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, 2008

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gulfa mineral water & Processing Industries Co., (PLC)

شركة غلفا للمياه المعدنية والصناعات التحويلية (ش.م.ع.)

11 JAN-2009

DIRECTORS REPORT

For the financial year ended December 31, 2008

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, 2008, and the related statements of income, changes in shareholder's equity and cash flows for the year ended December 31, 2008.

SALES

The Company has achieved a sales volume of 4.70 million cartons during 2008 comparing to 4.85 million cartons in 2007. 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 40.82 million during 2008 against AED 41.43 million during 2007 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 freight cost resulting from changing the pattern of shipment to many customers to be Ex-Factory.

COMPANY RESULTS

The Company has reported a net profit of AED 2.61 million in Year 2008 compared to the profits of year 2007 which was AED 2.3 million; this is after deducting the concession fee. This progress was attained as a result of better efficiency of operations and using new machines in production .

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

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, 2008, 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.

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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THE INSTITUTE OF CHARTERED ACCOUNTANTS

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, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

Furthermore, in our opinion, the Company has maintained proper books of account and the physical inventory was properly conducted. We obtained all the information and explanations which we considered necessary for purposes of our audit. According to the information available to us, there were 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
محاسبـــون قانونيـــون
CHARTERED ACCOUNTANTS

MAZARS
Chartered Accountants

Ajman, January 15, 2009

GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. (PLC)
BALANCE SHEET

	Note	As at December 31, 2008 AED	As at December 31, 2007 AED
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.c & 4	2,528,246	5,054,559
Trade receivables - net	5	8,549,677	8,634,265
Inventories - net	2.f & 6	5,526,688	7,496,490
Other current assets	7	1,346,725	3,370,768
Due from related parties	8	7,302,460	1,934,638
Total Current Assets		**25,253,796**	**26,490,720**
NON-CURRENT ASSETS			
Property, plant, vehicles and equipment	2.g & 9	26,894,640	24,699,067
TOTAL ASSETS		**52,148,436**	**51,189,787**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank loan - current	12	2,000,000	1,000,000
Trade payables		7,125,027	8,472,766
Other payables and provisions		2,864,964	2,650,446
Dividends payable		177,005	178,574
Due to related parties	8	1,568,364	1,197,636
Ajman government provision (concession fee)	11	675,000	1,012,500
Total Current Liabilities		**14,410,360**	**14,511,922**
NON-CURRENT LIABILITIES			
Bank loan - non-current	12	7,000,000	9,000,000
Provision for employees' end of service indemnity	2.i & 13	3,704,417	3,254,406
Total non-current liabilities		**10,704,417**	**12,254,406**
TOTAL LIABILITIES		**25,114,777**	**26,766,328**
SHAREHOLDERS' EQUITY			
Total subscribed capital	14	25,000,000	25,000,000
Statutory reserve	2.j	3,232,068	2,971,048
Voluntary reserve	2.k	767,937	767,937
Accumulated losses		(1,966,346)	(4,315,526)
Net shareholders' equity		**27,033,659**	**24,423,459**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**52,148,436**	**51,189,787**

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 January 15, 2009 and signed on their behalf by:

Mr. Ziad A. Abdul Rehim
Deputy Managing Director

Mr. Khalid Omar
Deputy General Manager - Finance & Admin

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, 2008

	Note	2008 AED	2007 AED
Gross sales		40,822,462	41,427,340
Less: Sales discounts		(2,427,720)	(2,328,580)
Sales - net	2.e	38,394,742	39,098,760
Cost of sales		(28,956,209)	(31,495,074)
Gross Operating Profit		**9,438,533**	**7,603,686**
Other income	2.e & 15	2,511,386	1,388,933
(Loss) / gain on sale of vehicles		(48,946)	25,000
Gross Profit		**11,900,973**	**9,017,619**
General and administrative expenses		(5,879,362)	(3,683,102)
Selling, marketing and advertising expenses		(2,023,921)	(1,977,724)
Finance costs		(712,490)	(381,673)
Concession fees for Ajman Government	11	(675,000)	(675,000)
Profit for the year	16	**2,610,200**	**2,300,120**
Earning per share	17	**0.09**	**0.08**

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GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. (PLC)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

	Authorized and Fully Paid Share Capital AED	Statutory Reserve AED	Voluntary Reserve AED	Accumulated Losses AED	Total AED
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 January 1, 2008	**25,000,000**	**2,971,048**	**767,937**	**(4,315,526)**	**24,423,459**
Net profit for the year	---	---	---	2,610,200	2,610,200
Movements during the year	---	261,020	---	(261,020)	---
Balance at December 31, 2008	**25,000,000**	**3,232,068**	**767,937**	**(1,966,346)**	**27,033,659**

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.

	Note	2008 AED	2007 AED
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,610,200	2,300,120
Adjustments for:			
Depreciation	9	2,972,315	2,335,778
Allowances for doubtful debts		89,516	113,670
Allowances for slow moving inventories		---	155,000
Write off of allowances for doubtful debts		(49,028)	(8,968)
Write off of allowances for slow moving inventories		---	(144,041)
Loss / (gain) on sale of vehicles		48,946	(25,000)
Provision for employees' terminal benefits		914,031	697,548
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**6,585,980**	**5,424,107**
Decrease /(increase) in trade receivables		44,100	(1,385,882)
Decrease / (increase) in inventories		1,969,802	(1,780,856)
Decrease / (increase) in other current assets		2,024,043	(2,654,072)
(Increase) /decrease in due from related parties		(5,367,822)	875,614
(Decrease) / increase in trade payables		(1,347,739)	1,360,916
(Decrease) / increase in other payables and provisions		(122,982)	292,602
Increase / (decrease) in due to related parties		370,728	(61,784)
CASH FLOWS FROM OPERATING ACTIVITIES		**4,156,110**	**2,070,645**
Payments of employees end of service indemnity		(464,020)	(378,493)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**3,692,090**	**1,692,152**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, plant, vehicles and equipment	9	(7,449,601)	(19,460,730)
Proceeds from sale of vehicles		2,232,767	25,000
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(5,216,834)**	**(19,435,730)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		(1,000,000)	10,000,000
Dividend paid		(1,569)	(8,355)
Proceeds from the issuance of share capital		---	1,959,524
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES		**(1,001,569)**	**11,951,169**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,526,313)	(5,792,409)
CASH AND CASH EQUIVALENTS	2.c & 4		
At the beginning of the year		**5,054,559**	**10,846,968**
At the end of the year		**2,528,246**	**5,054,559**

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 commenced 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 in accordance with the decision of the Annual General Meeting ("AGM") in its extraordinary meeting held on February 20, 1993.

The Company owns and manages "Gulfa Mineral Water Plant" in Masfout Ajman. Its main activities consists of the establishment of plants for production and bottling of mineral water, juices, soft drinks, food stuffs, in addition to marketing the products of such plants.

1.2. Adoption of new International Financial Reporting Interpretations:

Five Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are:

- IFRIC 11 "IFRS 2: Group and Treasury share transactions", effective from March 1, 2007.
- IFRIC 12 "Service Concession Arrangements", effective from January 1, 2008.
- IFRIC 13 "Customer Loyalty Programmes", effective from July 1, 2008.
- IFRIC 14, "IAS 19 – The limit on a Defined Benefit Asset, minimum funding requirements and their interaction", effective from January 1, 2008.
- IFRIC 16, "Hedge of a net investment in a foreign operation", effective from October 1, 2008.

The adoption of these Interpretations has not led to any changes in the Company's accounting policies.

Management anticipates that the adoption of these 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, current accounts maintained at banks, call and short term deposits, free of encumbrance, with a maturity date of three months or less from the balance sheet date.

d. Foreign currencies

Transactions in foreign currencies are translated into Arab Emirates Dirham using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into Arab Emirates Dirham using 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 the 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 represents the estimated selling price of inventories, less all estimated costs 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 and equipment***

Property, plant, vehicles and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight line basis commencing in the month of purchase and calculated to write off the cost of the assets over their estimated useful lives. The estimated useful lives are as follows:

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

The cost of purchased property, plant, equipment and vehicles is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and condition necessary for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the asset's carrying amount and is recognized in the statement of income.

h. ***Provisions***

Provisions are established when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

i. ***Employees' end of service indemnity***

Provision is made for employees' end of service indemnity in accordance with the UAE Labor Law for the accumulated period of service as at the balance sheet date.

j. ***Statutory reserve***

The statutory reserve is established in accordance with the Commercial Companies Law which requires providing 10 % of the net annual distributable profit as statutory reserve which is deemed to be non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid share capital of the Company.

k. ***Voluntary reserve***

In accordance with the Company's Articles of Association, the Board of Directors has the discretion to determine the percentage of the net annual distributable income that will be provided as voluntary reserve. For the year 2008, no such provision has been considered.

l. ***Impairment of assets***

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

m. ***Financial instruments***

Financial instruments comprise financial assets and financial liabilities. A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, a contractual right to exchange financial instruments under conditions that are potentially favourable, or an equity instrument. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset, or to exchange financial instruments under conditions that are potentially unfavourable.

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. The management believes that there is no additional allowance required for the year ended December 31, 2008.

- ***Useful life of property , plant, vehicles and equipment***
  Property, plant, vehicles and equipment are depreciated over their estimated useful lives, which are 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:

	As at December 31, 2008 AED	As at December 31, 2007 AED
Cash at banks – current account	1,496,471	3,997,087
Cash at banks – call and short term deposits	1,031,775	1,057,472
Total	**2,528,246**	**5,054,559**

5. Trade Receivable:

	As at December 31, 2008 AED	As at December 31, 2007 AED
Trade receivables	8,894,867	8,938,967
Less: Allowance for doubtful debts	(345,190)	(304,702)
Total	**8,549,677**	**8,634,265**

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

Balance at the beginning of the year	304,702	200,000
Provided during the year	89,516	113,670
Written off during the year	(49,028)	(8,968)
Balance at the end of the year	**345,190**	**304,702**

6. Inventories:

	As at December 31, 2008 AED	As at December 31, 2007 AED
Raw materials	3,907,387	5,640,124
Finished products	472,231	628,278
Spare parts	1,492,361	1,573,379
	5,871,979	7,841,781
Less: Allowance for slow moving inventories	(345,291)	(345,291)
Total	**5,526,688**	**7,496,490**

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

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

7. Other Current Assets:

	As at December 31, 2008 AED	As at December 31, 2007 AED
Advances to suppliers	245,424	872,113
Financial Assets – margin	---	574,917
Prepayments and other debit balances	462,969	1,258,938
Deposits	638,332	664,800
Total	**1,346,725**	**3,370,768**

8. Related Party Transactions:

Trading transactions

The Company in the ordinary course of business enters into transactions with associated companies which fall within the definition of "related parties" as defined in International Accounting Standard 24. Management believes that the terms of such transactions are not materially different from those which could have been obtained from unrelated parties.

8.a *Related party transactions*

During the period the Company entered into the following transactions with related parties:

	2008 AED	2007 AED
Sales	631,916	4,306,008
Marketing support discount remunerated by the Parent Company	---	514,055
Rental income (note 15)	2,000,000	---
Selling, marketing and distribution expenses charged to the Parent Company *	---	3,657,438
Selling expenses charged to other related party *	10,029,057	6,325,445

* Total expenses incurred and recharged to related parties during the year were AED 10,029,057 (2007: AED 9,982,883), representing their allocation of the costs incurred in respect of setting up a distribution division.

8.b *Related parties' balances:*

Due from related parties:

	As at December 31, 2008 AED	As at December 31, 2007 AED
Kuwait Food Co.(Americana), Head Office, Kuwait, the Parent Company	---	448,705
Gulf Food Industries (California Garden)	7,197,510	1,357,400
Kuwait Food Co.(Americana), Sharjah Restaurant	104,950	128,533
	7,302,460	**1,934,638**

Due to related parties:

	As at December 31, 2008 AED	As at December 31, 2007 AED
Kuwait Food Co. (Americana), Sharjah Branch,	1,391,558	1,197,636
Kuwait Food Co.(Americana), Head Office, Kuwait, the Parent Company	176,806	---
	1,568,364	**1,197,636**

8.c *Compensation of key management personnel*

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

	2008 AED	2007 AED
Board of Directors – attendance fees	**150,000**	**120,000**

The above attendance fees are subject to the approval of the General Assembly of the Company.

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, 2007	**243,000**	**13,048,624**	**29,683,522**	**3,207,846**	**720,250**	**124,867**	**47,028,109**
Transferred from a related party	---	---	---	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 January 1, 2008	**243,000**	**13,048,624**	**30,938,783**	**4,398,190**	**5,089,669**	**13,640,813**	**67,359,079**
Additions during the year	---	55,500	425,409	100,989	---	6,867,703	7,449,601
Transfers	---	---	10,830,351	---	---	(10,830,351)	---
Disposals during the year	---	---	---	(167,276)	(2,994,300)	---	(3,161,576)
Balance at December 31, 2008	**243,000**	**13,104,124**	**42,194,543**	**4,331,903**	**2,095,369**	**9,678,165**	**71,647,104**
DEPRECIATION							
Balance at January 1, 2007	---	**(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 disposals	---	---	---	---	78,500	---	78,500
Balance at January 1, 2008	---	**(10,690,909)**	**(28,097,061)**	**(2,573,198)**	**(1,298,844)**	---	**(42,660,012)**
Charges for the year	---	(355,271)	(1,262,693)	(572,345)	(782,006)	---	(2,972,315)
Adjustment related to disposals	---	---	---	43,042	836,821	---	879,863
Balance at December 31, 2008	---	**(11,046,180)**	**(29,359,754)**	**(3,102,501)**	**(1,244,029)**	---	**(44,752,464)**
NET BOOK VALUE							
Balance at December 31, 2008	**243,000**	**2,057,944**	**12,834,789**	**1,229,402**	**851,340**	**9,678,165**	**26,894,640**
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**

The Company disposed of all of its motor vehicles relating to the local selling and distribution division during the year. These vehicles used by its local selling and distribution division became idle after the management decided to curtail the operations of the division in order to perform selling and distribution activities for the export market only. The Company reappointed an agent for local distribution as previously used.

10. Bank Borrowings

As at December 31, 2008, the Company had not utilized 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, 2008, is AED 675,000 (AED Six hundred and seventy five thousand only).

12. Bank Loan:

	As at December 31, 2008 AED	As at December 31, 2007 AED
Total bank Loan	9,000,000	10,000,000
Bank loan - current	(2,000,000)	(1,000,000)
Bank loan - non-current	**7,000,000**	**9,000,000**

Bank Facility

On June 1, 2007, **the Company** 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 charged at an annual rate of 1 % plus three or six months BIBOR.

The term loan will be settled by way of 10 equal installments each of AED 1,000,000, starting on July 1, 2008, with the last installment due for settlement on January 1, 2013.

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.

13. Provision for Employees' end of service indemnity:

	2008 AED	2007 AED
Balance at January 1	3,254,406	2,458,098
Provision made during the year	914,031	697,548
Transfers from related parties	---	477,253
Payments made during the year	(464,020)	(378,493)
Balance at December 31	**3,704,417**	**3,254,406**

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 AED 40,000,000 (AED Forty million 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, 2007	**23,040,476**	**23,040,476**
Subscribed capital during 2007	1,959,524	1,959,524
	25,000,000	25,000,000
Subscribed capital during 2008	---	---
Total Subscribed as at December 31, 2008	**25,000,000**	**25,000,000**

15. Other Income:

	2008 AED	2007 AED
Price protection remunerated by the parent Company (note 8)	---	514,055
Interest income	5,015	172,604
Exchange gain	5,011	---
Rental income (note 8)	2,000,000	---
Other miscellaneous income	501,360	702,274
	2,511,386	**1,388,933**

16. Profit for the year:

Profit for the year has been arrived after charging:

	2008 AED	2007 AED
Depreciation of Property, Plant and Equipment	**2,972,315**	**2,335,778**
Provision for employees' end of service indemnity	**914,031**	**697,548**
Marketing research immediately expensed	**43,741**	**25,114**

17. Earnings Per Share:

	2008 AED	2007 AED
Profit for the year	2,610,200	2,300,120
Profit transferred to statutory reserve	(261,020)	(230,012)
Profit for the year attributable to equity holders	**2,349,180**	**2,070,108**
Weighted average number of ordinary shares for the purposes of basic earnings	**25,000,000**	**24,836,706**
Earning per share	**0.09**	**0.08**

18. Capital Commitments and Contingent Liabilities:

Capital Commitments

There are AED 1.9 million capital commitments as at December 31, 2008 (2007: AED 7.4 million).

Contingent Liabilities

	As at December 31, 2008 AED	As at December 31, 2007 AED
Sight / acceptance documents	---	**1,413,051**
Letters of guarantee	**206,000**	**68,000**

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 2007 in that its policy is of delivering its products to local market via an agent and the policy of direct distribution to local market was discounted during the year: however, the cost attributable to the export 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, 2008 AED	December 31, 2007 AED
Debt (i)	9,000,000	10,000,000
Cash and cash equivalents	(2,528,246)	(5,054,559)
Net debt	6,471,754	4,945,441
Equity (ii)	27,033,659	24,423,459
Net debt to equity ratio	**24%**	**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 receivables, due from related parties, cash and cash equivalents and other current assets. Financial liabilities include trade payables, 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 as of the balance sheet date.

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 the Dirham rate is fixed. Accordingly, the Company's exposure to currency risk is considered to be insignificant.

19.5 ***Credit risk***

The credit risk relating to the accounts receivable appears to be limited. In this respect, the management periodically reviews the balances maintained in order 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 is related to its loan account which bears interest at a rate of 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.