Emirates Foodstuff and Mineral Water Company PJSC "Agthia"

Consolidated financial statements

31 December 2007

Emirates Foodstuff and Mineral Water Company PJSC "Agthia"

Consolidated financial statements

Contents — *Page*

KPMG Lower Gulf Limited
Abu Dhabi Branch
P O Box 7613
Abu Dhabi
United Arab Emirates

Telephone +971 (2) 6343 318
Fax +971 (2) 6327 612
Website www.ae-kpmg.com

The shareholders
Emirates Foodstuff and Mineral Water Company PJSC "Agthia"

Independent auditors' report

We have audited the accompanying consolidated financial statements of Emirates Foodstuff and Mineral Water Company PJSC "Agthia" (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant 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 our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles used and 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 opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2007, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group, a physical stock count was carried out by management, and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2007, which may have had a material adverse effect on the business of the Group or its consolidated financial position.

KPMG
Munther Dajani
Registration No. 268

11 February 2008

KPMG Lower Gulf Limited, is a member of KPMG International, a Swiss Co-operative.
All rights reserved.

Emirates Foodstuff and Mineral Water Company PJSC "Agthia"

Consolidated income statement
for the year ended 31 December 2007

	Note	2007 AED'000	2006 AED'000
Revenue		**578,683**	433,564
Cost of sales	*6*	**(471,433)**	(360,055)
Gross profit		**107,250**	73,509
Other income		**2,690**	2,329
Selling and distribution expenses	*7*	**(32,555)**	(24,538)
General and administrative expenses	*8*	**(42,542)**	(25,107)
Results from operating activities		**34,843**	26,193
Finance income		**3,305**	2,908
Profit for the year		**38,148**	29,101
Earnings per share (AED)	*9*	**0.064**	0.049

The notes set out on pages 6 to 24 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Emirates Foodstuff and Mineral Water Company PJSC "Agthia"

Consolidated balance sheet
as at 31 December 2007

	Note	2007 AED'000	2006 AED'000
Goodwill	*10*	**82,181**	82,181
Property, plant and equipment	*11*	**333,917**	351,782
Deferred acquisition expense		**2,964**	3,070
Total non-current assets		**419,062**	437,033
Inventories	*12*	**183,576**	157,732
Trade and other assets	*13*	**171,875**	103,738
Due from related parties	*19*	**12**	17
Cash and bank balances	*14*	**92,236**	124,174
Total current assets		**447,699**	385,661
Bank Loan	*16*	**36,474**	-
Due to related parties	*19*	**32,818**	47,749
Trade and other payables	*15*	**74,093**	89,717
Total current liabilities		**143,385**	137,466
Net current assets		**304,314**	248,195
Net assets		**723,376**	685,228
Share capital	*17*	**600,000**	600,000
Legal reserve	*18*	**12,338**	8,523
Retained earnings		**111,038**	76,705
Total equity		**723,376**	685,228

The consolidated financial statements were approved on behalf of the Board on 11 February 2008 by:

Chairman

Chief Executive Officer

The notes set out on pages 6 to 24 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Emirates Foodstuff and Mineral Water Company PJSC "Agthia"

Consolidated statement of changes in equity
for the year ended 31 December 2007

	Share capital AED'000	Legal reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2006	600,000	5,613	50,514	656,127
Profit for the year	-	-	29,101	29,101
Transfer to legal reserve	-	2,910	(2,910)	-
Balance at 31 December 2006	**600,000**	**8,523**	**76,705**	**685,228**
Balance at 1 January 2007	600,000	8,523	76,705	685,228
Profit for the year	-	-	38,148	38,148
Transfer to legal reserve	-	3,815	(3,815)	-
Balance at 31 December 2007	**600,000**	**12,338**	**111,038**	**723,376**

The notes set out on pages 6 to 24 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Emirates Foodstuff and Mineral Water Company PJSC "Agthia"

Consolidated statement of cash flows

for the year ended 31 December 2007

	2007 AED'000	2006 AED'000
Cash flows from operating activities		
Profit for the year	**38,148**	29,101
Adjustments for:		
Depreciation	**23,202**	24,381
Finance income	**(3,305)**	(2,908)
Loss on sale of property, plant and equipment	**895**	36
Impairment loss on property, plant and equipment	**1,348**	-
Impairment on inventories and receivables	**2,964**	1,492
	63,252	52,102
Change in inventories	**(26,194)**	(51,372)
Change in trade and other assets	**(70,751)**	(9,114)
Change in due from related parties	**5**	14
Change in due to related parties	**(14,931)**	2,864
Change in trade and other payables	**(15,624)**	49,747
Net cash (used in) / from operating activities	**(64,243)**	44,241
Cash flows from investing activities		
Purchase of property, plant and equipment	**(10,861)**	(4,998)
Proceeds from disposal of property, plant and equipment	**3,281**	188
Finance income	**3,305**	2,908
Change in deferred acquisition expense	**106**	3,070
Net cash (used in) / from investing activities	**(4,169)**	1,168
Cash flows from financing activities		
Proceeds from bank loan	**36,474**	-
Net cash from financing activities	**36,474**	-
(Decrease) / increase in cash and cash equivalents	**(31,938)**	45,409
Cash and cash equivalents at 1 January	**124,174**	78,765
Cash and cash equivalents at 31 December	**92,236**	124,174

The notes set out on pages 6 to 24 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Emirates Foodstuff and Mineral Water Company PJSC "Agthia"

Notes to the consolidated financial statements

1 Legal status and principal activities

Emirates Foodstuff and Mineral Water Company PJSC "Agthia" ("the Company") was incorporated as a Public Joint Stock Company pursuant to the Ministerial Resolution No. 324 for 2004. General Holding Corporation PJSC owns 51% of the Company's shares. The principal activities of the Company are to establish, invest, trade and operate companies and businesses that are involved in the food and beverage sector in the United Arab Emirates (UAE).

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and it's below mentioned subsidiaries (together referred to as the "Group").

Subsidiary	Country of Incorporation and operation	Share of equity (%) 2007	2006	Principal activity
Grand Mills for Flour and Feed Company PJSC	UAE	100	100	Production and sale of flour and animal feed.
Al Ain Mineral Water Company PJSC	UAE	100	100	Production, bottling and sale of bottled mineral water.

The registered address of the Group is P. O. Box 37725, Abu Dhabi, UAE.

2 Basis of preparation

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs), and comply, where appropriate, with the Article of Association of the company and the UAE Federal Law No. 8 of 1984 (as amended).

(b) *Basis of measurement*

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

(c) *Functional and presentation currency*

These consolidated financial statements are presented in UAE Dirhams ("AED"), which is the Group's functional currency. All financial information presented in AED has been rounded to the nearest thousand, unless otherwise stated.

2 Basis of preparation *(continued)*

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 23.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sales. For sale of flour, animal feed and bottled water products, transfer usually occurs when the product is received at the customer's , however , for some international shipments transfer occurs upon loading the goods onto the relevant carrier , for sale of stocks transfer occur upon receipt by the customer.

3 Significant accounting policies *(continued)*

(c) *Government grants*

Grants that compensate the Group for expenses / losses incurred are recognised in the consolidated income statement, as a deduction from the cost of sales, on systematic basis in the same period in which the expenses / losses are recognised.

(d) *Earnings per share*

The Group presents earnings per share data for its shares. Earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period.

(e) *Goodwill*

Goodwill arises on the acquisition of subsidiaries, which represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequently goodwill is measured at cost less accumulated impairment losses.

(f) *Property, plant and equipment*

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipments.

Gain and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income" in profit or loss.

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss.

The group capitalises all costs relating to the construction of property, plant and equipments as capital work in progress, up to the date of completion and commissioning of the assets. These costs are then transferred from capital work in progress to the appropriate asset classification upon completion and commissioning, and are depreciated over their useful economic lives from the date of such completion and commissioning.

3 Significant accounting policies *(continued)*

(f) ***Property, plant and equipment*** *(continued)*

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

Buildings	30 - 40 years
Plant and equipment	10 - 20 years
Furniture and fixtures	4 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(g) ***Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditures incurred in acquiring the inventories, production or conversion cost and others costs incurred in bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of production over heads based on normal operating capacity.

Net realisable value is the estimated selling price in the course of business less the estimated cost of completion and selling expense.

(h) ***Financial instruments***

Financial instruments comprise trade and other assets, cash and bank balances, trade and other payables, due from/ due to related parties and bank loan.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial instruments are recognised initially at fair value plus, any directly attributable transaction costs. Subsequent to initial recognition instruments are measured at amortised cost using the effective interest method, less impairment losses if any.

Cash and cash equivalents comprise cash balances and term deposits with original maturity dates of three months or less.

Other non-derivative financial instruments are measured at cost using the effective interest method, less any impairment losses.

Accounting for finance income and expense is discussed in note 3 (j).

3 Significant accounting policies *(continued)*

(i) Impairment

Financial assets

Financial assets assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite live, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing , assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of other assets, impairment losses recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies *(continued)*

(i) Impairment (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Finance income and finance expenses

Finance income comprises interest income on call deposits. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expenses on borrowings. All borrowing costs are recognised in consolidated income statement using effective interest method.

(k) Employees' end of service benefits

Provision for employees' end of service benefits included under payables and accruals is calculated in accordance with the UAE Federal Labour Law and is determined on the basis of the liability that would arise if the employment of all staff was terminated at the balance sheet date.

Monthly pension contributions are made as respect of UAE National employees, who are covered by law No. 2 of 2000. The pension find is administered by the government of Abu Dhabi, Finance Department, represented by Abu Dhabi Retirement Pension and Benefits Fund.

(l) Foreign currency transactions

Transactions in foreign currencies are translated to AED at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at that date. The foreign currency gain or losses on monetary items is the difference between amortised AED at the beginning of the period, adjusted for effective interest and payment during the period and the amortised cost as foreign currency translated at the exchange rate at the end of the period. Differences arising on retranslation are recognised in income statement.

(m) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.