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# GULFA MINERAL WATER AND PROCESSING INDUSTRIES CO. PLC
AJMAN – UNITED ARAB EMIRATES

## INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2014
WITH REVIEW REPORT
(UNAUDITED)

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**GULFA MINERAL WATER**
**AND PROCESSING INDUSTRIES CO. PLC**
**AJMAN – UNITED ARAB EMIRATES**

**INTERIM CONDENSED FINANCIAL STATEMENTS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**WITH REVIEW REPORT**
**(UNAUDITED)**

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# REVIEW REPORT

**The Shareholders**
**Gulfa Mineral Water**
**and Processing Industries CO. PLC**
**Ajman – United Arab Emirates**

## Review Report on the Interim Condensed Financial Information

### Introduction
We have reviewed the accompanying interim condensed statement of financial position of Gulfa Mineral Water and Processing Industries Co. PLC as of March 31, 2014, the related interim condensed statements of comprehensive income, cash flows and changes in shareholders' equity for the three months period then ended. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard No (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

### Scope of review
We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity".

A review of interim condensed 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 and consequently 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 came to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

### Report on review of other legal and regulatory matters
Furthermore, based on our review, the interim condensed financial information is in agreement with the books of the Company. Also, to the best of our knowledge and belief, no violations of the Commercial Companies' Law of 1984, as amended, nor of the Company's Articles of Association have occurred during the three months ended March 31, 2014 that might have had a material effect on the business of the Company or on its financial position.

**Hikmat Mukhaimer FCCA**
**Registration No. 355**
**Rödl Middle East**
**Certified Public Accountants**

April 21, 2014
Dubai – U.A.E.

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Exhibit-A

**GULFA MINERAL WATER**
**AND PROCESSING INDUSTRIES CO. PLC**
**AJMAN – UNITED ARAB EMIRATES**

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2014 (UNAUDITED)

(All amounts are in U.A.E. Dirham)

| | Notes | March 31, 2014 (unaudited) | December 31, 2013 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | **13,900,319** | 16,205,101 |
| Trade receivables | 4 | **12,668,486** | 11,406,393 |
| Inventories | 5 | **7,526,794** | 6,928,654 |
| Other receivables | 6 | **3,222,364** | 1,733,744 |
| Due from related parties | 7 | **7,691,648** | 7,242,672 |
| Total current assets | | **45,009,611** | 43,516,564 |
| **Non - Current assets** | | | |
| Property, plant and equipment | 8 | **17,283,968** | 18,679,495 |
| Refundable deposits | | **762,832** | 762,832 |
| Total non - current assets | | **18,046,800** | 19,442,327 |
| **Total assets** | | **63,056,411** | 62,958,891 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Trade payables | | **3,449,111** | 3,853,456 |
| Other payables and provisions | 9 | **6,369,536** | 6,580,510 |
| Dividends payable | | **170,702** | 175,472 |
| Due to related parties | 7 | **20,950** | 1,317,148 |
| Total current liabilities | | **10,010,299** | 11,926,586 |
| **Non - current liabilities** | | | |
| Provision for indemnity | | **6,364,677** | 6,257,413 |
| Total non – current liabilities | | **6,364,677** | 6,257,413 |
| **Shareholders' equity** | | | |
| Paid up capital | 10 | **25,000,000** | 25,000,000 |
| Statutory reserve | 11 | **5,006,191** | 5,006,191 |
| Voluntary reserve | 12 | **767,937** | 767,937 |
| Retained earnings | | **15,907,307** | 14,000,764 |
| Total shareholders' equity | | **46,681,435** | 44,774,892 |
| **Total liabilities and shareholders' equity** | | **63,056,411** | 62,958,891 |

Those interim financial statements were approved by the board of directors on April 21, 2014 and signed on their behalf by:

**Mr. Adel Fahmy**
**General Manager**

**Mr. Ramy Ibrahim**
**Finance Manager**

The accompanying notes form an integral part of these interim condensed financial information.

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**GULFA MINERAL WATER**
**AND PROCESSING INDUSTRIES CO. PLC**
**AJMAN – UNITED ARAB EMIRATES**

Exhibit-B

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**(UNAUDITED)**
(All amounts are in U.A.E. Dirham)

| | Notes | **March 31, 2014 (unaudited)** | March 31, 2013 (unaudited) |
|---|---|---|---|
| **Sales** | | **14,359,814** | 10,682,391 |
| Sales discounts | | **(434,680)** | (302,745) |
| Net sales | | **13,925,134** | 10,379,646 |
| Cost of sales | | **(9,274,204)** | (7,276,298) |
| **Gross profit** | | **4,650,930** | 3,103,348 |
| Other income | | **412,777** | 518,914 |
| Total revenues | | **5,063,707** | 3,622,262 |
| **Expenses and other charges** | | | |
| Selling and marketing expenses | | **1,334,901** | 707,148 |
| General and administrative expenses | | **1,322,263** | 973,723 |
| Concession fee provision for Ajman Government | 13 | **500,000** | 500,000 |
| **Total expenses and other charges** | | **(3,157,164)** | (2,180,871) |
| **Net profit for the period** | | **1,906,543** | 1,441,391 |
| **Earning per share** | 14 | **0.076** | 0.058 |

The accompanying notes form an integral part of these interim condensed financial information.

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**GULFA MINERAL WATER**
**AND PROCESSING INDUSTRIES CO. PLC**
**AJMAN – UNITED ARAB EMIRATES**

Exhibit-C

**INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**(UNAUDITED)**
(All amounts are in U.A.E. Dirham)

| | Paid up capital | Statutory reserve | Voluntary reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2013 | 25,000,000 | 4,536,132 | 767,937 | 9,770,229 | 40,074,298 |
| Net profit for the period | - | - | - | 1,441,391 | 1,441,391 |
| Balance at March 31, 2013 | 25,000,000 | 4,536,132 | 767,937 | 11,211,620 | 41,515,689 |
| Balance at January 1, 2014 | 25,000,000 | 5,006,191 | 767,937 | 14,000,764 | 44,774,892 |
| Net profit for the period | - | - | - | 1,906,543 | 1,906,543 |
| **Balance at March 31, 2014** | **25,000,000** | **5,006,191** | **767,937** | **15,907,307** | **46,681,435** |

The accompanying notes form an integral part of these interim condensed financial information.

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**GULFA MINERAL WATER**
**AND PROCESSING INDUSTRIES CO. PLC**
**AJMAN – UNITED ARAB EMIRATES**

Exhibit-D

**INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**(UNAUDITED)**
(All amounts are in U.A.E. Dirham)

| | **March 31, 2014 (unaudited)** | March 31, 2013 (unaudited) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net profit for the period | **1,906,543** | 1,441,391 |
| Adjustments: | | |
| Depreciation | **1,172,873** | 999,900 |
| Loss on sale of fixed assets | **61,277** | - |
| Provision for indemnity | **107,264** | 107,792 |
| Net changes in working capital items | **(3,964,172)** | 1,378,500 |
| Net cash (used in) from operating activities | **(716,215)** | 3,927,583 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(8,625)** | (140,155) |
| Proceeds from sale of fixed assets | **170,002** | - |
| Net cash from (used in) investing activities | **161,377** | (140,155) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payments of bank borrowing | **-** | (1,000,000) |
| Related parties | **(1,745,174)** | (2,342,951) |
| Dividends payable | **(4,770)** | 427 |
| Net cash (used in) financing activities | **(1,749,944)** | (3,342,524) |
| Net (decrease) increase in cash and cash equivalents | **(2,304,782)** | 444,904 |
| Cash and cash equivalents at the beginning of the period | **16,205,101** | 11,809,218 |
| **Cash and cash equivalents at the end of period** | **13,900,319** | 12,254,122 |

The accompanying notes form an integral part of these interim condensed financial information.

GULFA MINERAL WATER
AND PROCESSING INDUSTRIES CO. PLC
AJMAN – UNITED ARAB EMIRATES

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**(UNAUDITED)**
(All amounts are in U.A.E. Dirham unless otherwise stated)

## 1 COMPANY'S FORMATION AND ACTIVITIES

Gulfa Mineral Water and Processing Industries Co. – PLC – the company was established in Ajman by an Emiri Decree Number 13 issued by H.H. the Ruler of Ajman on March 28, 1977. The company started operations on May 24, 1977. The company has fulfilled all the requirements of the Commercial Federal Law Number 8 of 1984 and its subsequent amendments as per the decision of the Annual General Meeting ("AGM") in its extra ordinary meeting held on February 20, 1993.

The company owns and manages "Gulfa Mineral Water Plant" in Masfout – Ajman. It's main activities extends to production and bottling of mineral water, juices, soft drinks, food stuff Preforms and Screw Caps, in addition to marketing the products of such plants.

## 2 BASIS OF PRESENTATION

The interim condensed financial information has been prepared in compliance with the International Accounting Standard No. 34 which related to the interim financial information. The interim condensed financial information does not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The operating results for the interim period ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information, refer to the financial statements and notes thereto included in the company's annual report for the year ended December 31, 2013.

## 3 CASH AND CASH EQUIVALENTS

| | **March 31, 2014 (unaudited)** | December 31, 2013 (audited) |
|---|---|---|
| Cash on hand | **130,000** | - |
| Cash at bank – current | **11,151,910** | 15,278,035 |
| Cash at bank – call deposits | **2,618,409** | 927,066 |
| | **13,900,319** | 16,205,101 |

The call deposits earn annual interest rate of 1.5% (1.5% in 2013)

## 4 TRADE RECEIVABLES

| | **March 31, 2014 (unaudited)** | December 31, 2013 (audited) |
|---|---|---|
| Trade receivables | **12,817,326** | 11,656,393 |
| Allowance for doubtful debts | **(148,840)** | (250,000) |
| | **12,668,486** | 11,406,393 |

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**GULFA MINERAL WATER**
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**AJMAN – UNITED ARAB EMIRATES**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**(UNAUDITED)**
(All amounts are in U.A.E. Dirham unless otherwise stated)

## 5 INVENTORIES

| | March 31, 2014 (unaudited) | December 31, 2013 (audited) |
|---|---|---|
| Raw materials | **4,828,378** | 4,131,973 |
| Spare parts | **2,250,473** | 2,181,725 |
| Finished products | **676,146** | 843,159 |
| **Total inventory** | **7,754,997** | 7,156,857 |
| Allowance for slow moving inventories | **(228,203)** | (228,203) |
| | **7,526,794** | 6,928,654 |

## 6 OTHER RECEIVABLES

| | March 31, 2014 (unaudited) | December 31, 2013 (audited) |
|---|---|---|
| Cheques under collection | **840,408** | 1,206,134 |
| Prepaid expenses and others | **2,309,381** | 205,588 |
| Advances to suppliers | **72,575** | 322,022 |
| | **3,222,364** | 1,733,744 |

## 7 RELATED PARTIES

Related parties comprise of the major shareholders, Board of Directors, entities controlled by them or under their joint control, executive officers, key management personnel and their close family members. The parent company approves the terms and conditions of related parties transactions. The amount due from / to related parties does not attract interest although there are no defined repayment arrangements. The transactions between affiliates represent financial transaction.

The balances with related parties at period end are as follows:

| | Due from related parties | Due to related parties |
|---|---|---|
| Gulf food industries (California Garden) | **7,614,807** | - |
| Kuwait food company – (Americana), Sharjah Branch | **76,841** | - |
| Kuwait food company – (Americana), Head office, Kuwait | - | **20,950** |
| | **7,691,648** | **20,950** |

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**(UNAUDITED)**
(All amounts are in U.A.E. Dirham unless otherwise stated)

## 8 PROPERTY, PLANT AND EQUIPMENT

| | Land | Building | Machinery and equipments | Furniture and fixture | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Balance at December 31, 2013 | 243,000 | 20,688,423 | 52,161,266 | 3,529,611 | 2,519,368 | 79,141,668 |
| Additions | - | - | - | 8,625 | - | 8,625 |
| Disposals during the period | - | (791,477) | (3,667,575) | (51,059) | - | (4,510,111) |
| **At March 31, 2014** | **243,000** | **19,896,946** | **48,493,691** | **3,487,177** | **2,519,368** | **74,640,182** |
| **Depreciation:** | | | | | | |
| Balance at December 31, 2013 | - | 13,579,089 | 41,488,268 | 3,247,080 | 2,147,736 | 60,462,173 |
| Additions | - | 137,863 | 973,916 | 32,569 | 28,525 | 1,172,873 |
| Disposals during the period | | (738,448) | (3,490,637) | (49,747) | - | (4,278,832) |
| **At March 31, 2014** | **-** | **12,978,504** | **38,971,547** | **3,229,902** | **2,176,261** | **57,356,214** |
| **Net book values:** | | | | | | |
| **At March 31, 2014** | **243,000** | **6,918,442** | **9,522,144** | **257,275** | **343,107** | **17,283,968** |
| At December 31, 2013 | 243,000 | 7,109,334 | 10,672,998 | 282,531 | 371,632 | 18,679,495 |

## 9 OTHER PAYABLES AND PROVISIONS

| | March 31, 2014 (unaudited) | December 31, 2013 (audited) |
|---|---|---|
| Post dated cheques | **2,503,133** | 2,769,986 |
| Accrued expenses | **3,326,042** | 3,402,089 |
| Others | **540,361** | 408,435 |
| | **6,369,536** | 6,580,510 |

## 10 AUTHORIZED AND FULLY PAID CAPITAL

In its extra ordinary meeting on December 6, 2006, the general assembly of the company has agreed to increase the authorized capital of the company from AED 13,357,820 (AED Thirteen million three hundred fifty seven thousand eight hundred and twenty only) to a AED 40,000,000 (AED Forty million only) with the objective of increasing the paid up capital to AED 25,000,000 (AED Twenty five million only) as a first stage of public offering, while the balance is to be called in future dates to be determined by the board of Directors.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**(UNAUDITED)**
(All amounts are in U.A.E. Dirham unless otherwise stated)

## 11 STATUTORY RESERVE

As required by the company law of United Arab Emirates, 10% of the profit for the year is to be transferred to statutory reserve.
The shareholders may resolve to discontinue such annual transfers as reserve equals one half of the share capital. The reserve is not available for distribution.

## 12 VOLUNTARY RESERVE

In compliance with the company's articles of association, the board of directors determines a percentage of net profit to be transferred to voluntary reserve.

## 13 CONCESSION FEES PROVISION FOR AJMAN GOVERNMENT

In accordance with a letter dated February 18, 2013, received from the Ruler's Court of Ajman, the Ajman Government agreed to receive a sum of AED 2,000,000 (AED Two million only) as an annual concession fee from the company for a period of three years effective January 1, 2013 to December 31, 2015.

## 14 EARNING PER SHARE

| | **March 31, 2014 (Unaudited)** | March 31, 2013 (Unaudited) |
|---|---|---|
| Profit for the period | **1,906,543** | 1,441,391 |
| Weighted average number of ordinary shares for purposes of basic earnings | **25,000,000** | 25,000,000 |
| Earning per share | **0.076** | 0.058 |

## 15 CONTINGENT LIABILITIES

| | **March 31, 2014** | March 31, 2013 |
|---|---|---|
| Letters of guarantee | **330,000** | 330,000 |
| Letters of credit | **316,756** | 1,527,520 |
| | **646,756** | 1,857,520 |

## 16 GENERAL ASSEMBLY OF SHAREHOLDERS

The ordinary general assembly of shareholders has been held on March 25, 2014 and approved the financial statements for the year ended December 31, 2013.

## 17 APROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the management on April 21, 2014.