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GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. (PLC) AJMAN -U.A.E.

INDEPENDEDNT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. (PLC)
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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gulfa غلفا
gulfa mineral water
& Processing Industries Co., (PLC)
شركة غلفا للمياه المعدنية
والصناعات التحويلية (ش.م.ع.)

7 FEB-2008

DIRECTORS REPORT

For the financial year ended December 31, 2007

Dear Shareholders,

The Board of Directors of GULFA MINERAL WATER & PROCESSING INDUSTRIES CO. PLC (the 'Company') has the pleasure in submitting the balance sheet of the Company as of December 31, 2007, and the related statements of income, changes in shareholder's equity and cash flows for the year ended December 31, 2007.

SALES

The Company has achieved a sales volume of 4.783 million cartons during 2007 comparing to 5.455 million cartons in 2006. This was due to the high competition in the market; moreover a high portion of the consumers shifted towards purchase of 5 gallon bottles instead of PET as the 5 gallons is cheaper.

The Company has reported sales of AED 41.4 million during 2007 against AED 41.7 million during 2006 and the difference was due to the decrease in sales volume comparing to the previous year.

COST OF SALES

There is an obvious decrease in the percentage of cost of sales to the net sales by 5% from previous year, and this was mainly due to:

- Decrease in sales discount by approximately 2.6%
- Decrease in percentage of raw material to net sales by 5.8%
- Decrease in percentage of depreciation to net sales by 1%

COMPANY RESULTS

The Company has reported a net profit of AED 2.3 million in Year 2007 compared to the profits of year 2006 which was AED 219 thousand; this is after deducting the concession fee. This progress was attained as the Company began direct distribution in the market and saved in raw materials and depreciations.

The Board of Directors also wishes to express its gratitude and appreciation to His Highness, Sheikh Hemaid Bin Rashid Al-Neaimey, Member of the Supreme Council, Ruler of Ajman, for his support towards the Company.

Finally, we thank the entire Staff of the Company for their efforts in accomplishing and achieving the Company goal.

On behalf of the Board

Saif Rashid Hamer Ain
Chairman

www.gulfa.net
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MAZARS

مـــزارز محـــاســـبـــون قـــانـــونـــيـــون
MAZARS CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Gulfa Mineral Water and Processing Industries Co. (PLC),
Ajman

We have audited the accompanying financial statements of **Gulfa Mineral Water and Processing Industries Co. (PLC)** - a public shareholding company registered in Ajman, **(the "Company")**, which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set put on pages 4 to 20.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to **the Company's** preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **the Company's** internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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البريد الالكتروني mazars@emirates.net.ae

MAZARS

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **Gulfa Mineral Water and Processing Industries Co. (PLC)** as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 8 to the financial statements. **The Company** has incurred expenses of AED 9,982,883 which were recharged to related parties during the year, representing their share in setting up a new distribution division.

Other Matters

Also, in our opinion, **the Company** has maintained proper books of accounts and the physical inventory was properly conducted. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there was no contraventions during the year of the UAE Federal Commercial Companies Law No. 8 of 1984, as amended, or the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations.

MAZARS مـــزارز
محـاسبـون قـانـونـيـون
CHARTERED ACCOUNTANTS

MAZARS
Chartered Accountants
Date : Ajman, February 7, 2008

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. (PLC)
BALANCE SHEET
DECEMBER 31, 2007

	Note	December 31, 2007 AED	December 31, 2006 AED
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	[2.c] & [4]	5,054,559	10,846,968
Trade receivable - net	[5]	8,634,265	7,353,085
Inventories - net	[2.f] & [6]	7,496,490	5,726,593
Other current assets	[7]	3,370,768	424,660
Due from related parties	[8]	1,806,105	3,479,910
Total Current Assets		26,362,187	27,831,216
NON-CURRENT ASSETS			
Property, plant, vehicles and equipment	[2.g] & [9]	24,699,067	6,625,375
TOTAL ASSETS		51,061,254	34,456,591
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payable		8,472,766	7,111,850
Bank loan - current		1,000,000	---
Other payables and provisions		2,650,446	2,938,979
Dividends payable		178,574	186,929
Due to related parties	[8]	1,069,103	1,259,420
Ajman government provision (concession fee)	[11]	1,012,500	337,500
Total Current Liabilities		14,383,389	11,834,678
NON-CURRENT LIABILITIES			
Bank loan - non-current	[12]	9,000,000	---
Provision for employees' end of service indemnity	[2.i] & [13]	3,254,406	2,458,098
Total non-current liabilities		12,254,406	2,458,098
TOTAL LIABILITIES		26,637,795	14,292,776
SHAREHOLDERS' EQUITY			
Total subscribed capital	[14]	25,000,000	23,040,476
Statutory reserve	[2.j]	2,971,048	2,741,036
Voluntary reserve	[2.k]	767,937	767,937
Accumulated losses		(4,315,526)	(6,385,634)
Net shareholders' equity		24,423,459	20,163,815
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		51,061,254	34,456,591

We approve these financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgments underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation.

These financial statements were approved by the board of directors on February 7, 2008 and signed on their behalf by:

Mr. Ziad A. Abdul Rehim
Deputy Managing Director

Mr. Khalid Omar
Deputy General Manager

The notes on pages 8 to 20 form part of these financial statements.
The report of the Independent Auditor is set out on page 2 and 3.

GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. (PLC)
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 AED	2006 AED
Gross sales		41,427,340	41,785,872
Less: Sales discounts	[2.e]	(2,328,580)	(2,740,679)
Sales - net		39,098,760	39,045,193
Cost of sales		(31,495,074)	(33,886,306)
Gross Operating Profit		**7,603,686**	**5,158,887**
Other income	[2.e] & [15]	1,413,933	1,444,484
Gross Profit		**9,017,619**	**6,603,371**
General and administrative expenses		(3,683,102)	(2,811,902)
Selling, marketing and advertising expenses		(1,977,724)	(2,472,217)
Finance costs		(381,673)	(119,913)
Concession fees for Ajman Government	[11]	(675,000)	(675,000)
Loss on redemption of available for sale investments		---	(304,979)
Profit for the year	[16]	**2,300,120**	**219,360**
Earning per share	[17]	**0.08**	**0.01**

The notes on pages 8 to 20 form part of these financial statements.
The report of the Independent Auditor is set out on page 2 and 3.

GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. (PLC)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007

	Authorized and Fully Paid Share Capital AED	Statutory Reserve AED	Voluntary Reserve AED	Fair Value Adjustment Reserve AED	Accumulated Losses AED	Total AED
Balance at January 1, 2006	13,357,820	2,719,100	767,937	(29,704)	(6,583,058)	10,232,095
Capital subscribed during the year	9,682,656	---	---	---	---	9,682,656
Net profit for the year	---	---	---	---	219,360	219,360
Movements during the year	---	21,936	---	29,704	(21,936)	29,704
Balance at January 1, 2007	**23,040,476**	**2,741,036**	**767,937**	**-**	**(6,385,634)**	**20,163,815**
Capital subscribed during the year	1,959,524	---	---	---	---	1,959,524
Net profit for the year	---	---	---	---	2,300,120	2,300,120
Movements during the year	---	230,012	---	---	(230,012)	---
Balance at December 31, 2007	**25,000,000**	**2,971,048**	**767,937**	**---**	**(4,315,526)**	**24,423,459**

The notes on pages 8 to 20 form part of these financial statements.
The report of the Independent Auditor is set out on page 2 and 3.

GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. (PLC)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 AED	2006 AED
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,300,120	219,360
Adjustments for:			
Depreciation		2,335,778	2,012,098
Allowances for doubtful debts		113,670	---
Allowances for slow moving inventories		155,000	---
Write off of allowances for doubtful debts		(8,968)	-700,000
Write off of allowances for slow moving inventories		(144,041)	
Profit on sale of vehicles		(25,000)	---
Provision for employees' terminal benefits		697,548	296,390
Loss on redemption of investment		---	304,979
Write back of provisions		---	1,300,000
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		5,424,107	3,432,825
(Increase) in trade receivable		(1,385,882)	(3,340,017)
(Increase) / decrease in inventories		(1,780,856)	935,689
(Increase) in other current assets		(2,654,072)	(120,857)
Decrease / (increase) in due from related parties		1,004,147	(95,903)
Increase / (decrease) in trade payable		1,360,916	(1,130,093)
Increase / (decrease) in other payables and provisions		292,602	(1,552,785)
(Decrease) / increase in due to related parties		(190,317)	683,973
Write back of provisions		---	(1,300,000)
CASH FLOWS (USED IN) OPERATING ACTIVITIES		2,070,645	(2,487,170)
Payments of employees end of service indemnity		(378,493)	(286,356)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		1,692,152	(2,773,526)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, plant, vehicles and Equipment		(19,460,730)	(1,381,760)
Proceeds from sale of vehicles		25,000	---
Redemption proceeds of available for sale of investment		---	2,695,021
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(19,435,730)	1,313,261
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from bank borrowings		10,000,000	---
Dividend paid		(8,355)	(4,100)
Proceed from the issuance of share capital		1,959,524	9,682,656
NET CASH FLOWS GENERATED FROM / (USED IN) FINANCING ACTIVITIES		11,951,169	9,678,556
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(5,792,409)	8,218,291
CASH AND CASH EQUIVALENTS	[2.e] & [4]		
At the beginning of the year		10,846,968	2,628,677
At the end of the year		5,054,559	10,846,968

Non-cash transaction:
The company has integrated in its books the following non cash transaction from a related party.

	DR. / (CR.) AED
Property, plant and equipment (net book value)	948,740
Prepayments	292,036
Employees' end of service indemnity	(477,253)
Accruals	(93,865)

The notes on pages 8 to 20 form part of these financial statements.
The report of the Independent Auditor is set out on page 2 and 3.

1. Status and Principal Activities:

1.1 **Gulfa Mineral Water and Processing Industries Co. (PLC)** – is a public shareholding company - (the "**Company**") established in Ajman by an Emiri decree number 13 issued by H.H. The Ruler of Ajman on March 28, 1977. **The Company** started operations on May 24, 1977. **The Company** has fulfilled all the requirements of the commercial federal law number 8 of 1984 and its subsequent amendments as per the decision of the Annual General Meeting ("AGM") in its extra - ordinary meeting held on February 20, 1993.

The Company owns and manages "Gulfa Mineral Water Plant" in Masfout –Ajman. It's main activities extends to the establishment of plants for production and bottling of mineral water, juices, soft drinks, food stuff, in addition to marketing the products of such plants.

1.2. **Adoption of new and revised standards**

In the current year, **The Company** has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding **the Company's** financial instruments and management of capital (see note 19).

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any changes in **the Company's** accounting policies.

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of **the Company**.

2. Significant Accounting Policies:

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards. These financial statements are presented in Arab Emirates Dirham (AED) since this is the currency of the country in which **the Company** is domiciled.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis.

c. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, banks' current accounts, call and short term deposits, free of encumbrance, with a maturity date of three months or less from the date of deposit.

d. ***Foreign currencies***

Transactions in foreign currencies are translated into Arab Emirates Dirham at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Arab Emirates Dirham at the rate of exchange prevailing at that date. Gains or losses resulting from foreign currency transactions are included in the statement of income

e. ***Revenue recognition***

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- **The Company** has transferred to the buyer the significant risks and rewards of ownership of the goods.
- **The Company** retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefit associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

f. ***Inventories***

- The inventory of finished products of bottled water is valued at the lower of production cost and the net realizable value. Net realizable value presents the estimated selling price of inventories less all estimated cost of completion and costs necessary to make the sale.
- The raw materials and spare parts are valued at the weighted average cost.

g. ***Property, plant, vehicles, equipment and depreciation***

Property, plant, vehicles and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on straight line basis to write off the cost of the property, plant, vehicles and equipment over their estimated useful lives. During the year 2005, **the Company** has increased the expected useful life for both buildings and motor vehicles from 10 to 20 years and 3 to 4 years respectively. The estimated useful lives are as follows:

	Estimated Useful Lives
Buildings	20 years
Machinery and equipments	5 - 7 years
Furniture, fixtures and others	4 - 5 years
Motor vehicles *	4 - 5 years

* Effective January 1, 2007, **the Company** has changed the estimated useful life of its motor vehicle from four to five years. The new useful life will be applied on the acquisitions made after January 1, 2007.

3. Critical Accounting Judgment And Key Sources Of Estimation Uncertainty :

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities and that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(3.a) Key sources of estimating uncertainty

The following are the key assumptions concerning the future, and other key sources of estimating uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- ***Allowances for doubtful debts on trade receivables***
  Allowance for doubtful debts is determined using a combination of factors, including the overall quality and ageing of receivables and collateral requirements from customers in certain circumstances. Management makes allowance for doubtful debts based on its best estimates at the balance sheet date.

- ***Allowances for inventory obsolescence***
  Allowance for obsolete inventory is determined using a combination of factors, including the overall quality, saleability and ageing of inventories. Management makes allowance for inventory obsolescence based on its best estimates at the balance sheet date.

- ***Useful life of property , plant, vehicles and equipment***
  Property, plant, vehicles and equipment are depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear which are dependent on operational factors. Management has not considered any residual value as it is deemed immaterial.

4. Cash and Cash Equivalents :

Cash and cash equivalents consist of the following:

	December 31, 2007 AED	December 31, 2006 AED
Cash at banks – current account	3,997,087	99,879
Cash at banks – call and short term deposits	1,057,472	10,747,089
Total	**5,054,559**	**10,846,968**

5. Trade Receivable:

The trade receivable consists of the following:

	December 31, 2007 AED	December 31, 2006 AED
Trade receivable	8,938,967	7,553,085
Less: Allowance for doubtful debts	(304,702)	(200,000)
Total	**8,634,265**	**7,353,085**

The changes in allowance for bad and doubtful debts are as follows:

At the beginning of the year	200,000	900,000
Provided during the year	113,670	---
Written off during the year	(8,968)	(700,000)
At the end of the year	304,702	200,000

6. Inventories:

	December 31, 2007 AED	December 31, 2006 AED
Raw materials	5,640,124	4,141,688
Finished products	628,278	398,016
Spare parts	1,573,379	1,521,221
	7,841,781	6,060,925
Less: Allowance for slow moving inventories	(345,291)	(334,332)
Total	**7,496,490**	**5,726,593**

The changes in allowance for slow moving inventories are as follows:

At the beginning of the year	334,332	334,332
Provided during the year	155,000	---
Written off during the year	(144,041)	---
At the end of the year	345,291	334,332

9. Property, plant, vehicles and equipment :

	Land	Buildings	Machinery and Equipment	Furniture Fixtures and Others	Motor Vehicles	Assets to be deployed	Total
	AED	AED	AED	AED	AED	AED	AED
COST							
Balance at January 1, 2005	243,000	12,872,304	29,410,770	2,253,907	595,250	271,118	45,646,349
Additions during the year	---	30,069	272,752	953,939	125,000	---	1,381,760
Transfers	---	146,251	---	---	---	(146,251)	---
Balance at January 1, 2006	243,000	13,048,624	29,683,522	3,207,846	720,250	124,867	47,028,109
Transferred from a related party (note 8)	---	---	---	30,221	918,519	---	948,740
Additions during the year	---	---	1,255,261	1,160,123	3,529,400	13,515,946	19,460,730
Disposal during the year	---	---	---	---	(78,500)	---	(78,500)
Balance at December 31, 2007	243,000	13,048,624	30,938,783	4,398,190	5,089,669	13,640,813	67,359,079
DEPRECIATION							
Balance at January 1, 2005	---	(9,950,078)	(26,260,251)	(1,708,464)	(471,845)	---	(38,390,638)
Charges for the year	---	(357,973)	(1,167,540)	(388,787)	(97,796)	---	(2,012,096)
Balance at January 1, 2006	---	(10,308,051)	(27,427,791)	(2,097,251)	(569,641)	---	(40,402,734)
Charges for the year	---	(382,858)	(669,270)	(475,947)	(807,703)	---	(2,335,778)
Adjustment related to Disposal	---	---	---	---	78,500	---	78,500
Balance at December 31, 2007	---	(10,690,909)	(28,097,061)	(2,573,198)	(1,298,844)	---	(42,660,012)
NET BOOK VALUE							
Balance at December 31, 2007	243,000	2,357,715	2,841,722	1,824,992	3,790,825	13,640,813	24,699,067
Balance at December 31, 2006	243,000	2,740,573	2,255,731	1,110,595	150,609	124,867	6,625,375

10. **Bank Borrowings**

As at December 31, 2007, the Company did not utilize any of the granted facilities amounting to AED 9,000,000.

The above facility is secured by Kuwait Food Company – Americana, Head Office, Kuwait, the Parent Company, equivalent to its stake of participation in the Company.

11. **Ajman Government Provision (Concession Fees):**

In accordance with a letter dated September 17, 2004, received from the Ruler's Court of Ajman, The Ajman Government agreed to receive a sum of AED 675,000 (AED Six hundred seventy five thousand only) as an annual concession fee from the Company for a period of six years effective January 1, 2004 to December 31, 2009. The unpaid concession fee to Ajman Government as of December 31, 2007, is AED 1,012,500 (AED Eight hundred and forty three thousand seven hundred and fifty only).

12. **Bank Loan:**

	December 31, 2007 AED	December 31, 2006 AED
Total bank Loan	10,000,000	—
Bank loan - current	(1,000,000)	—
Bank loan - non-current	9,000,000	—

Bank Facility

On June 1, 2007, the Company has obtained a bank facility from National Bank of Kuwait, Bahrain Branch in the form of a term loan amounting to AED 10,000,000. The term loan is subject to interest rate at 1 % per annum plus three or six months BIBOR.

The term loan will be settled over 10 equal installments each is AED 1,000,000 starting on December 1, 2008, the last installment will be on January 1, 2013.

The above facility is secured by Kuwait Food Company – Americana, Head Office, Kuwait, the Parent Company.

13. Provision for Employees' end of service indemnity:

	2007 AED	2006 AED
Balance at January 1,	2,458,098	2,448,064
Provision made during the year	697,548	296,390
Transfers from related parties	477,253	---
Payments made during the year	(378,493)	(286,356)
Balance at December 31,	**3,254,406**	**2,458,098**

14. Authorized and Fully Paid Share Capital:

In its extra ordinary meeting on December 6, 2006, the general assembly of the Company has agreed to increase the authorized capital of the Company from AED 13,357,820 (AED Thirteen million three hundred fifty seven thousand eight hundred and twenty only) to a AED 40,000,000 (AED Forty millions only). However, it was decided in the same meeting to call the increase in the capital on stages, the first stage was to call the sum of AED 11,642,180 (AED Eleven million six hundred and forty two thousand one hundred and eighty only) with the objective of increasing the paid up capital to AED 25,000,000 (AED Twenty five million only), while the balance is to be called in future dates to be determined by the Board of Director.

The movement of share capital was as follow:

	Number of Shares	Share Capital AED
Balance as at January 1, 2006	13,357,820	13,357,820
Subscribed in the increase of capital during 2006	9,682,656	9,682,656
Total Subscribed as at December 31, 2006	**23,040,476**	**23,040,476**
Subscribed in the increase of capital during 2007	1,959,524	1,959,524
Total Subscribed as at December 31, 2007	**25,000,000**	**25,000,000**

15. Other Income:

	2007 AED	2006 AED
Price protection remunerated by the parent Company (note 8)	514,055	---
Interest income	172,604	9,549
Gain on disposal of property, plant, vehicles and equipments	25,000	---
Excess provision written back	---	1,300,000
Other miscellaneous income	702,274	134,935
	1,413,933	**1,444,484**

16. Profit for the year:

Profit for the year has been arrived after charging:

	2007 AED	2006 AED
Depreciation of Property, Plant and Equipment	**2,335,778**	**2,012,096**
Provision for employees' end of service indemnity	**697,548**	**296,390**
Marketing research immediately expensed	**25,114**	**92,893**

17. Earnings Per Share:

	2007 AED	2006 AED
Profit for the year	2,300,120	219,360
Profit transferred to statutory reserve	(230,012)	(21,936)
Profit for the year attributable to equity holders	**2,070,108**	**197,424**
Weighted average number of ordinary shares for the purposes of basic earnings	24,836,706	14,164,708
Earning per share	**0.08**	**0.01**

18. Capital Commitments and Contingent Liabilities:

Capital Commitments

There are AED 7.4 million capital commitments as at December 31, 2007 (2006: AED Nil).

Contingent Liabilities

	December 31, 2007 AED	December 31, 2006 AED
Sight / acceptance documents	1,413,051	9,091
Letters of guarantee	68,000	30,000

19. Financial Instruments:

19.1 *Capital risk management*

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy has been changed comparing to 2006 in terms of delivering its products directly which allow the Company to gain extra margin, however, the cost attributable to the selling and distribution department was charged to related parties (note 8).

19.1.1 *Gearing ratio*

The Company's management reviews the capital structure on annual basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. The Company has a target gearing ratio of 20-25% determined as the proportion of net debt to equity.

The gearing ratio at the year end was as follows:

	December 31, 2007 AED	December 31, 2006 AED
Debt (i)	10,000,000	—
Cash and cash equivalents	(5,008,179)	(10,846,968)
Net debt	4,991,821	(10,846,968)
Equity (ii)	24,423,459	20,163,815
Net debt to equity ratio	20%	—

(i) Debt is defined as long - and short-term borrowings, as detailed in note 12.

(ii) Equity includes all capital, reserves and accumulated losses of the Company.

19.2 ***Significant accounting policies***

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

19.3 ***Fair value***

Financial assets of **the Company** include trade receivable, due from related parties, cash and cash equivalents and other current assets. Financial liabilities include trade payable, due to related parties and other payables and provisions.

The fair value of the above financial assets and liabilities are not materially different from their carrying amounts.

19.4 ***Currency risk***

Sales are mainly executed in U.A.E. Dirham while major purchases are executed in both Dirhams and occasionally US Dollars to which Dirham rate is fixed.

19.5 ***Credit risk***

The credit risk relating to the accounts receivable appears to be limited. In this respect, the management periodically reviews the said balances to assess their recoverability and allowances for doubtful debts are made, when deemed necessary.

19.6 ***Interest rate risk***

The company's exposure to interest rate risk related to its loan which is at 1 % p.a. over three or six months BIBOR.

20. **Comparative Figures:**

Comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the current year.