Dubai Refreshments (PSC)

Report and financial statements for the year ended 31 December 2006

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for the year ended 31 December 2006

Dubai Refreshments (PSC)

Report of the Chairman

Dear Shareholders,

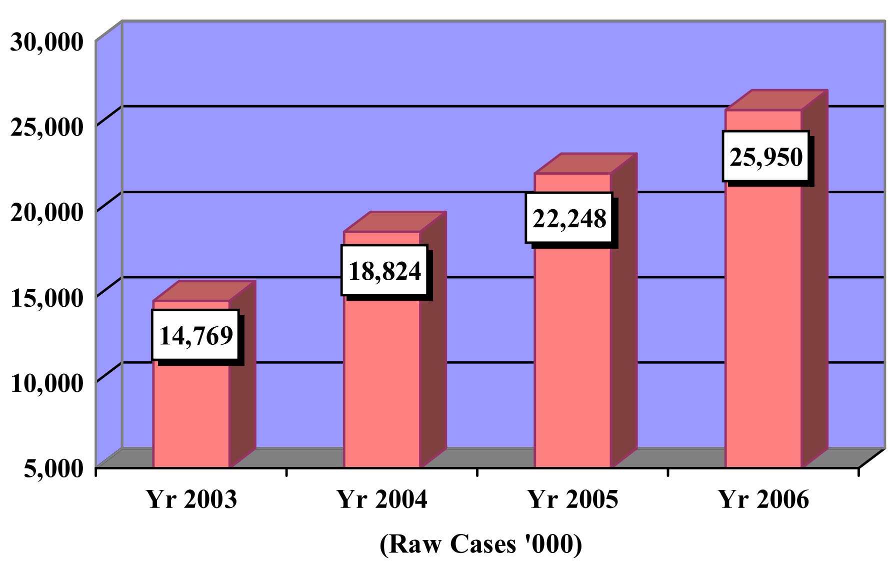
It gives me great pleasure to welcome you all and present herewith the results of Dubai Refreshments (PSC) for the year 2006.

Year 2006, as always, has brought many challenges to the Company as well as many achievements to cheer off. In a challenging and an ever-increasing cost scenario, it is required, although a tough task, to keep up the momentum and do the focused efforts to reduce inefficiencies. This is exactly what DRC has accomplished this year. We have achieved our planned profit in spite of rising raw material costs, funding costs of expansion projects and loss in market values of some of our investments. It is worth mentioning that the entire Company has delivered and contributed to the fullest of their capacity to achieve our objective for the year. Also, these efforts shall go a long way in achieving and sustaining our long-term goals for the Company.

Before elaborating more on the Companyǿs performance for the current year, it is imperative to mention here the constraints we are facing in achieving our objectives every year. The costs of raw materials are at their peak and continuously at rise. This has led to the reduction in margins and hence our profitability. In order to efficiently run our operations, we need to specifically address the issues of shrinking margins and set an alternative to counter that. The alternatives may involve the increase in pricing of existing products, revisiting the packaging of existing products, launch of new products and geographical expansion of the Company. All these measures are necessary in the long run to achieve sustainable profit and growth. The investment required for all these measures should be funded through capital injection to rationalize our cost of funding. All this would ensure a constant, sustainable and healthy growth for DRC in future.

Now for current year, sales volume growth showed a tremendous increase of 17% over the previous year. In total, we delivered 26.0 million cases as compared to 22.3 million cases in 2005. The company again, like all the previous years, surpassed the planned number by of 2.4 million cases. The credit must go to our DRC team to make it happen and give us a firm platform to build up our profits.

Volume Growth Achievement

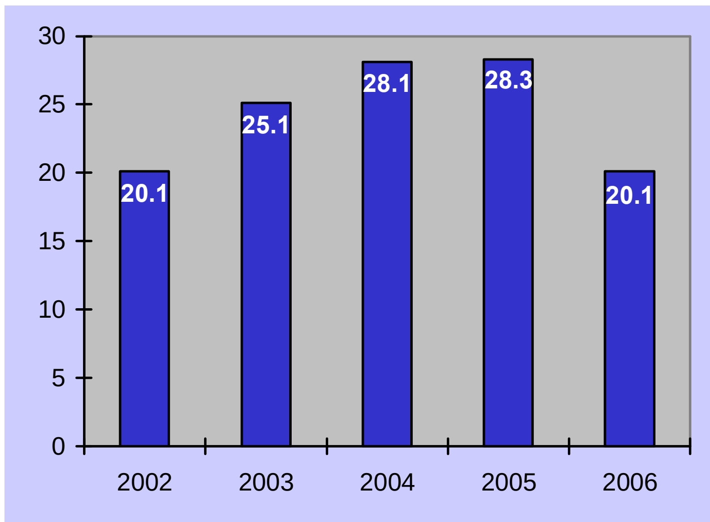


Dubai Refreshments (PSC)

Report of the Chairman (continued)

In terms of profitability, we achieved the figure of AED 20.1 million, which is in line with our plan of AED 20 million. As previously mentioned, the accomplishment is much bigger when seen in the context of unexpected cost increases and investment losses incurred during the year. All these increases in costs have led us to work and focus on the alternative plans and strategies and as figures show, all have turned out to be complete success for DRC.

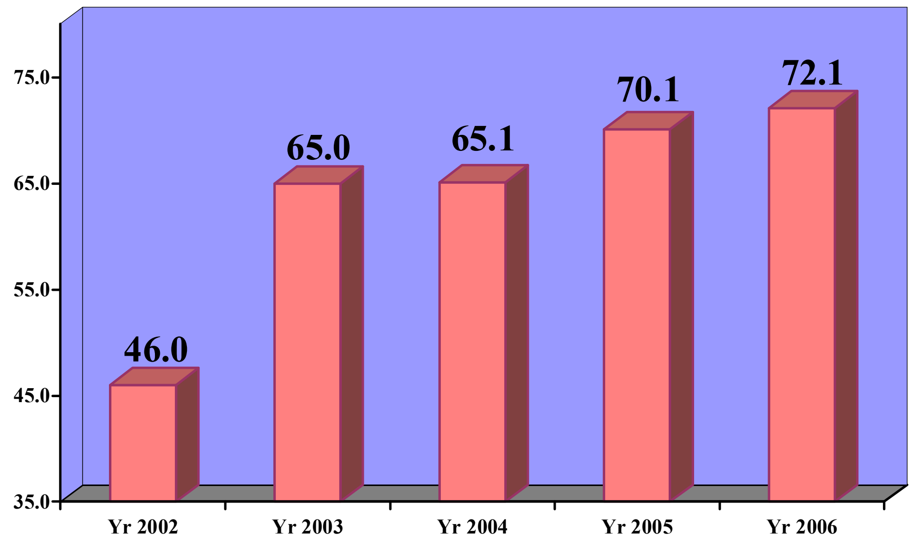
PROFITABILITY



The operating profit has increased in the current year to AED 24.7 million showing an increase of AED 3.6 million. This shows that our operations have contributed strongly to mitigate other external factors affecting our plan of net profit hence keeping our plan intact.

As far as market share is concerned, we are constantly building up on our base of 70% share achieved last year. This year, we took this to 72.1% through our focused efforts to increase our brand presence.

MARKET SHARE GAINS (% to Total)



This year marks as an important milestone in the history of DRC as we got listed in Dubai Financial Market after getting all the approvals and fulfilling all the formalities and necessary legal requirements. As a listed company, we shall continue to perform better and increase our shareholdersô worth with the application of best principles of corporate governance.

The year has also seen two major projects materialized by the Company contributing enormously towards growth rate and profitability. We acquired the rights of distribution of Lipton Ice Tea and started the operations and product launch for this in the current year. This has definitely increased the diversity of our product line and added a new dimension to our market presence. Also, the newly acquired Aquafina water plant commenced commercial production in current year to manufacture and bottle Aquafina. The plant has been running at full capacity and we expect to achieve the cost reductions and profitability in this segment in the near future.

At the quality front, DRC has been ranked number one among GCC countries in terms of consumer index. DRC has also been classified as Silver winner of Pepsi Cola International Quality Excellence Award (QEA) which clearly shows the highest quality of standards we are maintaining. Also, as a permanent solution to our capacity constraints and enormous growth rate which the Company is expecting, the Company has invested into the infrastructure to increase capacity. That shall help in reducing outside conversions and focusing towards potential export markets.

Dubai Refreshments (PSC)

Report of the Chairman (continued)

This year again, the participation of the Company in various Government sponsored projects like Dubai Shopping Festival and Dubai Summer Surprises was enormous and exemplary. Pepsi Sports Fiesta launched in 2004 is continuously becoming a unique sporting event of its kind in Dubai and is attracting many young participants in various sports activities. Participation by the Company in all these activities has strongly helped in enhancing the image of the Company and making the presence felt within the region.

In the end, I would like to express our gratitude and appreciation to His Highness Sheikh Mohammed Bin Rashid Al Maktoum Vice President, Prime Minister of U.A.E and Ruler of Dubai and His Highness Sheikh Hamdan bin Rashid Al Maktoum, Deputy Ruler of Dubai and UAE Minister of Finance & Industry for his continuous support to our Company.

In conclusion, I hereby thank all the people who supported and showed their commitment and dedication in achieving our objectives in this tough year. Our employees, shareholders, customers and suppliers are all equally important to us and we can't grow without the support of any one of them. The enormous challenges lying ahead have to be countered through well-formed strategies and plans and excellent and timely decision-making regarding our business. I am confident that our people, being our biggest asset, are all capable of taking our Company to new heights through their skills, dedication and amazing commitment shown throughout the years. I hope that we shall achieve all our future objectives in the same emphatic manner as we have always accomplished.

Thank you,
Chairman of the Board
Ahmad Al Shafar

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Independent auditors' report to the directors and shareholders of Dubai Refreshments (PSC)

Report on the financial statements

We have audited the accompanying financial statements of Dubai Refreshments (PSC) (ñthe companyò) which comprise the balance sheet as at 31 December 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

The 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 the 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 the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 auditorôs 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 entityôs 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 entityôs 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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Independent auditor's report to the directors and shareholders of Dubai Refreshments (PSC) (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2006 and 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

Further, as required by the UAE Federal Law No (8) of 1984, as amended, we report that:

1. we have obtained all the information we considered necessary for the purposes of our audit;
2. the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8), as amended and the Articles of Association of the Company;
3. the company has maintained proper books of account and has carried out a physical verification of inventories at the year end in accordance with properly established procedures;
4. the financial information included in the report of the Chairman is consistent with the books of account of the company; and
5. nothing has come to our attention which causes us to believe that the company has breached any of the applicable provisions of the UAE Federal Law No (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position at 31 December 2006.

PricewaterhouseCoopers
22 February 2007

Jacques E Fakhoury
Registered Auditor Number 379

Dubai Refreshments (PSC)

Balance sheet

	Notes	As at 31 December 2006 AEDô000	2005 AEDô000
ASSETS			
Non-current assets			
Investment property	7	2,800	2,966
Property, plant and equipment	8	93,355	68,305
Intangible assets	9	61,017	58,253
Available-for-sale financial assets	10	66,470	78,625
		223,642	208,149
Current assets			
Financial assets at fair value through profit or loss	11	4,567	5,830
Inventories	12	49,665	30,022
Trade and other receivables	13	111,014	72,064
Cash at bank and in hand	14	2,420	13,663
		167,666	121,579
Total assets		391,308	329,728
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	40,000	40,000
Statutory reserve	18	17,921	15,909
General reserve	19	7,062	7,062
Dividend equalisation reserve	20	31,962	31,962
Plant replacement reserve	21	45,200	45,200
Fair value reserve	22	53,855	66,010
Retained earnings		56,134	48,024
Total equity		252,134	254,167
Non-current liabilities			
Provision for employeesô end of service benefits	23	6,939	5,390
Deferred revenue	24	2,321	3,757
		9,260	9,147
Current liabilities			
Bank overdraft	14	60,909	-
Bank borrowing	15	7,107	-
Trade and other payables	16	61,898	66,414
		129,914	66,414
Total liabilities		139,174	75,561
Total equity and liabilities		391,308	329,728

These financial statements were approved by the Board of Directors on 22 February 2007 and signed on their behalf by:

é é é é é é é é é
Director

é é é é é é é é é
Director

The notes on pages 11 to 33 form an integral part of these financial statements.

Dubai Refreshments (PSC)

Income statement

	Notes	Year ended 31 December 2006 AED'000	2005 AED'000
Sales		460,766	384,171
Cost of sales		(332,150)	(276,209)
Gross profit		128,616	107,962
Other operating income	25	7,939	6,852
		136,555	114,814
Expenses			
Selling and distribution		(79,167)	(70,144)
General and administration		(27,736)	(20,539)
Amortisation of intangible assets	9	(4,863)	(3,120)
Operating profit	26	24,789	21,011
Dividend income		2,244	2,020
Other (expense)/income	27	(2,591)	8,692
Interest expense	28	(4,320)	(3,422)
Profit for the year		20,122	28,301
		AED	AED
Earning per share			
Basic and diluted	29	50.31	70.75

Dubai Refreshments (PSC)

Statement of changes in equity

	Notes	Share capital	Statutory reserve	General reserve	Dividend equalisation reserve	Plant replacement reserve	Fair value reserve	Proposed issue of bonus shares	Retained earnings	Total
		AEDô000	AEDô000	AEDô000	AEDô000	AEDô000	AEDô000	AEDô000	AEDô000	AEDô000
At 1 January 2005		26,158	13,079	7,062	31,962	45,200	28,358	13,842	24,353	190,014
Profit for the year		-	-	-	-	-	-	-	28,301	28,301
Net unrealised gains on available-for-sale financial assets during the year	10/22	-	-	-	-	-	37,652	-	-	37,652
Directorsô fees	30	-	-	-	-	-	-	-	(1,800)	(1,800)
Issue of bonus shares	17	13,842	-	-	-	-	-	(13,842)	-	-
Transfer to statutory reserve	18	-	2,830	-	-	-	-	-	(2,830)	-
At 31 December 2005		40,000	15,909	7,062	31,962	45,200	66,010	-	48,024	254,167
Profit for the year		-	-	-	-	-	-	-	20,122	20,122
Net unrealised losses on available-for-sale financial assets during the year	10/22	-	-	-	-	-	(12,155)	-	-	(12,155)
Reversal of directorôs fees	30	-	-	-	-	-	-	-	900	900
Directorsô fees	30	-	-	-	-	-	-	-	(900)	(900)
Dividends paid	32	-	-	-	-	-	-	-	(10,000)	(10,000)
Transfer to statutory reserve	18	-	2,012	-	-	-	-	-	(2,012)	-
At 31 December 2006		40,000	17,921	7,062	31,962	45,200	53,855	-	56,134	252,134

The notes on pages 11 to 33 form an integral part of these financial statements.

Dubai Refreshments (PSC)

Cash flow statement

	Notes	Year ended 31 December 2006 AED'000	2005 AED'000
Operating activities			
Net profit for the year		20,122	28,301
Adjustments for:			
Depreciation	26	21,251	14,736
(Profit)/loss on sale of property, plant and equipment	26	(15)	83
Provision for employees' end of service benefits	23	2,097	1,565
Provision for impairment of receivables	26	1,802	799
Transfer from deferred revenue	24	(1,436)	(1,987)
Fair value loss/(gain) on financial assets at fair value through profit or loss	27	3,118	(8,170)
Dividend income		(2,244)	(2,020)
Interest expense	28	4,320	3,422
Amortisation of intangible assets	9	4,863	3,120
Operating cash flows before changes in working capital and payment of employees' end of service benefits		53,878	39,849
Payment of employees' end of service benefits	23	(548)	(552)
Changes in working capital:			
Inventories	12	(19,643)	(10,993)
Trade and other receivables before movement in provision and write offs	13	(40,752)	(22,289)
Trade and other payables	16	(3,616)	16,208
Net cash (used in)/provided by operating activities		(10,681)	22,223
Investing activities			
Acquisition of a business	5	(27,000)	-
Purchase of property, plant and equipment	8	(26,664)	(25,956)
Purchase of intangible assets	9	(196)	(1,067)
Purchase of available-for-sale financial assets	10	-	(3,025)
Purchase of financial assets at fair value through profit or loss	11	(1,855)	(1,600)
Proceeds from disposal of property, plant and equipment	8, 26	113	113
Proceeds from sale of financial assets at fair value through profit or loss	11	-	5,639
Contribution received towards the cost of property, plant and equipment	24	-	562
Dividend income		2,244	2,020
Net cash used in investing activities		(53,358)	(23,314)
Financing activities			
Bank borrowings	15	7,107	-
Dividend paid	32	(10,000)	-
Interest paid	28	(4,320)	(3,422)
Directors' fees paid	30	(900)	(550)
Net cash used in financing activities		(8,113)	(3,972)
Net decrease in cash and cash equivalents		(72,152)	(5,063)
Cash and cash equivalents, beginning of the year		13,663	18,726
Cash and cash equivalents, end of the year	14	(58,489)	13,663

The notes on pages 11 to 33 form an integral part of these financial statements.

Dubai Refreshments (PSC)

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

1 Establishment and operations

Dubai Refreshments (PSC) (ñthe companyò), was incorporated in Dubai in 1959 by a Decree of His Highness The Ruler of Dubai. The registered address of the company is P.O. Box 420, Dubai, United Arab Emirates.

The company is engaged in bottling and selling Pepsi Cola International products in Dubai, Sharjah and the other Northern Emirates. The company owns 7UP and Aquafina bottling and selling rights throughout the UAE.

2 Summary of the significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (ñIFRSò). The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the companyôs accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) Amendments to published standards effective in 2006

IAS 19 (Amendment), Employee Benefits, is mandatory for the companyôs accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. As the company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

Dubai Refreshments (PSC)

Notes to the financial statements for the year ended 31 December 2006
(continued)

2 Summary of the significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations effective in 2006 but not relevant for the company's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the companyôs operations:

- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;
- IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participating in a Specific Market ï Waste Electrical and Electronic Equipment.

(c) Interpretations to existing standards that are not yet effective and have not been early adopted by the company

The following interpretations to existing standards have been published that are mandatory for the companyôs accounting periods beginning on or after 1 May 2006 or later periods but that the company has not early adopted:

- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments ï where the identifiable consideration received is less than the fair value of the equity instruments issued ï to establish whether or not they fall within the scope of IFRS 2. The company will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the companyôs accounts; and

2 Summary of the significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Interpretations to existing standards that are not yet effective and have not been early adopted by the company (continued)

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The company will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the companyộs accounts.

(d) New standards and interpretations to existing standards that are not yet effective and not relevant for the company's operations

The following new standards and interpretations to existing standards have been published that are mandatory for the companyộs accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the companyộs operations:

- IAS 1, Presentation of Financial Statements ï Capital (effective from 1 January 2007);

- IFRS 7, Financial Instruments: Disclosures (effective from 1 January 2007);

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006); and

- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006).

2.2 Business combination

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

2 Summary of the significant accounting policies (continued)

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Investment property

Property held for long term rental yields which is not occupied by the company is classified as investment property.

Investment property comprises freehold land and building and is carried at cost less accumulated depreciation and provision for impairment. Depreciation is calculated on buildings using the straight line method at rates calculated to reduce the cost of the building to its estimated residual value over a period of 20 years. Land is not depreciated as it is deemed to have an infinite life.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is computed using the straight line method at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives, as follows:

	Years
Buildings	3 - 20
Plant, machinery and equipment	2 - 15
Motor vehicles	3 - 5
Coolers	5
Furniture and fixtures	2

The assetsô residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Subsequent costs are included in the assetös carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with company policy.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other income.

2 Summary of the significant accounting policies (continued)

2.6 Intangible assets

(i) Franchise and bottling rights

Expenditure to acquire franchise and bottling rights is capitalised and amortised using the straight line method over their estimated useful life of 20 years. These intangible assets are not revalued.

(ii) Computer software

Costs directly associated with identifiable and unique software products controlled by the company and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software licence fees and third party cost for software development.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

Costs associated with maintaining computer software programmes are recognised as expenses when incurred.

(iii) Lease rights

Acquired lease rights are shown at historical cost. Lease rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of lease rights over their estimated useful lives (10 years).

(iv) Goodwill

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

2.7 Impairment of non-financial assets

Property, plant and equipment, investment property and intangible assets with finite lives are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset’s net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2 Summary of the significant accounting policies (continued)

2.8 Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date ï the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ófinancial assets at fair value through profit or lossô category are presented in the income statement within other income, in the period in which they arise. The fair values of quoted investments are based on current bid prices. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the companyós right to receive payments is established.

2 Summary of the significant accounting policies (continued)

2.8 Financial assets (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the companyǿs right to receive payments is established.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss ï measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss ï is removed from equity and recognised in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.9 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average basis. The cost of work in progress and finished goods comprises direct material, direct labour and an appropriate allocation of manufacturing fixed and variable overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2 Summary of the significant accounting policies (continued)

2.10 Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assetös carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off when identified.

2.11 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.12 Provision for staff benefits

A provision is made for the estimated liability for employeesô entitlements to annual leave and airfares as a result of services rendered by eligible employees up to the balance sheet date. Provision is made, using acturial techniques, for the full amount of end of service benefits due to the non-UAE nationals in accordance with the UAE Labour Law, for their periods of service up to the balance sheet date. The provision relating to annual leave and airfares is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

Pension contributions are made in respect of UAE nationals to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security.

2.13 Deferred revenue

Contributions received from Pepsi Cola International towards the cost of certain property, plant and equipment are included in deferred revenue and are credited to the income statement on a straight-line basis over the expected useful lives of the related assets.

2.14 Revenue recognition

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the companyös activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

2 Summary of the significant accounting policies (continued)

2.14 Revenue recognition (continued)

(a) Sale of goods

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the companyφs activities. Sales are shown net of returns, rebates and discounts. Sales are recognised when the goods are delivered to the customer.

(b) Interest income

Interest income is recognised on a time proportion basis using effective interest method.

(c) Dividend income

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

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.16 Foreign currencies

The financial statements are presented in UAE Dirhams, which is the companyφs functional and presentation currency. Transactions during the year in foreign currencies are translated into UAE Dirhams at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into UAE Dirhams at exchange rates approximating those ruling at that date. All gains and losses are recognised in the income statement.

2.17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank deposits with an original maturity of three months or less, net of bank overdrafts.

3 Financial risk management

3.1 Financial risk factors

The companyés activity potentially exposes it to the following financial risks: market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The companyés overall risk management programme seeks to minimise potential adverse effects of these risks on the companyés financial performance.

(a) Market risk

(i) Foreign exchange risk

The company does not have significant foreign exchange risk since the majority of the transactions are denominated in UAE Dirhams or currencies to which the UAE Dirham is currently pegged.

(ii) Price risk

The company is exposed to equity securities price risk and commodities price risk. The company is exposed to equity securities price risk because of investments held by the company and classified on the balance sheet either as available for sale or at fair value through profit or loss. The companyés equity instruments are publicly traded and are included in one of the following four equity indexes: Dubai Financial Market, Abu Dhabi Securities Market, Muscat Securities Market, and Dubai International Financial Exchange. To manage its price risk arising from investments in equity securities, the company has diversified its portfolio. The company is also exposed to commodities price risk because of the raw materials used by the company in its production process. The company does not hedge its commodity price risks.

(iii) Cash flow and fair value interest rate risk

The company does not have any significant interest bearing assets. The companyés income and operating cash flows are substantially independent from changes in market interest rates. The companyés interest rate risk arises from bank borrowings, which are at variable rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers. The concentration of credit with customers of the company is not significant as the company sells its products to a large number of diverse customers in the United Arab Emirates and North Africa. The company places its cash and cash equivalents with reputable commercial banks.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances and marketable securities and the availability of funding from adequate amount of committed credit facilities. The company maintains sufficient flexibility in funding by maintaining availability under committed credit lines.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.2 Fair value estimation

The fair values of the companyǿs financial assets and liabilities approximate their carrying value as reflected in these financial statements. The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price. The carrying value less impairment provision of trade receivables is assumed to approximate its fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

4 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Impairment of property, plant and equipment and intangible assets (excluding goodwill)

Management assesses the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include the following:

- Significant decline in an assetǿs market value beyond that would be expected from the passage of time or normal use.
- Significant changes in the use of its assets or the strategy of the operation to which the asset belongs.
- Significant changes in the technology and regulatory environments.
- Evidence from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

4 Critical accounting estimates and judgments (continued)

a) Impairment of property, plant and equipment and intangible assets (continued)

If such an indication exists, an impairment test is completed by comparing the carrying values of the cash generating unit with their recoverable amounts.

b) Impairment of goodwill

Goodwill arises in business combinations. It is not amortised, but is tested annually for impairment. Management reviews, on a regular basis, the performance of cash generating units. Goodwill is allocated to one or more appropriate cash generating units and any impairment is determined by comparing the carrying value of the cash generating unit with its recoverable amount. When an impairment charge is necessary, it is first applied to goodwill. Management has determined that goodwill is not impaired as the recoverable amount of the cash generating unit is significantly higher than its carrying value.

c) Impairment charge to trade and other receivables

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the ageing of the customersô accounts, customer defaults, the customersô credit worthiness and the historical write off experience. Changes to the estimated impairment charge may be required if the financial condition of the customers was to improve or deteriorate.

5 Business combination

During the first quarter of 2006, the company acquired a water bottling plant along with all related facilities, for its existing Aquafina brand. The purchase consideration of AED 27 million was paid in cash and was allocated as follows:

	2006 AEDô000
Property, plant and equipment	19,569
Intangible asset ï lease rights (Note 9)	2,157
Goodwill (Note 9)	5,274
Purchase consideration	27,000

The goodwill is attributable to the work force of the acquired business and the significant synergies expected to arise after the acquisition of the water bottling plant.

6 Segment reporting

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

7 Investment property

	Land	**Building**	**Total**
	AED’000	AED’000	AED’000
Cost			
At 1 January 2005, 31 December 2005, and 31 December 2006	677	3,329	4,006
Depreciation			
At 1 January 2005	-	874	874
Charge for the year	-	166	166
At 31 December 2005	-	1,040	1,040
Charge for the year		166	166
At 31 December 2006	-	1,206	1,206
Net book amount			
At 31 December 2006	677	2,123	2,800
At 31 December 2005	677	2,289	2,966

The valuation carried out by an independent local valuer indicates that the market value of the investment property was AED 6.3 million as at 31 October 2006. The valuer used the Income method to determine the value of the investment property.

8 Property, plant and equipment

	Buildings AED'000	Plant, machinery and equipment AED'000	Motor vehicles AED'000	Coolers AED'000	Furniture and fixtures AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
At 1 January 2005	24,657	48,431	21,079	57,102	3,892	6,688	161,849
Additions	746	7,444	6,187	10,603	890	86	25,956
Disposals	-	(1,304)	(592)	(27)	(1,123)	-	(3,046)
Transfer	3,525	916	6	2,241	-	(6,688)	-
At 31 December 2005	28,928	55,487	26,680	69,919	3,659	86	184,759
Acquisition (Note 5)	4,856	14,601	-	-	112	-	19,569
Additions	509	9,486	4,314	11,306	833	216	26,664
Disposals	-	(11)	(454)	(2,748)	(38)	-	(3,251)
Transfer	-	86	-	-	-	(86)	-
At 31 December 2006	34,293	79,649	30,540	78,477	4,566	216	227,741
Depreciation							
At 1 January 2005	15,375	32,714	12,064	41,342	3,239	-	104,734
Charge for the year	1,026	4,229	3,224	5,512	579	-	14,570
Disposals	-	(1,271)	(429)	(27)	(1,123)	-	(2,850)
At 31 December 2005	16,401	35,672	14,859	46,827	2,695	-	116,454
Charge for the year	1,794	6,615	3,928	7,607	1,141	-	21,085
Disposals	-	(11)	(367)	(2,737)	(38)	-	(3,153)
At 31 December 2006	18,195	42,276	18,420	51,697	3,798	-	134,386
Net book amount							
At 31 December 2006	16,098	37,373	12,120	26,780	768	216	93,355
At 31 December 2005	12,527	19,815	11,821	23,092	964	86	68,305

a) Factory buildings have been erected on land provided free of charge by H.H The Ruler of Dubai.

b) The staff quarters have been erected on land leased to the company on an annual basis and in the opinion of management, the lease period will be renewed for a period at least equivalent to the useful life of the staff quarters.

Dubai Refreshments (PSC)

Notes to the financial statements for the year ended 31 December 2006 (continued)

8 Property, plant and equipment (continued)

c) The water bottling plant acquired is built on land leased to the company on an annual basis and in the opinion of management, the lease period will be renewed for a period at least equivalent to the useful life of the water bottling plant.

d) The depreciation charge for the year has been dealt with in the income statement as follows:

	2006 AEDâ000	2005 AEDâ000
Cost of sales	3,895	3,356
Selling and distribution expenses	12,655	9,369
General and administration expenses	4,535	1,845
	21,085	14,570

9 Intangible assets

	Franchise and bottling rights AEDâ000	**Computer software** AEDâ000	**Lease rights** AEDâ000	**Goodwill** AEDâ000	**Total** AEDâ000
Cost					
At 1 January 2005	62,391	3,375	-	-	65,766
Additions	-	1,067	-	-	1,067
At 31 December 2005	62,391	4,442	-	-	66,833
Acquisition (Note 5)	-	-	2,157	5,274	7,431
Additions	-	196	-	-	196
At 31 December 2006	62,391	4,638	2,157	5,274	74,460
Amortisation					
At 1 January 2005	5,460	-	-	-	5,460
Charge for the year	3,120	-	-	-	3,120
At 31 December 2005	8,580	-	-	-	8,580
Charge for the year	3,120	1,546	197	-	4,863
At 31 December 2006	11,700	1,546	197	-	13,443
Net book amount					
At 31 December 2006	50,691	3,092	1,960	5,274	61,017
At 31 December 2005	53,811	4,442	-	-	58,253

9 Intangible assets (continued)

For the purposes of testing goodwill for impairment, the goodwill is allocated to the water bottling plant cash generating unit. The recoverable amount for the cash generating unit has been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations for the cash generating unit includes risk adjusted discount rate, projected average gross margins of 34% and growth rates based on managementôs expectations for market development. Cash flow projections for the cash generating units are based on forecasts approved by management covering a 5 year period and a discount rate of 8%. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating unit operates.

10 Available-for-sale financial assets

The movement in available-for-sale financial assets is summarised below:

	2006 AEDô000	2005 AEDô000
At beginning of the year	78,625	37,948
Additions	-	3,025
Changes in fair value	(12,155)	37,652
At end of the year	66,470	78,625

Included in quoted investments are 200,000 shares of Etisalat with a carrying amount of AED 3,400,000 and cost of AED 827,120 (2005: a carrying amount of AED 5,600,000 and cost of AED 827,120), which are held in the name of Late Mr Humaid Al Owais in trust for the company.

11 Financial assets at fair value through profit or loss

	2006 AEDô000	2005 AEDô000
Held for trading securities		
At beginning of the year	5,830	1,699
Shares subscribed through IPOs during the year	1,855	1,600
Fair value (loss) / gain ï net (Note 27)	(3,118)	8,170
Disposal of shares	-	(5,639)
At end of the year	4,567	5,830

	2006 AED'000	2005 AED'000

12 Inventories

	2006 AED'000	2005 AED'000
Raw materials and consumables	21,191	16,517
Finished goods and goods for re-sale	16,724	11,250
Spare parts and supplies	3,656	2,255
Goods in transit	8,094	-
	49,665	30,022

13 Trade and other receivables

	2006 AED'000	2005 AED'000
Trade receivables	61,727	50,999
Provision for impairment of receivables	(6,217)	(4,415)
	55,510	46,584
Other receivables	33,394	17,405
Advances from suppliers	11,001	3,332
Prepaid expenses	8,664	3,268
Amounts due from related parties (Note 30)	2,445	1,475
	111,014	72,064

14 Cash and cash equivalents

	2006 AED'000	2005 AED'000
Cash at bank	1,537	13,399
Cash on hand	883	264
	2,420	13,663
Less: Bank overdraft	(60,909)	-
Cash and cash equivalents	(58,489)	13,663

The bank balances are maintained with local commercial banks. Bank overdraft is unsecured and carries an annual interest rate of 6.5%.

15 Bank borrowing

Bank borrowings comprise of trust receipts. They are unsecured and carry an annual interest rate of 6.5%.

	2006 AEDô000	2005 AEDô000

16 Trade and other payables

	2006 AEDô000	2005 AEDô000
Trade payables	47,660	46,779
Accrued expenses	4,668	6,261
Accrual for staff benefits	4,749	7,142
Amounts due to related parties (Note 30)	2,018	1,947
Advances from customers	-	1,714
Due to directors	900	1,800
Other payables	1,903	771
	61,898	66,414

17 Share capital

	2006 AEDô000	2005 AEDô000
Authorised, issued and fully paid		
400,000 shares (2005: 400,000) of AED 100 each	40,000	40,000

In the annual general meeting held on 20 April 2005, the shareholders approved a bonus issue for the year ended 31 December 2004 of 138,423 shares, which were issued during 2005.

At a meeting of the Board of Directors held on 13 February 2007, a bonus issue of 100,000 shares was recommended for the year ended 31 December 2006 which is subject to approval at the annual general meeting.

18 Statutory reserve

In accordance with Article 192 of the UAE Commercial Companies Law of 1984, as amended, and the companyôs articles of association, 10% of the net profit for each year is required to be transferred to a statutory reserve until the statutory reserve reaches 50% of the paid up share capital. During the year, AED 2,012,263 (2005: AED 2,830,100) has been transferred to the statutory reserve.

19 General reserve

In accordance with Article 193 of the UAE Commercial Companies Law of 1984, as amended, and the companyôs articles of association, a certain percentage of the companyôs net profit may be transferred to a general reserve to be used only for the purposes stated in the companyôs articles.

In accordance with clause (58) of the companyôs articles of association, 10% of the net profit for each year should be transferred to this reserve and such transfers may cease when the reserve equals 5% of the paid up share capital of the company. As the companyôs general reserve is already in excess of 5% of the paid up share capital, no transfer has been made during the year.

20 Dividend equalisation reserve

This is a general reserve representing appropriations from the net profit of the company. The reserve is available for distribution to shareholders upon the recommendation of the Board of Directors.

21 Plant replacement reserve

The reserve represents amounts appropriated from the net profit of the company. The reserve is available for distribution to shareholders upon the recommendation of the Board of Directors.

22 Fair value reserve

The fair value reserve represents the unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets which are recognised in the fair value reserve in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement.

23 Provision for employees' end of service benefits

	2006 AEDô000	2005 AEDô000
At beginning of the year	5,390	4,377
Charge for the year	2,097	1,565
Payments during the year	(548)	(552)
At end of the year	6,939	5,390

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2006 and 2005, using the projected unit credit method, in respect of employeesô end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employeeôs expected service life with the company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 3% to 5%. The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 6% (2005: 6%)

	2006 AED'000	2005 AED'000

24 Deferred revenue

	2006 AED'000	2005 AED'000
At 1 January	3,757	5,182
Additions during the year	-	562
Transfer to other operating income (Note 25)	(1,436)	(1,987)
At 31 December	2,321	3,757

25 Other operating income

	2006 AED'000	2005 AED'000
Transfers from deferred revenue (Note 24)	1,436	1,987
Contributions from Pepsi Cola International	6,097	4,820
Others	406	45
	7,939	6,852

Contributions from Pepsi Cola International represent performance incentives given to the company during the current year.

26 Operating profit

The following items have been included in arriving at the operating profit:

	2006 AED'000	2005 AED'000
Staff costs	54,603	45,092
Depreciation (Notes 7 and 8)	21,251	14,736
Amortisation of intangible asset (Note 9)	4,863	3,120
Repairs and maintenance expenditure on property plant and equipment	1,316	1,187
Trade receivables – impairment charge for bad and doubtful receivables	1,802	799
Income from investment property	101	340
(Profit)/loss on disposal of property, plant and equipment	(15)	83

27 Other (expense)/income

	2006 AEDó000	2005 AEDó000
Fair value (loss)/gain on financial assets at fair value through profit or loss (Note 11)	(3,118)	8,170
Rental income (Note 26)	101	340
Others	426	182
	(2,591)	8,692

28 Interest expense

Interest expense includes AED 419,466 (2005: AED 2,905,000) incurred in respect of amounts borrowed to invest in new public offerings.

29 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2006 AED	2005 AED
Profit attributable to equity holders of the company (in ó000)	20,122	28,301
Weighted average number of ordinary shares in issue	400,000	400,000
Basic earnings per share	50.31	70.75

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company does not have any dilutive potential ordinary shares.

	2006 AED	2005 AED
Diluted earnings per share	50.31	70.75

30 Related party transactions and balances

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

During the year the company entered into the following significant transactions with related parties in the ordinary course of business. These transactions, except for directorôs fees, were carried out at prices and on terms applicable to non-related parties for similar transactions.

	2006 AEDô000	2005 AEDô000
Directors' remuneration		
Directorsô fees (refer note below)	900	1,800
Directorsô sitting fees	120	-
	1,020	1,800
Key management remuneration		
Salaries and short term benefits	6,645	5,990
Pension and end of service benefit	500	110
	7,145	6,100
Sales to affiliates		
Oman Refreshments Company Limited	10,801	10,701
National Refreshments Company (LLC)	-	45
	10,801	10,746
Purchases from affiliates		
Al Tajir Glass Industry	23,573	16,125
National Refreshments Company (LLC)	7,743	5,950
Al Yousuf Motors	1,030	610
Nasser Bin A A Al Serkal	269	319
Genavco	40	80
Oman Refreshments Company Limited	-	261
	32,655	23,345
Due from related parties		
Oman Refreshments Company Limited	2,445	1,475

30 Related party transactions and balances (continued)

	2006 AEDô000	2005 AEDô000
Due to related parties in respect of purchases		
Al Tajir Glass Industry	717	769
National Refreshments Company (LLC)	778	914
Nasser Bin A A Al Serkal	38	119
Al Yousuf Motors	484	118
Genavco	1	27
	2,018	1,947

In the annual general meeting held on 30 April 2006, the shareholders approved directorsô fee at AED 900,000 in total for all the directors. Accordingly in the current yearõs financial statements the excess of AED 900,000 apportioned in the prior year has been reversed.

31 Commitments

Capital commitments

The directors have authorised future capital expenditure amounting to AED 57,500,000 (2005: AED 38,550,000).

Operating lease commitment

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

	2006 AEDô000	2005 AEDô000
Not later than 1 year	870	717
Later than 1 year and not later than 5 years	1,704	1,814
Later than 5 years	4,180	4,560
	6,754	7,091

32 Dividends

In the annual general meeting held on 30 April 2006, the Shareholders approved a dividend of AED 25 per share amounting to AED 10 million for the year ended 31 December 2005, which was paid during 2006.