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

Review report and interim financial information for the three months period ended 31 March 2024

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 2024, and the related condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended. 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.)

Firas Anabtawi
Registration No. 5482
13 May 2024
Dubai
United Arab Emirates

Condensed statement of financial position as at 31 March 2024

	Notes	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	**530,818**	536,410
Investment property		**14,946**	14,946
Right-of-use assets		**76,225**	79,149
Intangible assets		**3,731**	3,995
Investment in financial assets	5	**94,959**	94,952
Total non-current assets		**720,679**	729,452
Current assets			
Inventories		**98,032**	75,175
Trade and other receivables		**228,108**	218,041
Cash and bank balances	6	**529,301**	557,714
Total current assets		**855,441**	850,930
Total assets		**1,576,120**	1,580,382
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		**63,876**	63,869
Cash flow hedge reserve		**309**	1,062
Retained earnings		**171,755**	435,097
Total equity		**989,341**	1,253,429
Non-current liabilities			
Employees' end of service benefits		**34,007**	33,512
Lease liabilities- non-current portion		**75,624**	80,287
Total non-current liabilities		**109,631**	113,799
Current liabilities			
Trade and other payables		**177,983**	203,925
Dividend payable	7	**288,000**	-
Lease liabilities - current portion		**11,165**	9,229
Total current liabilities		**477,148**	213,154
Total liabilities		**586,779**	326,953
Total equity and liabilities		**1,576,120**	1,580,382

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. Nawwaf Ghubash Ahmed Ghubash Al Marri
Director

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

Condensed statement of profit or loss (unaudited)
for the three months period ended 31 March 2024

	Notes	Three months period ended 31 March	
		2024	2023
		AED'000	AED'000
		(Unaudited)	(Unaudited)
Revenue	10	**167,448**	168,361
Cost of sales		**(110,352)**	(108,811)
Gross profit		**57,096**	59,550
Other operating income		**2,255**	1,760
Selling and distribution expenses		**(26,935)**	(25,881)
General and administrative expenses		**(14,673)**	(13,625)
Amortisation of intangible assets		**(264)**	(1,022)
Operating income		**17,479**	20,782
Finance income, net		**6,234**	1,669
Lease interest costs		**(825)**	(884)
Dividend income		**2,713**	4,069
Other income		**2,558**	634
Profit for the period before tax		**28,159**	26,270
Corporate tax	14	**(2,501)**	**-**
Profit for the period after tax		**25,658**	26,270
Earnings per share in AED	8	**0.27**	0.29

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

Condensed statement of comprehensive income (unaudited) for the three months period ended 31 March 2024

	Three months period ended 31 March	
	2024	2023
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Profit for the period after tax	**25,658**	26,270
Other comprehensive (loss) /income		
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of investment in equity instrument designated as at FVOCI	**7**	(20,692)
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods:		
Change in fair value of cash flow hedges	**(753)**	98
Total other comprehensive loss	**(746)**	(20,594)
Total comprehensive income for the period	**24,912**	5,676

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

Condensed statement of changes in equity
for the three months period ended 31 March 2024

	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 2023 (audited)	**90,000**	**45,000**	**618,401**	**81,172**	**252**	**140,522**	**975,347**
Profit for the period	-	-	-	-	-	26,270	26,270
Other comprehensive income/(loss)	-	-	-	(20,692)	98	-	(20,594)
Total comprehensive income/(loss) for the period	-	-	-	(20,692)	98	26,270	5,676
Dividend declared (Note 7)	-	-	-	-	-	(63,000)	(63,000)
At 31 March 2023 (unaudited)	**90,000**	**45,000**	**618,401**	**60,480**	**350**	**103,792**	**918,023**
At 1 January 2024 (audited)	**90,000**	**45,000**	**618,401**	**63,869**	**1,062**	**435,097**	**1,253,429**
Profit for the period	-	-	-	-	-	25,658	25,658
Other comprehensive income/(loss)	-	-	-	7	(753)	-	(746)
Total comprehensive income/(loss) for the period	-	-	-	7	(753)	25,658	24,912
Dividend declared (Note 7)	-	-	-	-	-	(288,000)	(288,000)
Director Fees	-	-	-	-	-	(1,000)	(1,000)
At 31 March 2024 (unaudited)	**90,000**	**45,000**	**618,401**	**63,876**	**309**	**171,755**	**989,341**

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

Condensed statement of cash flows (unaudited)
for the three months period ended 31 March 2024

	Three months period ended 31 March	
	2024	2023
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit for the period before tax	**28,159**	26,270
Adjustments for:		
Depreciation on property, plant and equipment	**10,058**	9,923
Depreciation on right-of-use assets	**3,523**	3,458
Amortisation of intangible assets	**264**	1,022
Finance income, net	**(6,234)**	(1,669)
(Gain)/loss on sale of property, plant and equipment	**(24)**	151
Interest expense on lease	**825**	775
Dividend income	**(2,713)**	(4,069)
Provision for employees' end of service benefits	**789**	959
Operating cash flows before changes in operating assets and liabilities	**34,647**	36,820
Increase in inventories	**(22,857)**	(29,620)
Increase in trade and other receivables	**(4,909)**	(19,651)
Decrease in trade and other payables	**(24,243)**	(10,845)
Cash used in operations	**(17,362)**	(23,296)
Employees' end of service benefits paid	**(294)**	(269)
Net cash used in operating activities	**(17,656)**	(23,565)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,466)**	(4,329)
Purchase of intangible assets	**-**	(12)
Proceeds from disposal of property, plant and equipment	**24**	578
Finance income net	**3,036**	1,674
Increase in bank deposits	**(12,059)**	-
Net cash used in investing activities	**(13,465)**	(2,089)
Cash flows from financing activities		
Director fees paid	**(5,200)**	(4,200)
Finance expense, paid	**-**	(5)
Lease payments	**(4,151)**	(3,971)
Net cash used in financing activities	**(9,351)**	(8,176)
Net decrease in cash and cash equivalents	**(40,472)**	(33,830)
Cash and cash equivalents at beginning of the period	**406,287**	254,331
Cash and cash equivalents at 31 March (Note 6)	**365,815**	220,501

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

Notes to the interim financial information
for the three months period ended 31 March 2024

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 2024 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 2023.

In addition, results for the three months period ended 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

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.

Except as described in below, the accounting policies applied in this condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2023.

Corporate Income Tax

Corporate income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The change of the accounting policy will also be reflected in the Company's financial statements as at and for the year ending 31 December 2024.

2.2 New standards, amendments and interpretations

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2024.

- Amendments to IAS 1 Presentation of Financial Statements relating to classification of Liabilities as Current or Non-Current;
- Amendments to IFRS 16 Lease liability in sale and lease back; and
- Amendments to IAS 7 and IFRS 7 Supplier finance arrangements.

Notes to the interim financial information
for the three months period ended 31 March 2024 (continued)

2. Basis of preparation and accounting policies (continued)

2.2 New standards, amendments and interpretations (continued)

(b) New standards and amendments issued but not yet effective

The Company has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

New and revised IFRS Accounting Standards	***Effective for annual periods beginning on or after***
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investment In Associate and Joint ventures* relating to treatment of sale or contribution of assets from investors.	Effective date deferred indefinitely.
Amendments to IAS 21 *Lack of Exchangeability*	Effective 1 January 2025.
IFRS 18 *Presentation and Disclosure Financial Statements Issued*	Effective 1 January 2027

The above stated new standards and amendments assessment are under process by the Company. However, they are not expected to have any significant impact on condensed financial information of the Company.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the condensed financial information of the Company.

2.3 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 2023.

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 period ended 31 March 2024, revenue from customers located in the Company's country of domicile (UAE) is AED 149,762 thousand (period ended 31 March 2023: AED 147,291 thousand) and revenue from customers outside UAE (foreign customers) is AED 17,686 thousand (period ended 31 March 2023: AED 21,070 thousand).

3. Operating segment information (continued)

b) Major customers

During the period ended 31 March 2024 and 31 March 2023, there were no customer 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 2024, the additions to property, plant and equipment amounted to AED 4,466 thousand (period ended 31 March 2023: AED 4,329 thousand).

Depreciation for the period ended 31 March 2024 amounting to AED 10,058 thousand (period ended 31 March 2023: AED 9,923 thousand).

During the period ended 31 March 2024, the Company transferred assets amounting to AED Nil (2023: AED 867 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 2024, assets with a net carrying value of AED Nil (period ended 31 March 2023: AED 729 thousand) were disposed of by the Company resulting in a gain of AED 24 thousand (loss - period ended 31 March 2023: AED 151 thousand).

5. Investment in financial assets

Investment in equity instruments designated at FVOCI	**31 March 2024 AED'000 (unaudited)**	31 December 2023 AED'000 (audited)
Balance at the beginning of the year	**94,952**	112,255
Change in fair value for the period/year	**7**	(17,303)
Balance at the end of the period/year	**94,959**	94,952

6. Cash and Bank balances

Cash and bank balances comprise the following:

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Cash at bank and on hand	**54,813**	83,852
Bank deposits	**474,488**	473,862
	529,301	557,714
Less: Bank deposits with maturity of more than 3 months	**(163,486)**	(151,427)
Cash and cash equivalents	**365,815**	406,287

Notes to the interim financial information
for the three months period ended 31 March 2024 (continued)

7. Dividends

During the Annual General Meeting held on 27th March 2024, the shareholders approved a cash dividend of AED 0.80 per share totaling to AED 72 million relating to 2023 (period ended 31 March 2023: AED 0.70 per share totaling to AED 63 million relating to 2022). Further, in addition to above, the shareholders approved a one-time special cash dividend of AED 2.4 per share totalling to AED 216 million as a result of the sale of Al Quoz property during 2023, out of which AED 108 million have been subsequently paid to shareholders in April 2024 in accordance with SCA regulations. The remaining balance of AED 108 million will be paid in October 2024 through a Board of Directors' resolution to the eligible shareholders in accordance with SCA regulations.

8. Basic earnings per share

Basic and diluted earnings per share is calculated by dividing the profit after tax for the period attributable to the shareholders of the Company, net of directors' fees 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 months period ended 31 March	
	2024 (Unaudited)	2023 (Unaudited)
Profit for the period, net of directors' fee (AED'000)	**24,658**	26,270
Weighted average number of ordinary shares ('000)	**90,000**	90,000
Earnings per ordinary share - Basic and diluted (AED)	**0.27**	0.29

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-relate parties.

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

	Three months period ended 31 March	
	2024 AED'000 (Unaudited)	2023 AED'000 (Unaudited)
Sales to a related party	**-**	1,310
Purchase from a related party	**4,911**	896

Notes to the interim financial information
for the three months period ended 31 March 2024 (continued)

9. Related party transactions and balances (continued)

Compensation of key management personnel

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

	Three months period ended 31 March	
	2024	2023
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Short-term benefits	**2,921**	3,207
Employees' end of service benefits	**125**	347
Director's remuneration	**1,000**	-
Director's sitting fee	**120**	80
	4,166	3,634

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

	31 March 2024	31 December 2023
	AED'000	AED'000
	(Unaudited)	(Audited)
Due from a related party		
Other related party (included in trade and other receivables)		
Oman Refreshments Company Limited	**-**	298
Due to a related party		
Other related party (included in trade and other payables)		
Oman Refreshments Company Limited	**4,510**	1,240

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.

Notes to the interim financial information
for the three months period ended 31 March 2024 (continued)

10. Revenue

	Three months period ended 31 March	
	2024	2023
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Local sales		
Long term contracts	**114,482**	104,290
Transaction based contracts	**35,280**	43,001
	149,762	147,291
Export sales		
Long term contracts	**4,931**	5,363
Transaction based contracts	**12,755**	15,707
	17,686	21,070
Total revenue	**167,448**	168,361

11. Profit for the period after tax

The profit for the period after tax is stated after charging:

	Three months period ended 31 March	
	2024	2023
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Staff cost	**27,598**	24,391
Depreciation expense	**13,581**	13,381

12. Contingencies and capital commitments

	31 March 2024	31 December 2023
	AED'000	AED'000
	(unaudited)	(audited)
Bank guarantees	**1,823**	1,823

Notes to the interim financial information
for the three months period ended 31 March 2024 (continued)

13. 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 in equity instruments designated as at FVOCI. 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 based on observable market data.

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 2024 (unaudited)				
Investment in financial assets				
Quoted equity investments - FVTOCI (Note 5)	**94,959**	**94,959**	-	-
Positive fair value of derivatives - held as cash flow hedge	**309**	-	**309**	-
31 December 2023 (audited)				
Investment in financial assets				
Quoted equity investments - FVTOCI (Note 5)	94,952	94,952	-	-
Positive fair value of derivatives - held as cash flow hedge	1,062	-	1,062	-

14. Corporate tax law

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023. As the Company’s accounting year ends on 31 December, the first tax period will be the period from 1 January 2024 to 31 December 2024, with the respective tax return to be filed on or before 30 September 2025.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by way of a Cabinet Decision.

The tax charge for period ended 31 March 2024 is AED 2,501 thousand (31 March 2023: AED Nil thousand), representing an Effective Tax Rate (“ETR”) of 8.88% (31 March 2023: Nil %). The delta in the ETR period-on-period is due to the new corporate tax CT regime that has become effective for accounting periods beginning on or after 1 June 2023. The ETR incorporates tax rates of the UAE.

15. Seasonality of results

No income of seasonal nature was recorded in the condensed financial statements for the three months period ended 31 March 2024 and 2023.

16. Approval of interim financial information

The interim financial information was approved by the Board of Directors and authorised for issue on 13 May 2024.