

**GULFA MINERAL WATER AND
PROCESSING INDUSTRIES CO. P.L.C.**

**REVIEW REPORT
AND
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED
MARCH 31, 2019**

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Independent auditor's report and financial statements
For the period ended March 31, 2019

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE SHAREHOLDER'S OF GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. P.L.C.**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulfa Mineral Water and Processing Industries Co. P.L.C (the “Company”) as at March 31, 2019 which comprised the interim condensed consolidated statement of financial position as at March 31, 2019, and the related interim condensed consolidated statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the three months period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 as issued by International Accounting Standard Board (IASB). Our responsibility is to express a conclusion of these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

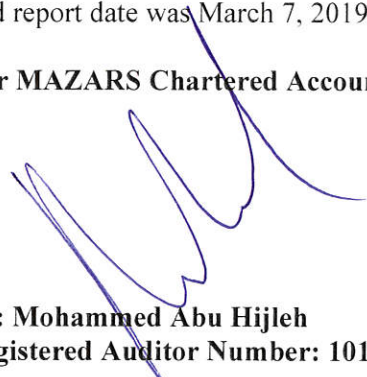
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

The opening balances were audited by another auditor who expressed unqualified opinion and report date was March 7, 2019.

For MAZARS Chartered Accountants LLC (Abu Dhabi Br.1)



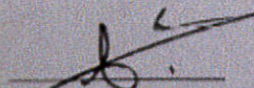
**By: Mohammed Abu Hijleh
Registered Auditor Number: 1010**

**Abu Dhabi,
May 5, 2019**

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Interim condensed consolidated statement of financial position
As at March 31, 2019

		(Un-audited)	
		March 31, 2019	December 31, 2018
	Note	<u>AED</u>	<u>AED</u>
ASSETS			
Non-current assets			
Property, plant and equipment	3	11,504,691	12,163,632
Intangible assets		91,224	98,826
Investment property	4	25,196,500	20,163,800
		<u>36,792,415</u>	<u>32,426,258</u>
Current assets			
Inventories	5	5,217,090	5,579,644
Trade receivables	6	1,926,864	2,810,515
Deposits and other receivable	7	2,337,026	1,077,063
Cash and bank balances	8	1,714,991	2,038,264
		<u>11,195,971</u>	<u>11,505,486</u>
Total assets		<u>47,988,386</u>	<u>43,931,744</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	9	30,000,000	30,000,000
Legal reserve	10	5,887,566	5,887,566
Voluntary reserve	11	234,067	234,067
Retained earnings		3,262,962	226,315
		<u>39,384,595</u>	<u>36,347,948</u>
Non-current liability			
Provision for employees' end of service benefits	12	1,714,990	2,218,034
		<u>1,714,990</u>	<u>2,218,034</u>
Current liability			
Trade and other payables	13	6,888,801	5,365,762
		<u>6,888,801</u>	<u>5,365,762</u>
Total liabilities		<u>8,603,791</u>	<u>7,583,796</u>
Total equity and liabilities		<u>47,988,386</u>	<u>43,931,744</u>

These financial statements were approved by the Management and Board of Directors on May 5, 2019 and signed on their behalf by:


Fadi Radieddine
Finance Manager


Khalifa Al Hammadi
Chairman

The notes from 1 to 17 form an integral part of these financial statements.

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Interim condensed consolidated statement of comprehensive income
For the period ended March 31, 2019

		(Un-audited)	
		March 31,	March 31,
		2019	2018
	<i>Note</i>	<u>AED</u>	<u>AED</u>
Net revenue		3,526,275	5,904,506
Cost of revenue	14	<u>(3,499,190)</u>	<u>(5,546,228)</u>
Gross profit		27,085	358,278
General and administrative expenses		(1,064,285)	(1,771,757)
Selling and distribution expenses		(1,097,720)	(1,243,928)
Gain from fair value adjustment		5,032,700	-
Other income	15	<u>138,867</u>	<u>6,475</u>
Profit / (loss) for the period		<u>3,036,647</u>	<u>(2,650,932)</u>
Total comprehensive income / (loss) for the period		<u>3,036,647</u>	<u>(2,650,932)</u>
Basic and diluted gain / losses per share		<u>0.10</u>	<u>(0.088)</u>

The notes from 1 to 17 form an integral part of these financial statements.

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Interim condensed consolidated statement of changes in equity
For the period ended March 31, 2019

	Share capital <u>AED</u>	Legal reserve <u>AED</u>	Voluntary reserve <u>AED</u>	Retained earnings <u>AED</u>	Total <u>AED</u>
As at January 1, 2018 (Restated)	30,000,000	5,887,566	234,067	16,784,145	52,905,778
Impact of application of new standard	-	-	-	(1,712,413)	(1,712,413)
Total comprehensive (loss) for the period	-	-	-	(2,650,932)	(2,650,932)
As at March 31, 2018 (Un-audited)	30,000,000	5,887,566	234,067	12,420,800	48,542,433
As at January 1, 2019	30,000,000	5,887,566	234,067	226,315	36,347,948
Total comprehensive income for the period	-	-	-	3,036,647	3,036,647
As at March 31, 2019 (Un-audited)	30,000,000	5,887,566	234,067	3,262,962	39,384,595

The notes from 1 to 17 form an integral part of these financial statements.

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Interim Condensed Consolidated statement of cash flows
For the period ended March 31, 2019

	(Unaudited)	
	2019	2018
	<u>AED</u>	<u>AED</u>
Cash flows from operating activities		
Profit / (loss) for the period	3,036,647	(2,650,932)
<i>Adjustments for :</i>		
Provision for expected credit losses	-	144,177
Provision for expected credit losses written back	(133,257)	144,177
Provision for impairment of deposits and other receivable	-	608,712
Provision for slow moving inventories	-	38,665
Amortization on intangible assets	7,602	7,602
Depreciation on property, plant and equipment	676,035	613,682
(Gain) on disposal property, plant and equipment	-	(76)
Gain from fair value adjustment in investment properties	(5,032,700)	-
Provision for employees' end of service benefits	36,351	67,885
	(1,409,322)	(1,026,108)
Movement in working capital		
Decrease in trade receivables	1,016,908	3,062,793
(Increase) in deposits and other receivable	(1,259,963)	(1,470,833)
Decrease / (increase) in inventories	362,554	(489,395)
Decrease in due from related parties	-	14,250
Increase in trade and other payables	1,523,039	722,795
Increase in due to related parties	-	113,512
Cash generated from operating activities	233,216	927,014
End of service benefits paid	(539,395)	(566,732)
Net cash (used in) / generated from operating activities	(306,179)	360,282
Cash flows from investing activities	-	-
Purchase of property, plant and equipment	(17,094)	(56,108)
Proceeds from sales of property, plant and equipment	-	599
Net cash (used in) investing activities	(17,094)	(55,509)
Net (decrease) / increase in cash and bank balances	(323,273)	304,773
Cash and bank balances as at January 1,	2,038,264	7,183,247
Cash and bank balances as at March 31,	1,714,991	7,488,020

The notes from 1 to 17 form an integral part of these financial statements.

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Notes to the interim condensed consolidated financial statements
For the period ended March 31, 2019

1. Legal status and principal activities:

Gulfa Mineral Water and Processing Industries Co. P.L.C. (the "Company") was established in Ajman by an Emiri decree number 13 issued by His Highness the Ruler of Ajman on 28 March 1977 located on Gulfa Street, P.O. Box 929, Ajman, United Arab Emirates. The Company started its operations on 24 May 1977. The Company is a publicly listed company on the Dubai Financial Market since 17 April 2007.

As at 31 December 2017, The Company was 92.7 % effectively owned by subsidiary of Kuwait Food Company (American), a company incorporated in Kuwait (the "Parent Company"). The Ultimate parent of the company is Adaption AD Holdings SPC Ltd. A company incorporated in Dubai.

On November 2018, the Former parent company sold its entire directly and indirectly owned shares of various individual investors, accordingly the parent Company lost control of the Company as at the date thereof.

The principal activities of the Company are as follows.

- Importing
- Industry, bottles and plastic bottles
- Wholesale of juice trading
- Mineral water purification and bottling.
- Plastic covers manufacturing
- Natural fruit juice manufacturing
- Mineral water bottling.

The consolidated interim condensed consolidated financial information include the performance and financial position as at 31 March 2019 of the company and its subsidiaries.

Subsidiaries	Ownership
Jibal Gulfa – Sole Proprietorship LLC	100%
Gulfa General Trading L.L.C.	100%
Gulfa Investment L.L.C.	100%

2. Summary of significant accounting policies:

Basis of preparation

- The interim condensed consolidated financial statements for the three months period ended 31 March 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting".
- The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2018.
- In additions, results for the three months period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.
- Items included in the financial information of the Company are measured and presented in United Arab Emirates "Dirham" (AED) which is the functional currency of the Company.

New standards, amendments and interpretations

IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Notes to the interim condensed consolidated financial statements
For the period ended March 31, 2019

3. Property, plant and equipment:

Cost:	Buildings AED	Machinery and equipment AED	Furniture and fixtures AED	Motor vehicles AED	Total AED
At 1 January 2019	20,151,552	52,529,703	2,459,932	2,491,758	77,632,945
Additions	-	11,569	5,525	-	17,094
At 31 March 2019 (Unaudited)	20,151,552	52,541,272	2,465,457	2,491,758	77,650,039
Accumulated depreciation					
At 1 January 2019	(15,156,484)	(45,693,302)	(2,158,560)	(2,460,967)	(65,469,313)
Charge for the period	(117,795)	(521,427)	(30,657)	(6,156)	(676,035)
At 31 March 2019 (Unaudited)	(15,274,279)	(46,214,729)	(2,189,217)	(2,467,123)	(66,145,348)
Carrying amount					
At 31 March 2019 (Unaudited)	4,877,273	6,326,543	276,240	24,635	11,504,691
At 31 December 2018 (Audited)	4,995,068	6,836,401	301,372	30,791	12,163,632

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Notes to the interim condensed consolidated financial statements
For the period ended March 31, 2019

4. Investment property:

The movement in the investment properties is as follows:

Cost	(Un-Audited)	
	2019	2018
	<u>AED</u>	<u>AED</u>
At 1 January	20,163,800	25,196,000
Gain / loss from fair value adjustment	5,032,700	(5,032,200)
At 31 March / 31 December	<u>25,196,500</u>	<u>20,163,800</u>

Investment property comprises of the land Plot 0148, Ajman registered in the name of M/s. Gulfa General Trading L.L.C. During 2018, management have chosen to fair value its investment property as it shows a more reliable view of the Company's financial position and carried out an internal valuation of the land to update their assessment as 31 December 2018 and determined the fair value of the Company's investment at AED 20,163,800.

During 2019, the land has been transferred to M/s. Gulfa General Trading L.L.C. who have done a valuation of the land by a professionally qualified external valuer who issued a valuation report dated 10 March 2019 with a fair value of AED 25,196,500.

5. Inventories:

	(Un-audited)	
	31 March 2019	31 December
	<u>AED</u>	<u>AED</u>
Raw materials	2,980,971	3,196,832
Spare parts	2,517,248	2,519,749
Finished products	766,968	911,160
	<u>6,265,187</u>	<u>6,627,741</u>
Less: provision for slow moving inventories	(1,048,097)	(1,048,097)
	<u>5,217,090</u>	<u>5,579,644</u>

6. Trade receivables

Details of the Company subsidiaries are as below:

	(Un-Audited)	
	2019	2018
	<u>AED</u>	<u>AED</u>
Trade receivables	9,749,811	10,766,719
Less: provision for expected credit losses	(7,822,947)	(7,956,204)
	<u>1,926,864</u>	<u>2,810,515</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

	(Un-Audited)	
	2019	2018
	<u>AED</u>	<u>AED</u>
Not past due	983,544	1,990,090
Up to 3 Months	524,514	494,933
Over 3 Months	8,157,289	8,281,696
	<u>9,665,347</u>	<u>10,766,719</u>

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Notes to the interim condensed consolidated financial statements
For the period ended March 31, 2019

7. Deposits and other receivable:

	(Un-audited)	31 December
	31 March 2019	2018
	AED	AED
Advances to suppliers	1,585,760	883,315
Advances to consultants	660,000	-
Prepayments	156,179	232,171
Less: provision for expected losses on advances and	(906,948)	(906,948)
	<u>1,494,991</u>	<u>208,538</u>
Refundable deposit	147,732	147,732
Margin on letters of guarantee	693,000	693,000
Others	1,302	27,793
	<u>2,337,026</u>	<u>1,077,063</u>

8. Cash and bank balances:

Cash and bank balances in the statement of cash flows consist of the following amounts in the statement of financial position:

	(Un-audited)	31 December
	31 March 2019	2018
	AED	AED
Cash on hand	16,751	46,766
Bank balances	1,603,837	1,897,095
Call deposits	94,403	94,403
	<u>1,714,991</u>	<u>2,038,264</u>

Call deposits earn annual interest rate of 0.05 % (December 2018: 0.05 %) from local banks.

9. Share capital:

The Company's authorised share capital is AED 40 million comprising of 40 million shares with nominal value of AED 1 each as at 31 December 2018. The issued and fully paid up capital is AED 30 million comprising of 20 million shares with nominal value of AED 1 each, all shares are were paid in cash.

10. Legal reserve:

As required by the Company law of United Arab Emirates, 10 % of the profit for the year is to be transferred to a legal reserve up to 50 % of the share capital.

The shareholders may resolve to discontinue such annual transfers as reserve equals one half of the share capital. These reserve is not available for distribution.

11. Voluntary reserve:

In compliance with the Company articles of association, the Board of Directors determine a percentage of net profit to be transferred to the voluntary reserve. The transfer may be stopped by a resolution adopted by the ordinary of the Company as recommended by the Board of Directors. There are no restrictions on distributions from the voluntary reserve.

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Notes to the interim condensed consolidated financial statements
For the period ended March 31, 2019

12. Provision for employees' end of service benefits:

	(Un-audited) 31 March 2019 AED	31 December AED
Provision at 1 January (Audited)	2,218,034	3,376,909
Reversal / provided during the period / year	36,351	(250,771)
Transfer from / to related party	-	(21,047)
Payment during the period / year	(539,395)	(887,057)
Provision as at 31 March / 31 December	1,714,990	2,218,034

13. Trade and other payables:

	(Un-audited) 31 March 2019 AED	31 December AED
Trade payables	4,095,650	2,274,809
Accruals	2,371,129	2,637,450
Employee other benefits	368,344	395,214
Other payables	53,678	58,289
	6,888,801	5,365,762

14. Cost of revenue:

	(Un-audited) 31 March 2019 AED	31 December AED
Cost of goods sold	1,778,881	3,435,178
Staff costs	594,935	1,033,173
Depreciation	625,374	577,878
Ajman Government - Concession fee	500,000	499,999
	3,499,190	5,546,228

15. Other income:

	(Un-audited) 31 March 2019 AED	31 December AED
Provision written back	133,257	-
Others	5,610	6,475
	138,867	6,475

16. Financial Instruments:

	(Un-audited) 31 March 2019 AED	31 December AED
Financial assets		
Cash and bank balances	1,714,991	2,038,264
Trade receivables	1,926,864	2,810,515
	3,641,855	4,848,779

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Notes to the interim condensed consolidated financial statements
For the period ended March 31, 2019

16. Financial Instruments (Continued):

	(Un-audited) 31 March 2019 AED	31 December AED
Financial liability		
Trade and other payables	6,888,801	5,365,762
	<u>6,888,801</u>	<u>5,365,762</u>

17. Contingencies and commitments:

	(Un-audited) 31 March 2019 AED	31 December AED
Letter of guarantee	300,000	300,000
Labour guarantees	393,000	393,000