

Director Director

The notes on pages 6 to 12 form an integral part of this condensed interim financial information.

Dubai Refreshments (PSC)

Condensed interim income statement

	Note	Three months ended 30 June 2007 AED'000	30 June 2006 AED'000	Six months ended 30 June 2007 AED'000	30 June 2006 AED'000
Sales		148,420	131,380	251,105	222,150
Cost of sales		(111,422)	(96,187)	(190,249)	(163,349)
Gross profit		36,998	35,193	60,856	58,801
Other operating income		303	705	606	2,930
		37,301	35,898	61,462	61,731
Expenses					
Selling and distribution		(21,985)	(21,094)	(44,355)	(39,092)
General and administration		(7,244)	(7,897)	(15,209)	(13,919)
Amortisation of intangible assets		(1,219)	(1,160)	(2,433)	(2,310)
Operating profit/(loss)		6,853	5,747	(535)	6,410
Dividend income		585	443	2,062	2,168
Other income/(expense)		1,281	(1,053)	1,437	(2,156)
Interest expense		(1,371)	(963)	(2,538)	(1,816)
Profit for the period		7,348	4,174	426	4,606
		AED	AED	AED	AED
Earnings per share					
Basic and diluted	10	18.37	10.44	1.07	11.52

The notes on pages 6 to 12 form an integral part of this condensed interim financial information.

Dubai Refreshments (PSC)

Condensed interim statement of changes in equity

	Share Capital AED'000	Statutory reserve AED'000	General reserve AED'000	Dividend equalisation reserve AED'000	Plant replacement reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2006	40,000	15,909	7,062	31,962	45,200	66,010	48,024	254,167
Profit for the period	-	-	-	-	-	-	4,606	4,606
Dividends paid	-	-	-	-	-	-	(10,000)	(10,000)
Net unrealised gains on available for sale investments	-	-	-	-	-	11,863	-	11,863
At 30 June 2006	40,000	15,909	7,062	31,962	45,200	77,873	42,630	260,636
At 1 January 2007	40,000	17,921	7,062	31,962	45,200	53,855	56,134	252,134
Profit for the period	-	-	-	-	-	-	426	426
Net unrealised gains on available for sale investments	-	-	-	-	-	5,350	-	5,350
At 30 June 2007	40,000	17,921	7,062	31,962	45,200	59,205	56,560	257,910

The notes on pages 6 to 12 form an integral part of this condensed interim financial information.

Dubai Refreshments (PSC)

Condensed interim cash flow statement

	Note	1 January to 30 June 2007 AED'000	1 January to 30 June 2006 AED'000
Operating activities			
Net profit for the period		426	4,606
Adjustments for:			
Depreciation/amortisation		11,319	9,817
(Profit) on sale of property, plant and equipment		-	(38)
Provision for employees' end of service benefits		1,282	876
Provision for impairment of receivables		500	400
Transfer from deferred revenue		(606)	(738)
Fair value (gain)/loss on financial assets at fair value through profit or loss		(1,306)	2,558
Dividend income		(2,062)	(2,168)
Interest expense		2,538	1,816
Amortisation of intangible assets		2,433	2,400
Operating cash flows before changes in working capital and payment of employees' end of service benefits		14,524	19,529
Changes in working capital:			
Inventories		7,262	(11,531)
Trade and other receivables before movement in provision		(13,580)	(30,776)
Trade and other payables		(26,663)	(11,685)
Payment of employees' end of service benefits		(311)	(414)
Net cash use in operating activities		(18,768)	(34,877)
Investing activities			
Acquisition	11	-	(27,000)
Purchase of property, plant and equipment	3	(20,526)	(9,190)
Additions to investment property		(27)	-
Purchase of intangible assets		-	(98)
Purchase of financial assets at fair value through profit or loss		-	(1,855)
Proceeds from disposal of property, plant and equipment		-	102
Dividend received		2,062	2,168
Net cash use in investing activities		(18,491)	(35,873)
Financing activities			
Bank borrowings		20,965	-
Dividend paid		-	(10,000)
Interest paid		(2,538)	(1,816)
Directors' fees paid		-	(900)
Net cash provided by/(used in) financing activities		18,427	(12,716)
Net decrease in cash and cash equivalents		(18,832)	(83,466)
Cash and cash equivalents, beginning of the period		(58,489)	13,663
Cash and cash equivalents, end of the period	5	(77,321)	(69,803)

The notes on pages 6 to 12 form an integral part of this condensed interim financial information.

Notes to the condensed interim financial information for the six month period ended 30 June 2007

1 Establishment and operations

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

The Company is engaged in bottling and selling Pepsi Cola International products in Dubai, Sharjah and the other Northern Emirates. The Company owns 7Up and Aquafina bottling and selling rights for the whole of the UAE.

The Company is listed on the Dubai Financial Market.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this condensed interim financial information are as follows:

2.1 Basis of preparation

The condensed interim financial information is prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The accounting policies applied in the preparation of the condensed interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2006.

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

This condensed interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2006.

Interpretations and amendments to published standards effective in 2007

Management has assessed the relevance of the interpretations and amendments to published standards effective from 1 January 2007 with respect to the Company's operations and concluded that they are either not relevant to the Company or do not have any significant impact on it's financial position or the result of its operations except as follows:

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2007 (continued)

IFRS 7 – Financial Instruments: Disclosures, and a complementary amendment to International Accounting Standard ("IAS") 1, Presentation of Financial Statements – Capital Disclosures (effective 1 January 2007). IFRS 7 requires disclosures relating to the nature and risks arising from financial instruments. The Company has assessed the impact of IFRS 7 and the amendments to IAS 1 and has concluded that additional disclosures of significance will be required in respect of terms and conditions of pledges on financial assets, concentration of risk on financial instruments, maturity analysis of the financial liabilities and sensitivity analysis to market risk and the disclosures required by the amendments to IAS 1 relating to management of capital.

The application of IFRS 7 and IAS 1 will be reflected in the Company's financial statements for the year ending 31 December 2007.

2.2 Dividend income

Dividend income is recognised when the dividend is declared and the right to receive it is established.

2.3 Business combination

The purchase method of accounting is used to account for acquisitions made by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets including intangible assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

2.4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition. Goodwill on acquisition is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

3 Capital expenditures

The Company has incurred capital expenditures as follows:

	1 January to 30 June 2007 AED'000	1 January to 30 June 2006 AED'000
Buildings	1,840	9,206
Plant machinery and equipment	1,711	20,360
Motor vehicles	266	406
Coolers	1,183	5,818
Furniture and fixtures	91	400
Capital work in progress	15,435	-
	20,526	36,190

4 Segment reporting

The Company operates in one business segment of canning, bottling, distribution, and trading in soft drinks and related beverage products in the United Arab Emirates. All the relevant information relating to the primary segment is disclosed in the condensed interim balance sheet, condensed interim income statement and notes to the condensed interim financial information.

5 Cash and cash equivalents

	30 June 2007 AED'000	31 December 2006 AED'000
Cash at bank	657	1,537
Cash in hand	587	883
Cash at bank and in hand	1,244	2,420
Less: Bank overdraft	(78,565)	(60,909)
Cash and cash equivalents	(77,321)	(58,489)

The bank balances are maintained with local commercial banks. At 30 June 2007 the overdraft carried an interest rate of 1 Month EBOR + 1% per annum. The effective interest ranged between 5% - 6.25% per annum.

6 Share capital

	30 June 2007 AED'000	31 December 2006 AED'000
Authorised, issued and fully paid		
400,000 shares (2006: 400,000) of AED 100 each	40,000	40,000

At an extraordinary general meeting held on 28 June 2007, the shareholders approved an increase in authorised share capital from AED 40,000,000 to AED 50,000,000 and a share split of 1:100. In the meeting the bonus issue of 10,000,000 shares of AED 1 each, following the share split, was also approved. The increase in authorised share capital and the split of shares along with the bonus issue took place subsequent to the year end.

7 Statutory reserve

In accordance with Article 192 of the UAE Commercial Companies Law of 1984, as amended, and the Company's articles of association, 10% of the net profit for each year is required to be transferred to a statutory reserve until the statutory reserve reaches 50% of the paid up share capital. No allocation to statutory reserve has been made for the period ended 30 June 2007 as this would be affected at the year-end based on the Company's results for the year ending 31 December 2007.

8 Trade and other payables

	30 June 2007 AED'000	31 December 2006 AED'000
Trade payables	25,871	49,678
Accrued expenses	3,678	4,668
Accrued staff benefits	3,693	4,749
Due to directors	-	900
Other payables	1,993	1,903
	35,235	61,898

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Notes to the condensed interim financial information for the six month period ended 30 June 2007 (continued)

9 Bank borrowings

At 30 June 2007, the bank borrowings comprised of trust receipts, which carried interest ranging between 6.00% - 6.50% per annum.

10 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period (30 June 2007: 400,000 shares; 30 June 2006: 400,000 shares). There are no dilutive instruments outstanding at the period end.

11 Acquisition

During the period ended 30 June 2006, the Company acquired a water bottling plant along with all the related facilities, for its existing Aquafina brand. The purchase consideration of AED 27 million has been allocated as follows:

	31 December 2006 AED'000
Property, plant and equipment	19,570
Intangible assets	2,157
Goodwill	5,273
Purchase consideration paid in cash	27,000

12 Related party transactions and balances

Related parties comprise shareholders, directors and any businesses that are controlled, directly or indirectly, by the directors of the Company (hereinafter referred to as "affiliates").

During the period the Company entered into the following significant transactions with related parties in the ordinary course of business. These transactions were carried out at prices and on terms applicable to non-related parties for similar transactions.

Notes to the condensed interim financial information for the six month period ended 30 June 2007 (continued)

12 Related party transactions and balances (continued)

	1 January to 30 June 2007 AED'000	1 January to 30 June 2006 AED'000
Key management remuneration	4,114	2,918
Sales to affiliates		
Oman Refreshments Company Limited	9,320	5,031

Purchases from affiliates

	1 January to 30 June 2007 AED'000	1 January to 30 June 2006 AED'000
Al Tajir Glass Industry	10,760	10,981
National Refreshments Company (LLC)	4,371	3,348
Al Yousuf Motors	197	102
Nasser Bin A A Al Serkal	124	165
Genavco	60	25
	15,512	14,621

	30 June 2007 AED'000	31 December 2006 AED'000
Due from related parties		
Oman Refreshments Company Limited	3,683	2,445

Balances due from related parties are included in trade and other receivables.

	30 June 2007	31 December 2006
Due to related parties in respect of purchases		
Al Tajir Glass Industry	1,042	717
National Refreshments Company (LLC)	721	778
Al Yousuf Motors	187	484
Nasser Bin A A Al Serkal	113	38
Genavco	60	1
	2,123	2,018

Balances due to related parties are included in trade and other payables.

Dubai Refreshments (PSC)

Notes to the condensed interim financial information for the six month period ended 30 June 2007 (continued)

13 Commitments

13.1 Capital commitments

The directors have authorised future capital expenditure amounting to AED 20,514,000 as at 30 June 2007(31 December 2006: AED 57,500,000).

13.2 Operating lease commitment

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

	30 June 2007 AED'000	31 December 2006 AED'000
Not later than 1 year	490	870
Later than 1 year and not later than 5 years	1,704	1,704
Later than 5 years	4,180	4,180
	6,374	6,754

13.3 Operational commitment

Letters of credit issued in the normal course of business	24,220	-