JEEMA MINERAL WATER (P.S.C.)

DUBAI - UNITED ARAB EMIRATES

AUDITORS' REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2006

JEEMA MINERAL WATER (P.S.C.)
Dubai - United Arab Emirates

Index to the financial statements
For the year ended December 31, 2006

Independent Auditor's Report

To the Shareholders of
Jeema Mineral Water (P.S.C.)
Dubai, United Arab Emirates

We have audited the accompanying financial statements of Jeema Mineral Water (P.S.C.) (the "Company"), which comprise the balance sheet as at December 31, 2006, 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 control 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.

Auditor's 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 judgement, 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as on December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No 8 of 1984 (as amended), we also confirm that we have obtained all the information and explanations necessary for our audit, proper books of account have been kept by the Company, stocktaking was conducted in accordance with established accounting principles and the contents of the Directors' report which relate to the financial statements are in agreement with the Company's books of account. To the best of our knowledge and belief, no violations of above mentioned Law or of the Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Abdulkader Mohamed Ramadan
(Registration no. 70)

Dubai, United Arab Emirates
April 18, 2007

JEEMA MINERAL WATER (P.S.C.)
Dubai - United Arab Emirates

Notes to the financial statements
for the year ended December 31, 2006

1 Legal status and activity

Jeema Mineral Water (P.S.C.) ("the Company"), established in Dubai was incorporated in Dubai under a decree issued by His Highness the Ruler of Dubai. The Company amended its status based on the UAE Commercial Companies law – Federal law No 8 of 1984 (as amended) as a public shareholding company.

The principal activity is bottling and selling mineral water as well as manufacturing plastic packs and bottles.

The registered address of the company is P.O. 5567 Dubai – UAE.

The total number of staff employed by the Company at 31 December 2006 was 194 (2005: 170).

2 Significant Accounting policies

(a) Basis of preparation

1- The financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board, and interpretation issued by the Standing Interpretation Committee of IASC and the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

The financial statements have been presented in United Arab Emirates Dirhams.

2- The following are significant accounting policies applied by the company which are consistent with the previous year {except for the change shown in note 2 (a) (3)}.

3- The company applied amended IAS 10 (Events after the Balance Sheet Date) which clarifies that dividends could be recorded as liability only upon approval from general assembly of the company.

(b) Accounting convention

The financial statements are prepared under the historical cost convention except for investments available for sale, which are stated at fair value.

JEEMA MINERAL WATER (P.S.C.)
Notes to financial statements for the year ended December 31, 2006

2 Significant accounting policies *(cont.)*

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value of these assets.

(d) Depreciation of property, plant and equipment

Depreciation is calculated to write-off the cost on a straight line basis over the estimated useful lives of the assets concerned. Depreciation rates used are as follows:

Buildings	20 years
Plant, machinery, water & electricity net work	6 2/3 - 10 years
Wells	5 years
Furniture and fixtures	2-10 years
Transport vehicles	5 years
Tools and equipments	3 years
Sign boards	2 years
Vending machines and display refrigerators	3-5 years

(e) Investments available-for-sale

Available-for-sale investments are initially recognised at cost, being the fair value of the consideration given including all acquisition costs associated with the investments.

After initial recognition, investments are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity (investment revaluation reserve). On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the statement of income for the year.

Fair value cannot reliably be measured for unquoted securities. Such investments are measured at cost less provision for impairment, if any. At the time of de-recognition, the provision, if any, relating to the securities is recognised as income.

(f) Fair value measurement

Fair value of investments in regular financial markets is measured based on market price of these investments at the balance sheet date.

2 Significant accounting policies *(cont.)*

(g) Inventories

Raw materials are stated at cost. Cost is determined using weighted average method. Finished goods are stated at the lower of cost or net realisable value, cost.

Finished goods comprises of direct material cost, direct labour and an appropriate share of overheads based on normal operating capacity.

Net realisable value is determined based on estimated selling price less any additional cost required for completion and sale.

The company makes provision for slow moving raw materials on a specific basis.

(h) Debtors

Debtors are stated at realisable value less provision for doubtful debts.

(i) Bad and doubtful debts

Bad debts are written off as they arise. Provision is made for doubtful debts on a specific basis, in addition to another provision made on a general basis, bad debts are written off as incurred.

(j) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine if there is any indicator for impairment, and if any, fixed assets are to be valuated according to its recoverable amount. Impairment losses to be recognised when its recoverable amount or generated cash flow is less than its carrying amount, if any, are recognised in the income statement.

(k) Accounts payable and accruals

Liabilities are recognised for the amount to be paid in future for goods or services received, whether billed or not billed to the company based on agreements with creditors.

(l) Foreign currencies

Foreign currency transactions are translated into Arab Emirates Dirhams at rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies are converted into Arab Emirates Dirhams at the rates ruling on the balance sheet date. Differences on exchange are dealt with in the income statement.

2 Significant accounting policies *(cont.)*

(m) Provision for gratuity

Provision is made for the full amount of gratuity due to employees for their periods of service upto the balance sheet date in accordance with the U.A.E. Labour Law and is shown as a long-term liability.

(n) Basis of revenue recognition

- Sales are stated net of discounts and represent the invoice value of goods delivered.
- Investment income is recognised when the right to receive is established.
- Profit on sale of investments is recognised when they are sold and its value is realised or realisable.

(o) Cash and cash equivalents

For purpose of the statement of cash flows, all bank and cash balances less overdrafts are considered to be cash equivalents. Bank deposits with maturities of more than 3 months are considered to be investing activities.

(p) Interest income and expenses

Interest income and expenses are recognised on a time proportion basis.

(q) Leases

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease bonus is recognised in the income statement as a part of total operating lease expenses.

3 Property, plant and equipment *(cont.)*

Depreciation is charged as follows:

	2006 AED	2005 AED
Selling and administration expenses	924,480	102,186
Cost of goods sold	2,114,244	2,557,455
Finished goods	104,136	60,536
	3,142,860	2,720,177
	=======	=======

In the opinion of the management, there has been no impairment in the net book value of the Company's property, plant and equipment as at 31 December 2006.

4 Investments available-for-sale

Quoted shares at cost *	16,127,368	14,595,365
Fair value adjustments transferred to investment revaluation reserve	32,243,690	76,005,619
	48,371,058	90,600,984
	=========	=========

Investments available-for-sale includes investments are held in the name of one of the directors, their fair value at the balance sheet date is AED 8,298,990 (2005: AED 42,441,784).

* The following is movements of investments available-for-sale:

Shares at 1 January	14,595,365	12,341,247
Shares purchased during the year	3,549,003	4,226,330
Shares disposed during the year	(2,017,000)	(1,972,212)
Shares at 31 December	16,127,368	14,595,365
	=========	=========

5 Inventories

	2006 AED	2005 AED
Spare parts	385,290	495,862
Raw materials	2,157,902	1,934,742
Finished products	801,635	623,354
Others	28,055	108,113
	3,372,882	3,162,071
	=======	=======

6 Accounts receivable and prepayments

Accounts receivable	8,201,134	8,279,176
Less: provision for doubtful debts *	(796,541)	(500,000)
	7,404,593	7,779,176
Prepaid expenses	449,404	154,872
Accrued income	1,158,118	1,059,869
Deposits	186,100	100,867
Advance with supplier	215,477	132,724
Post dated cheques	203,964	67,198
Other debit balances **	8,379,171	50,255
	17,996,827	9,344,961
	=========	========

* The following is movements of provision for doubtful debts:

Provision at 1 January	500,000	350,000
Charge during the year	296,541	150,000
Provision at 31 December	796,541	500,000
	=======	=======

** A significant portion of this amount consists of AED 8,298,990 receivable from one of the directors against sale of Etisalat shares.

7 Cash and cash equivalents at the end of the year

	2006 AED	2005 AED
Cash on hand and at banks	1,749,345	14,946,823
Bank overdraft	-	(2,476,814)
	1,749,345	12,470,009

8 Accounts payable and accruals

	2006 AED	2005 AED
Accounts payable	4,347,878	2,659,963
Accruals	280,030	506,801
Provision for leave salary	337,629	301,478
Dividends payable	22,600	22,600
Other creditors balances	1,500	31,500
General Provision*	1,299,962	-
Directors remuneration	30,000	-
Post dated cheques	676,476	-
	6,996,075	3,522,342

*This General provision is provided by client and approved by board of directors for any marketing losses or unordinary circumstances.

9 Bank overdraft

Bank overdraft bears interest according to the normal commercial interest rates.

10 Creditors: Amounts falling due after more than one year

	2006 AED	2005 AED
Statutory gratuity		
Balance at 1 January	747,052	703,533
Charge for the year	204,118	152,917
Payments during the year	(153,802)	(109,398)
Balance at 31 December	797,368	747,052

11 Shareholders' equity

(a) Share capital

Authorized share capital issued and fully paid	30,000,000 (30,000,000 shares, AED 1 per share)	30,000,000 (30,000,000 shares, AED 1 per share)

(b) Legal reserve

In accordance with the UAE Commercial Companies Law No. 8 of 1984 (as amended), 10% of annual net income has been transferred to a non-distributable legal reserve. Such transfers are required to be made until the balance on the legal reserve equals one half of the Company’s paid up share capital.

(c) Obligatory reserve

In accordance with the Company's Articles of Association, 10% of annual net income is transferred to an obligatory reserve. Such transfers are required to be made until either the General Assembly passes an ordinary resolution for discontinuance or the reserve equals 5% of the Company's paid up share capital.

This obligatory reserve is used for purposes determined by general assembly based on board of directors’ proposal.

11 Shareholders' equity (cont.)

(d) Investment available-for-sale revaluation reserve

Represents the difference between the cost of investment available-for-sale and their fair value at the balance sheet date as explained in note 4.

12 Proposed dividend

The Board of Directors have proposed dividends for the year of 10% from share capital which represents AED 3,000,000. This proposal will be submitted for written approval in the Annual General Assembly Meeting (2005 dividends amounting to AED 3,000,000 which represent 10% of share capital).

13 General expenses and provisions

	2006 AED	2005 AED
General and administrative expenses	2,230,838	1,675,446
Bad debts written off	1,403,497	-
Provision for doubtful debts	296,541	150,000
General provision*	1,299,962	-
Provision for gratuity	204,118	152,917
	5,434,956	1,978,363

* As mentioned in note no. (8).

14 Investment available-for-sale income

	2006 AED	2005 AED
Dividend income	1,649,669	1,457,377
Profit on sale of investments	8,101,430	4,868,441
	9,751,099	6,325,818

15 Other income

	2006 AED	2005 AED
Profit on sale of property, plant and equipment	28,623	45,983
Others	8,165	7,014
	36,788	52,997

16 Guarantees/commitments

	2006 AED	2005 AED
Guarantees	405,000	75,000
	======	======
Irrevocable letter of credit	1,858,108	925,328
	======	======

17 Lease commitments

There are no significant operating lease commitments at the balance sheet date.

18 Earnings per share

Earnings per share are calculated by dividing net profit for the year by the average number of shares outstanding during the year as follows:

	2006 AED	2005 AED
Profit for the year	4,836,360	3,361,891
	========	========
Average number of shares outstanding during the year	30,000,000	28,750,000
	========	========
Earnings per share	0.16	0.12
	========	=========

19 Financial instruments and fair value

Financial instruments consist of financial assets and financial liabilities. Accounting policies for assets and liabilities are set out in note 2.

The risks associated with financial instruments and the company's approaches to managing such risks are described below:

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company does not have exposure in currency other than Arab Emirates Dirhams, United States Dollars and Euro. The Dirham is effectively pegged to the Dollar, thus currency rate risks occur only in respect of other currencies.

The company does not enter into short-term hedges in the form of normal exchange contracts to offset the effect of exchange rate fluctuations.

19 Financial instruments and fair value *(cont.)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company's short-term deposits are at fixed interest rates. Thus re-pricing in respect of fixed rate instruments only occurs when funds are being re-invested on maturity of a deposit.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The company is exposed to market risk with respect to its investment securities (shares in UAE companies).

The company limits market risk by continuous monitoring of pertinent developments in equity markets.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Cash is placed with national banks. Credit risks on receivables are limited to customers which are carried net of provisions for bad and doubtful receivables. The company manage credit risks with respect to receivables from customers by monitoring in accordance with defined policies and procedures.

Liquidity risk

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and the management ensures that sufficient funds are available to meet any future commitments.

19 Financial instruments and fair value *(cont.)*

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair value of the company's cash, receivables and payables are not materially different from their carrying value. The fair values of investments available-for-sale are shown in note 4.