Dubai Refreshments (PSC)

Report and financial statements for the year ended 31 December 2007

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Report and financial statements
for the year ended 31 December 2007

Dubai Refreshments (PSC)

Report of the Chairman

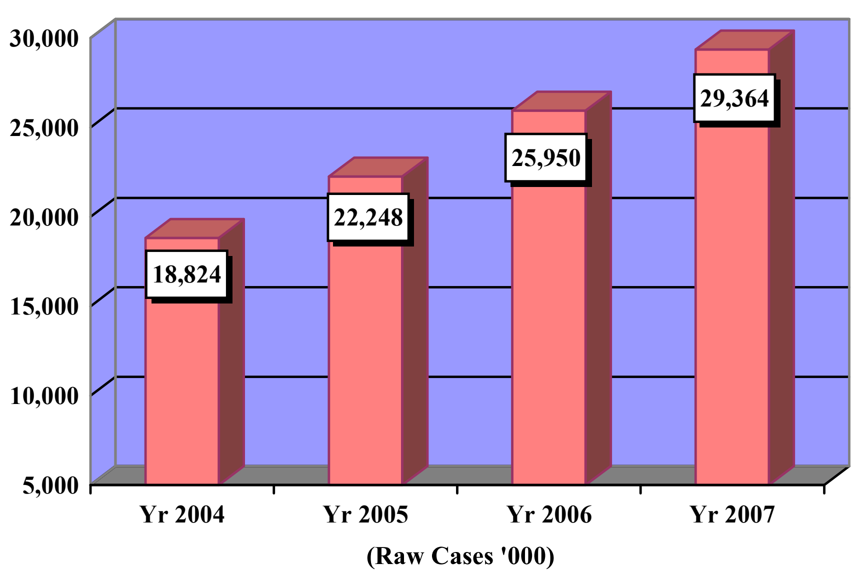
Dear Shareholders,

It gives me great pleasure to welcome you all and present herewith the results of Dubai Refreshments (PSC), hereafter referred to as "DRC", for the year 2007.

2007 was the year which has taken DRC closer to achieving its core strategic long term objectives. We are moving forward towards diversifying our portfolio in terms of new products and packages with geographical expansion also on the cards. The ever increasing cost scenario particularly of raw materials and the constraints in terms of line and warehousing capacity continuously test our ability to counter these challenges. So far, we have encountered all these challenges with the best of our efforts and capabilities. For the future, more focused long term strategies are to be made to sustain the growth and increase our profitability. It is pertinent to mention that we are working vigorously on those strategies and in the year in question, we have certainly taken a few initial steps which I shall mention later in the report.

Now for current year, sales volume growth showed an increase of 13% over the previous year. In total, we delivered 29.3 million cases as compared to 25.9 million cases in 2006. We are also again ahead of our plan by 1.1 million cases which is a great testament to the high quality efforts put in by our sales team. The team is duly supported by all the departments of the Company which have utilized all their potential in making this achievement possible.

Volume Growth Achievement

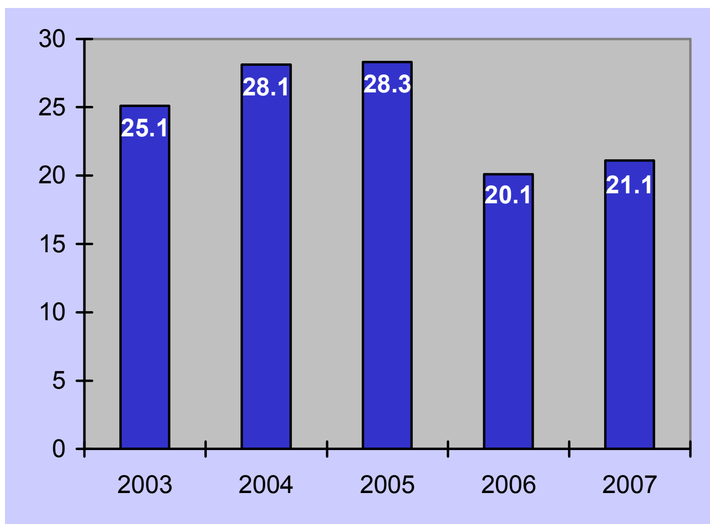


Dubai Refreshments (PSC)

Report of the Chairman (continued)

In terms of profitability, we achieved the figures of AED 21 million, which is double than our original plan of AED 10 Million. The figure includes non operating income of AED 8 Million giving operating profit of around AED 13 Million. In terms of operating profit our plan was AED 14.4 Million for the year which indicates that we are behind the plan by AED 1.4 Million. The decrease in operating profit is mainly attributable to the fact that because of capacity constraints, we had to convert the huge number of our volumes from outside the company at a higher cost. This has led to decrease in margins and a consequent decrease in our operating profit. Furthermore, increase in the prices of diesel and in turn, some of the core raw material prices have put additional pressure on margins. In spite of all these adverse factors we have surpassed and more than doubled our overall profit target through increase in investment and other non operating income.

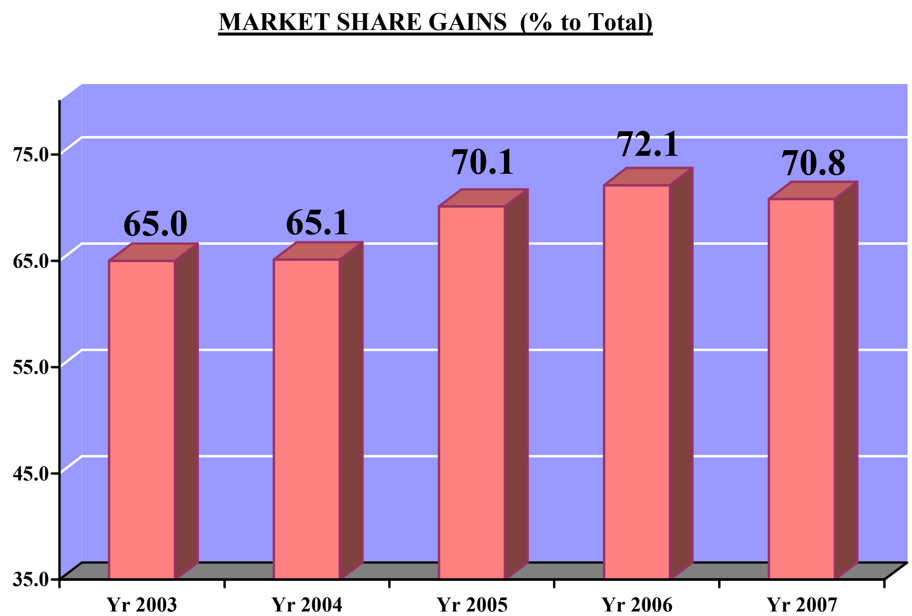
PROFITABILITY



As far as market share is concerned, we are constantly building up on our base of 70% share achieved in 2005. This year also, it was maintained at above 70% in December 07.

Dubai Refreshments (PSC)

Report of the Chairman (continued)



At the quality front, DRC has been nominated for the Gold prize of Pepsi Cola International Quality Excellence Award (QEA) which clearly shows the highest quality of standards we are maintaining.

In order to resolve the capacity constraints and moving forward on long term perspective, DRC has invested in new lines and equipments. The new can line has been acquired from one of the best filling line manufacturers KHS. The line is able to produce 90,000 cans per hour which is the highest capacity in the region. The new line can produce cans in every size (i.e 150, 250, 300 and 355 ml) as well can produce multipacks in addition to the normal full cases. Further, DRC has acquired new blower machine which has increased the efficiency of the PET line by 50%. All these investments shall go a long way in achieving our objective of meeting the desired growth level at the optimum cost and shall save the money spent on outside conversions.

Furthermore, in order to be more focused towards strategic management and long term planning, the company this year has taken various extra measures. We have restructured the company with the formation of Corporate section which shall look after solely the strategic management and expansion plans for the future. In addition to this, an investment committee has been formed to look after the prospects and feasibilities of specific projects and expansion plans from every aspect. These were obviously the necessary steps to remain competitive and to take an extra edge in a dynamic and changing market environment. Moving forward from here, Company is investing heavily in the new infrastructure development and new operational site to resolve the space constraints and storage problems. The “Greenfield project” is in the offing for which land has been acquired in Techno park with an area of 100,000 sq meter. This area shall be covering the space for warehouses and production lines along with the space for all the offices.

Dubai Refreshments (PSC)

Report of the Chairman (continued)

We are steadily improving and increasing our product portfolio with the introduction of new packages and products. This year we launched the package of PET 500 ml and other new products like Aquafina sparkling water and non carbonated beverages are about to be launched in year 2008. This diversification shall certainly provide an advantage in terms of increased margins and focusing on high contribution products.

On the marketing front, we maintained the excellent relationship between Government of Dubai and Dubai Refreshments with an ongoing partnership in number of segments like Dubai Shopping Festival, Dubai Summer Surprises, Global Village and Modhesh Fun City. Further, participation in major key concerts in the region with excellent support to the sports events also has continued in the previous year. With the name of Pepsi Sports Fiesta, we have proudly created an event in which schools and interested participants play and compete in various sports like Basketball, Football and Cricket.

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, UAE Minister of Finance & Industry for his continuous support to our Company. Further, we would like to congratulate Sheikh Hamdan Bin Mohammad Al Maktoum and Sheikh Maktoum Bin Mohammad Al Maktoum on their appointment as Crown Prince and Deputy Ruler of Dubai respectively and hope that the appointments shall prove to be a stepping stone for further development of emirates of Dubai.

In conclusion, I would like to thank all the employees of the Company for their continuous efforts and dedication for the betterment of the Company. I would further like to thank all our suppliers, customers and shareholders for supporting us and making all the above achievements possible. This, as we all know, is the critical period in the life of our Company as we are looking forward to new vistas and avenues to excel in the market. Diversification and expansion are the key words which best describe the current phase of DRC. I am very much hopeful that at this critical juncture, all our people shall put in their best efforts to achieve our objectives for the future and take our Company to the pinnacle of success.

Thank you,
Chairman of the Board
Ahmad Al Shafar

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Independent auditor's 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) ("the company") which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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 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.

Independent auditor's report to the directors and Shareholders of Dubai Refreshments (PSC) (continued)

Basis of qualified opinion

As explained in more detail in note 7 to the financial statements, the Company has accounted for the disposal of an investment property and recognised a gain of AED 5,521,000 in the income statement for the year ended 31 December 2007. Based on information provided to us by the management, the significant risks and rewards in relation to the investment property including the legal title have not been transferred to the buyer at December 31, 2007. As a result, the investment property should not be recorded as having been disposed off and no gain on disposal should be recognised. Instead, the investment property which is accounted for using the cost model should be classified and accounted for as non current asset held for sale in accordance with "IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations". Accordingly the profit for the year and trade and other receivables are overstated by AED 5,521,000 and AED 7,500,000 respectively and non current asset held for sale and trade and other payables are understated by AED 2,729,000 and AED 750,000 respectively.

Qualified opinion

In our opinion, except for the effects of matter described in the basis of qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2007 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:

(i) we have obtained all the information we considered necessary for the purposes of our audit;

(ii) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended and the Articles of Association of the Company;

(iii) 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;

(iv) the financial information included in the report of the Chairman is consistent with the books of account of the company; and

Independent auditor's report to the directors and Shareholders of Dubai Refreshments (PSC) (continued)

Report on other legal and regulatory requirements (continued)

(v) 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 as of 31 December 2007.

PricewaterhouseCoopers
30 March...2008

Michael J. Stevenson
Registered Auditor Number [illegible]
Dubai, United Arab Emirates

(7)

Dubai Refreshments (PSC)

Balance sheet

	Note	As at 31 December 2007 AED'000	2006 AED'000
ASSETS			
Non-current assets			
Investment property	7	-	2,800
Property, plant and equipment	8	133,158	93,355
Intangible assets	9	56,136	61,017
Available-for-sale financial assets	10	81,471	66,470
		270,765	223,642
Current assets			
Financial assets at fair value through profit or loss	11	8,963	4,567
Inventories	12	37,117	49,665
Trade and other receivables	13	107,656	111,014
Cash and cash equivalents	14	2,506	2,420
		156,242	167,666
Total assets		427,007	391,308
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	50,000	40,000
Statutory reserve	18	20,031	17,921
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	68,856	53,855
Retained earnings		64,228	56,134
Total equity		287,339	252,134
Non-current liabilities			
Provision for employees' end of service benefits	23	7,960	6,939
Deferred revenue	24	1,109	2,321
		9,069	9,260
Current liabilities			
Bank overdraft	14	59,235	60,909
Bank borrowing	15	20,711	7,107
Trade and other payables	16	50,653	61,898
		130,599	129,914
Total liabilities		139,668	139,174
Total equity and liabilities		427,007	391,308

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

....
Director

....
Director

The notes on pages 12 to 39 form an integral part of these financial statements.

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Income statement

	Note	Year ended 31 December 2007 AED'000	2006 AED'000
Revenue		526,309	460,766
Cost of sales		(397,803)	(332,150)
Gross profit		128,506	128,616
Other operating income	25	1,212	7,939
		129,718	136,555
Expenses			
Selling and distribution		(80,977)	(79,167)
General and administration		(30,737)	(27,736)
Amortisation of intangible assets	9	(4,881)	(4,863)
Operating profit	26	13,123	24,789
Dividend income		2,060	2,244
Other income/(expense)	27	10,284	(2,591)
Interest expense		(4,363)	(4,320)
Profit for the year		21,104	20,122
		AED	AED
Earning per share			
Basic and diluted	28	0.42	0.40

Dubai Refreshments (PSC)

Statement of changes in equity

	Notes	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Dividend equalisation AED'000	Plant replacement reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2006		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)
Directors' fees	29							(900)	(900)
Reversal of directors' fees								900	900
Dividends paid								(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
Profit for the year								21,104	21,104
Net unrealised gains on available-for-sale financial assets during the year	10/22	-	-	-	-	-	15,001	-	15,001
Directors' fees	29							(900)	(900)
Issue of bonus shares	17	10,000						(10,000)	-
Transfer to statutory reserve	18		2,110					(2,110)	-
At 31 December 2007		50,000	20,031	7,062	31,962	45,200	68,856	64,228	287,339

The notes on pages 12 to 39 form an integral part of these financial statements.

Dubai Refreshments (PSC)

Cash flow statement

	Note	Year ended 31 December 2007 AED'000	2006 AED'000
Operating activities			
Net profit for the year		21,104	20,122
Adjustments for:			
Depreciation	26	23,011	21,251
(Profit)/loss on sale of property, plant and equipment	26	-	(15)
Gain on disposal of an investment property	27	(5,521)	-
Provision for employees' end of service benefits	23	1,885	2,097
Provision for impairment of receivables	26	690	1,802
Transfer from deferred revenue	24	(1,212)	(1,436)
Fair value (gain) / loss on financial assets at fair value through profit or loss	27	(4,396)	3,118
Dividend income		(2,060)	(2,244)
Interest expense		4,363	4,320
Amortisation of intangible assets	9	4,881	4,863
Operating cash flows before changes in working capital and payment of employees' end of service benefits		42,745	53,878
Payment of employees' end of service benefits	23	(864)	(548)
Changes in working capital:			
Inventories	12	12,548	(19,643)
Trade and other receivables before movement in provision and write offs including impact of non cash item	13	10,168	(40,752)
Trade and other payables	16	(11,245)	(3,616)
Net cash provided by/(used in) operating activities		53,352	(10,681)
Investing activities			
Acquisition of a business	5	-	(27,000)
Additions to investment property		(27)	-
Purchase of property, plant and equipment	8	(62,716)	(26,664)
Purchase of intangible assets	9	-	(196)
Purchase of financial assets at fair value through profit or loss	11	-	(1,855)
Proceeds from disposal of investment property		750	-
Proceeds from disposal of property, plant and equipment	26	-	113
Dividend income		2,060	2,244
Net cash used in investing activities		(59,933)	(53,358)
Financing activities			
Bank borrowings	15	13,604	7,107
Dividend paid		-	(10,000)
Interest paid		(4,363)	(4,320)
Directors' fees paid	29	(900)	(900)
Net cash provided by/(used in) financing activities		8,341	(8,113)
Net increase/(decrease) in cash and cash equivalents		1,760	(72,152)
Cash and cash equivalents, beginning of the year		(58,489)	13,663
Cash and cash equivalents, end of the year	14	(56,729)	(58,489)

The notes on pages 12 to 39 form an integral part of these financial statements.

1 Legal status and activities

Dubai Refreshments (PSC) ("the company"), 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 ("IFRS"). 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 company's 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) Standards, amendments and interpretations effective in 2007

IFRS 7, Financial instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of financial statements – Capital disclosures, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the company's financial instruments, or the disclosures relating to taxation and trade and other payables.

2 Summary of the significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations effective in 2007 but not relevant for the company's operations

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the company's operations:

- IFRS 4, 'Insurance Contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies';
- IFRIC 8, 'Scope of IFRS 2';
- IFRIC 9, 'Re-assessment of embedded derivatives'; and
- IFRIC 10, 'Interim financial reporting and impairment'.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods, but the company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009);
- IFRS 8,'Operating segments' (effective from 1 January 2009);
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008).

(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 and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the company's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008; and
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).

2 Summary of the significant accounting policies (continued)

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 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.

2.3 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. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 Summary of the significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Depreciation is calculated using the straight line method to allocate their cost to their residual values over their estimated 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

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 the proceeds with the carrying amount and are included in 'operating profit'.

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.

2 Summary of the significant accounting policies (continued)

2.6 Intangible assets (continued)

(ii) Computer software (continued)

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

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

2 Summary of the significant accounting policies (continued)

2.8 Financial assets (continued)

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. The company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

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 – 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 'financial assets at fair value through profit or loss' 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 company's right to receive payments is established.

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.

2 Summary of the significant accounting policies (continued)

2.8 Financial assets (continued)

iii) Available-for-sale financial assets (continued)

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 company’s 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 – 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 – 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. Impairment testing of trade receivables is described in note 2.10.

2.9 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined using the weighted average method. The cost of work in progress and finished goods comprises direct material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of the significant accounting policies (continued)

2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'Selling and distribution expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Selling and distribution expenses' in the income statement.

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 employees' entitlements to annual leave and airfares as a result of services rendered by eligible employees up to the balance sheet date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees 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 Summary of the significant accounting policies (continued)

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 company's 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.

(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 company's 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.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'UAE Dirhams', which is the company's functional and presentation currency.

2 Summary of the significant accounting policies (continued)

2.16 Foreign currencies (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized 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. For the purpose of disclosure in the balance sheet, bank overdraft is included under current liabilities.

2.18 Leases

Leases in which significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3 Financial risk management

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency
risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk:

The company does not have any significant foreign currency exposure, as a significant proportion of the sales and purchases are denominated in UAE Dirhams or currencies to which UAE Dirham is currently pegged.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) 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 and loss. To manage its price risk arising from investments in equity securities, the company diversifies its portfolio.

The company's investments in equity of other entities that are publicly traded and are included in one of the following four indexes: Muscat Securities Market, Dubai Financial Market, Abu Dhabi Securities Market and Dubai International Financial Exchange.

The table below summarises the impact of increase/decrease of the four indexes on the company's profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the company's equity instruments moved according to historical correlation of the index:

	Impact on profit		**Impact on equity**	
Index	2007	2006	2007	2006
	AED'000	AED'000	AED'000	AED'000
Muscat Securities Market	-	-	859	898
Dubai Financial Market	52	31	2,831	2,255
Dubai International Financial Exchange	75	81	-	-
Abu Dhabi Securities Market	328	115	383	170

The company is also exposed to commodities price risk because of the raw materials used by the company in the production process. The company does not hedge its commodity price risk.

(ii) Cash flow and fair value interest rate risk:

As the company has no significant interest bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates. The company's 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 assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

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

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 December 2007	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	AED'000	AED'000	AED'000	AED'000	AED'000
Bank borrowings	20,711	20,711	-	-	-
Provision for employees' end of service benefits	7,960	796	796	2,388	3,980
Trade and other payables	47,642	47,642	-	-	-
Due to related parties	3,011	3,011	-	-	-
Bank overdrafts	59,235	59,235	-	-	-
	138,559	131,395	796	2,388	3,980

31 December 2006	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	AED'000	AED'000	AED'000	AED'000	AED'000
Bank borrowings	7,107	7,107	-	-	-
Provision for employees' end of service benefits	6,939	694	694	2,081	3,470
Trade and other payables	59,880	59,880	-	-	-
Due to related parties	2,018	2,018	-	-	-
Bank overdrafts	60,909	60,909	-	-	-
	136,853	130,608	694	2,081	3,470

3 Financial risk management (continued)

3.2 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt represents total borrowings, including 'current and non-current borrowings' as shown in the balance sheet. Total capital is calculated as 'equity' as shown in the balance sheet plus total debt.

The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007 AED'000	2006 AED'000
Bank borrowing (note 15)	20,711	7,107
Add: bank overdrafts (note 14)	59,235	60,909
Total debt	79,946	68,016
Total equity	287,339	252,134
Total capital	367,285	320,150
Gearing ratio	0.22:1	0.21:1

3.3 Fair value estimation

The fair values of the company's financial assets and liabilities approximate their carrying value as reflected in these financial statements.

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 asset's 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.

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.

4 Critical accounting estimates and judgments (continued)

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 customers' accounts, customer defaults, the customers' 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 previous year, 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:

	AED'000
Property, plant and equipment (Note 8)	19,569
Intangible asset – 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 2007	677	3,329	4,006
Additions during the year		27	27
Disposal for the year	(677)	(3,356)	(4,033)
At 31 December 2007	-	-	-
Depreciation			
At 1 January 2007	-	1,206	1,206
Charge for the year		98	98
Disposal for the year		(1,304)	(1,304)
At 31 December 2007	-	-	-
Net book amount			
At 31 December 2007	-	-	-
At 31 December 2006	677	2,123	2,800

The company entered into an agreement to sell its investment property on 2 August 2007 and received a deposit of AED 750,000 from the buyer. On the basis of this agreement, the investment property has been accounted for as having been sold and gain of AED 5,521,000 has been recognized in the financial statements. But, till December 31, 2007, the title deed in the investment property could not be transferred to the buyer because of some outstanding legal formalities. According to the agreement, and subsequent addendums, the title deed should be transferred to the buyer by 14 April 2008, failing which the original sale agreement will stand cancelled and the buyer would lease the investment property from the company.

The management is currently in the process of completing the legal formalities in relation to transfer of title and are confident that this will be achieved within the agreed timescale.

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 2006	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
Additions	2,700	6,179	4,771	6,807	202	42,057	62,716
Disposals	-	(59)	-	-	(531)	-	(590)
At 31 December 2007	36,993	85,769	35,311	85,284	4,237	42,273	289,867
Depreciation							
At 1 January 2006	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
Charge for the year	1,629	7,879	4,133	8,643	629	-	22,913
Disposals	-	(59)	-	-	(531)	-	(590)
At 31 December 2007	19,824	50,096	22,553	60,340	3,896	-	156,709
Net book amount							
At 31 December 2007	17,169	35,673	12,758	24,944	341	42,273	133,158
At 31 December 2006	16,098	37,373	12,120	26,780	768	216	93,355

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.

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) Borrowing cost capitalised during the year amounted to AED 1,485,000 (2006: AED Nil)

e) The depreciation charge for the year (including depreciation on investment property) has been dealt with in the income statement as follows:

	2007 AED'000	2006 AED'000
Cost of sales	4,899	3,895
Selling and distribution expenses	13,837	12,655
General and administration expenses	4,275	4,701
	23,011	21,251

9 Intangible assets

	Franchise and bottling rights AED'000	Computer software AED'000	Lease rights AED'000	Goodwill AED'000	Total AED'000
Cost					
At 1 January 2006	62,391	4,442	-	-	66,833
Acquisition (Note 5)	-	-	2,157	5,274	7,431
Additions	-	196	-	-	196
At 31 December 2006 and 31 December 2007	62,391	4,638	2,157	5,274	74,460
Amortisation					
At 1 January 2006	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
Charge for the year	3,120	1,546	215	-	4,881
At 31 December 2007	14,820	3,092	412	-	18,324
Net book amount					
At 31 December 2007	47,571	1,546	1,745	5,274	56,136
At 31 December 2006	50,691	3,092	1,960	5,274	61,017

9 Intangible assets (continued)

Impairment test of goodwill:

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. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long term average growth rate for the business in which the company operates.

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 management's 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 pre-tax discount rate of 13%.

10 Available-for-sale financial assets

	2007 AED'000	2006 AED'000
Beginning of the year	66,470	78,625
Net gains/(losses) transferred to equity	15,001	(12,155)
At end of the year	81,471	66,470

There were no disposals or impairment provisions on available-for-sale financial assets in 2007 or 2006.

All the investments in available-for-sale financial assets are held in listed equity securities. Included in above are listed investments of 332,750 shares (2006: 200,000 shares) of Etisalat with a carrying amount of AED 7,669,888 and cost of AED 827,120 (2006: a carrying amount of AED 3,400,000 and cost of AED 827,120), which are held in the name of Late Mr Humaid Al Owais in trust for the company.

10 Available-for-sale financial assets (continued)

Available-for-sale financial assets are denominated in the following currencies:

	2007 AED'000	2006 AED'000
UAE Dirhams	64,287	48,504
Omani Riyal	17,184	17,966
At end of the year	81,471	66,470

None of the financial assets is either past due or impaired.

11 Financial assets at fair value through profit or loss

	2007 AED'000	2006 AED'000
Held for trading securities		
Beginning of the year	4,567	5,830
Shares subscribed through IPOs during the year	-	1,855
Fair value gain / (loss) – net (Note 27)	4,396	(3,118)
End of the year	8,963	4,567

All the investments in financial assets at fair value through profit or loss are held in listed equity securities. The fair value of all equity securities is based on their current bid prices in an active market.

12 Inventories

	2007 AED'000	2006 AED'000
Raw materials and consumables	21,804	21,191
Finished goods and goods for re-sale	10,948	16,724
Spare parts and supplies	4,946	4,256
	37,698	42,171
Less: Provision for slow moving inventories	(600)	(600)
	37,098	41,571
Goods in transit	19	8,094
	37,117	49,665

13 Trade and other receivables

	2007 AED'000	2006 AED'000
Trade receivables	65,002	61,727
Less: provision for impairment of receivables	(6,907)	(6,217)
Trade receivables - net	58,095	55,510
Other receivables	43,636	33,394
Advances from suppliers	1,802	11,001
Prepaid expenses	3,329	8,664
Amounts due from related parties	794	2,445
	107,656	111,014

The company's customers are based mainly in the United Arab Emirates. The carrying amounts of the company's trade and other receivables are denominated entirely in United Arab Emirates Dirhams.

Trade receivables that are less than six months past due are not considered impaired. As of 31 December 2007, trade receivables of AED 6,809,000 (2006: AED 6,918,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007 AED'000	2006 AED'000
Up to 3 months	4,306	3,225
3 to 6 months	2,503	3,693
	6,809	6,918

As of 31 December 2007, trade receivables of AED 6,905,528 (2006: AED 6,216,649) were impaired and provided for. The amount of the provision was AED 6,905,528 as of 31 December 2007 (2006: AED 6,216,649). It was assessed that a portion of receivables is expected to be recovered. The ageing of these receivables is as follows:

	2007 AED'000	2006 AED'000
6 to 12 months	1,552	1,850
Over 12 months	5,355	4,367
	6,907	6,217

13 Trade and other receivables (continued)

Movements on the company's provision for impairment of trade receivables are as follows:

	2007 AED'000	2006 AED'000
At 1 January	6,217	4,415
Provision for receivables impairment	1,282	1,948
Reversals	(592)	(146)
At 31 December	6,907	6,217

The creation and reversal of provision for impaired receivables have been included in 'Selling and distribution expenses' in the income statement. Amounts charged to allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

14 Cash and cash equivalents

	2007 AED'000	2006 AED'000
Cash at bank	2,098	1,537
Cash on hand	408	883
Cash and cash equivalents	2,506	2,420

Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2007 AED'000	2006 AED'000
Cash and cash equivalents	2,506	2,420
Bank overdrafts	(59,235)	(60,909)
	(56,729)	(58,489)

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: 6.5%). The carrying amounts of borrowings approximate their fair value and are denominated in UAE Dirhams.

	2007 AED'000	2006 AED'000

16 Trade and other payables

	2007 AED'000	2006 AED'000
Trade payables	32,769	47,660
Accrued expenses	4,832	4,668
Accrual for staff benefits	6,193	4,749
Amounts due to related parties (Note 29)	3,011	2,018
Due to directors	900	900
Other payables	2,948	1,903
	50,653	61,898

17 Share capital

	2007 AED'000	2006 AED'000
Authorised, issued and fully paid		
50,000,000 shares of AED 1 each (2006: 400,000 shares of AED 100 each)	50,000	40,000

At an extraordinary general meeting held on 28 June 2007, The shareholders approved an increase in authorised share capital from AED 40,000,000 to AED 50,000,000 and a share split of 1:100. In the meeting the bonus issue of 10,000,000 shares of AED 1 each, following the share split, was also approved. The increase in authorised share capital and the split of shares along with bonus issue took place on 11 July 2007.

18 Statutory reserve

In accordance with Article 192 of the UAE Commercial Companies Law of 1984, as amended, and the company's 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 2,110,361 (2006: AED 2,012,263) 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 company's articles of association, 10% percent of the company's net profit may be transferred to a general reserve to be used only for the purposes stated in the company's articles.

In accordance with clause (58) of the company's 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 company's 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

	2007 AED'000	2006 AED'000
At beginning of the year	6,939	5,390
Charge for the year	1,885	2,097
Payments during the year	(864)	(548)
At end of the year	7,960	6,939

23 Provision for employees' end of service benefits (continued)

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 2007 and 2006, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's 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% (2006: 6%)

	2007 AED'000	2006 AED'000

24 Deferred revenue

At 1 January	2,321	3,757
Transfer to other operating income (Note 25)	(1,212)	(1,436)
At 31 December	1,109	2,321

25 Other operating income

Transfers from deferred revenue (Note 24)	1,212	1,436
Contributions from Pepsi Cola International	-	6,097
Others	-	406
	1,212	7,939

26 Operating profit

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

	2007 AED'000	2006 AED'000
Staff costs	60,838	54,603
Depreciation (Notes 7 and 8)	23,011	21,251
Amortisation of intangible asset (Note 9)	4,881	4,863
Repairs and maintenance expenditure on property plant and equipment	1,641	1,316
Trade receivables – impairment charge for bad and doubtful receivables net of reversals	690	1,802
Income from investment property	-	101
(Profit)/loss on disposal of property, plant and equipment	-	(15)

27 Other income/(expense)

	2007 AED'000	2006 AED'000
Gain on disposal of an investment property (Note 7)	5,521	-
Fair value gain/(loss) on financial assets at fair value through profit or loss (Note 11)	4,396	(3,118)
Rental income (Note 26)	-	101
Others	367	426
	10,284	(2,591)

28 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.

	2007 AED	2006 AED
Profit attributable to equity holders of the company (in '000)	21,104	20,122
Weighted average number of ordinary shares in issue	50,000	50,000
Basic earnings per share	0.42	0.40

(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.

	2007 AED	2006 AED
Diluted earnings per share	0.42	0.40

29 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 "affiliates").

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

	2007 AED'000	2006 AED'000
Directors' remuneration		
Directors' fees	900	900
Directors' sitting fees	136	120
	1,036	1,020
Key management remuneration		
Salaries and short term benefits	7,009	6,645
Pension and end of service benefit	538	500
	7,547	7,145
Sales to affiliates		
Oman Refreshments Company Limited	11,752	10,801
National Refreshments Company (LLC)	-	-
	11,752	10,801
Purchases from affiliates		
Al Tajir Glass Industry	14,414	23,573
National Refreshments Company (LLC)	10,667	7,743
Al Yousuf Motors	202	1,030
Nasser Bin A A Al Serkal	250	269
Genavco	1,854	40
	27,387	32,655
Due from related parties *		
Oman Refreshments Company Limited	794	2,445

* Due from related parties is included under Trade and other receivables (Note 13)

29 Related party transactions and balances (continued)

	2007 AED'000	2006 AED'000
Due to related parties in respect of purchases*		
Al Tajir Glass Industry	5	717
National Refreshments Company (LLC)	760	778
Nasser Bin A Al Serkal	-	38
Oman Refreshments Company Limited	1,298	-
Al Yousuf Motors	-	484
Genavco	948	1
	3,011	2,018

* Due to related parties is included under Trade and other payables (Note 16)

30 Commitments

Capital commitments

The directors have authorised future capital expenditure amounting to AED 21,489,000 (2006: AED 57,500,000).

Operating lease commitment

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

	2007 AED'000	2006 AED'000
Not later than 1 year	490	870
Later than 1 year and not later than 5 years	1,704	1,704
Later than 5 years	4,180	4,180
	6,374	6,754