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

FINANCIAL STATEMENTS
DECEMBER 31, 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

شركة غلفا للمياه المعدنية والصناعات التحويلية (ش.م.ع.)
gulfa mineral water & processing industries co. (plc)

January 20, 2017

Board of Directors Report
For the Financial Year Ended December 31, 2016

Dear Shareholders,

The Board Of Directors of GULFA MINERAL WATER & PROCESSING INDUSTRIES CO. PLC (the "Company") has the pleasure in submitting the Statement of financial position for the company as at **December 31, 2016** and the related Statement of comprehensive income, Statement of changes in shareholders' equity and Statement of cash flows for the year ended **December 31, 2016** and related Independent Auditor's Report.

Sales

The company has achieved a sales volume of **5.9** million cartons during **2016** compared to **7** million cartons in **2016**.

The company had net sales value AED **44.8** million for **2016** compared to AED **53** million for **2015.** This is due to the decline in sales quantity.

Cost of Sales

The percentage of Cost of sales to sales value is **71%** for **2016** compared to **69%** for **2015** while selling and marketing expenses have increased by **26%**.

Company Result

The company has reported a net profit of AED **1.4** million in **2016** compared to a net profit of AED **1** million in **2015**, this is after deducting the concession fees charges amounted to AED **2 million.**

The Board of Directors also wishes to express its gratitude and appreciation to His Highness, Sheikh Hemaid Bin Rashid Al-Neaimey, Member of the Supreme Council, Ruler of Ajman, for his support towards the company.

Finally, we thank the entire Staff of the Company for their efforts in accomplishing and achieving the company goals.

On behalf of the Board

Saif Rashid Hamer Ain
Chairman

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

FINANCIAL STATEMENTS
DECEMBER 31, 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Gulfa Mineral Water
And Processing Industries Co. PLC
Ajman – United Arab Emirates

Opinion

We have audited the financial statements of Gulfa Mineral Water and Processing Industries Co. PLC (together referred to as the "Company") which comprise the statement of financial position as at 31 December 2016, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates and we have fulfilled our other responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these matters.

For each matter below our description of how our audit addressed the matters is provided in that context.

Key audit matters (Continued)

Trade receivables

The Company's trade receivables, as set out in Note (6) to the financial statements, consist of trade receivable and cheques under collection, which are carried out at amortized costs less allowance for doubtful debts.

Trade receivables' risk comprise the ability to collect these amounts. The company had booked allowance for doubtful debts amounting to AED (3,608,211) during the last year considering that it may not collect those. And during the current year, part of this amount was collected. Therefore, the provision amount is reduced with same amount which was collected. Based on management's estimate, the provision of doubtful debts is sufficient to meet any impairment or losses that may result in the value of uncollected doubtful debts.

Our procedures included, among others, selecting a sample of trade receivables based on our judgment and checking whether there is objective evidence that impairment exists on these balances. Therefore, we recalculated the amount of bad debts provision whether they had been provided reasonably in accordance with the requirements of IFRSs and applicable provisions of accounting policies of the Company.

Furthermore, we perform the testing a sample of trade receivables and send confirmations to verify the existence and completeness of the recorded transactions in the accounting books, and checked the appropriateness of internal control systems related to credit grants procedures, following up trade receivables collections for the company.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Board of Directors and those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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Auditor's responsibilities for the audit of the financial statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Company and the financial statements are in agreement therewith. We have obtained all the information and explanations we considered necessary for the purpose of our audit. We are not aware of any violations of the provisions of the United Arab Emirates Commercial Companies Law No. 2 of 2015 or the terms of the company's Articles of Association having occurred during the year which might have had a material effect on the business of the Company or its financial position.

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

January 29, 2017
Dubai – U.A.E.

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

Exhibit-A

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

"All amounts are in U.A.E. Dirham"

	Notes	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	5	**15,491,054**	22,535,875
Trade receivables	6	**13,366,289**	10,373,670
Inventories	7	**6,211,443**	5,998,582
Other receivables	8	**378,493**	909,478
Due from related parties	9	**461,054**	345,432
Total current assets		**35,908,333**	40,163,037
Non - Current assets			
Property, plant and equipment	10	**14,433,836**	11,958,975
Refundable deposits		**737,832**	732,832
Total non - current assets		**15,171,668**	12,691,807
Total assets		**51,080,001**	52,854,844
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		**2,354,682**	2,837,850
Other payables and provisions	11	**4,841,343**	4,978,282
Dividends payable		**822,374**	874,049
Due to related parties	9	**298,722**	217,352
Total current liabilities		**8,317,121**	8,907,533
Non - current liabilities			
Provision for indemnity		**5,424,234**	7,960,902
Total non – current liabilities		**5,424,234**	7,960,902
Shareholders' equity			
Paid up capital	12	**30,000,000**	25,000,000
Statutory reserve	13	**5,887,566**	5,752,342
Voluntary reserve	14	**234,067**	767,937
Retained earnings		**1,217,013**	4,466,130
Total shareholders' equity		**37,338,646**	35,986,409
Total liabilities and shareholders' equity		**51,080,001**	52,854,844

Those financial statements were approved by the board of directors on January 29, 2017 and signed on its behalf by:

Mr. Adel Fahmy
General Manager

Mr. Ahmad Sobhi
Deputy Finance Manager

The accompanying notes are an integral part of these financial statements.

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GULFA MINERAL WATER
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Exhibit-B

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

"All amounts are in U.A.E. Dirham"

	Notes	December 31, 2016	December 31, 2015
Sales		**46,034,977**	56,243,564
Sales discounts		**(1,190,220)**	(2,934,644)
Net sales		**44,844,757**	53,308,920
Cost of sales		**(31,659,644)**	(36,946,957)
Gross profit		**13,185,113**	16,361,963
Other income	15	**823,810**	569,494
Provision no longer required		**841,633**	-
Total revenues		**14,850,556**	16,931,457
Expenses and other charges			
Selling and marketing expenses		**5,988,158**	4,770,358
General and administrative expenses		**5,510,161**	5,929,313
Bad debts provision		**-**	3,184,574
Concession fee provision for Ajman Government	16	**2,000,000**	2,000,000
Total expenses and other charges		**(13,498,319)**	(15,884,245)
Net profit for the year		**1,352,237**	1,047,212
Earning per share	17	**0.045**	0.035

The accompanying notes are an integral part of these financial statements.

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GULFA MINERAL WATER
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Exhibit-C

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

"All amounts are in U.A.E. Dirham"

	Paid up capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at December 31, 2014	25,000,000	5,647,621	767,937	19,773,639	51,189,197
Dividends distributed	-	-	-	(16,250,000)	(16,250,000)
Net profit for the year	-	-	-	1,047,212	1,047,212
Transfer to statutory reserve	-	104,721	-	(104,721)	-
Balance at December 31, 2015	25,000,000	5,752,342	767,937	4,466,130	35,986,409
Increase in capital – note 12	5,000,000	-	(533,870)	(4,466,130)	-
Net profit for the year	-	-	-	1,352,237	1,352,237
Transfer to statutory reserve	-	135,224	-	(135,224)	-
Balance at December 31, 2016	**30,000,000**	**5,887,566**	**234,067**	**1,217,013**	**37,338,646**

The accompanying notes are an integral part of these financial statements.

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Exhibit-D

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

"All amounts are in U.A.E. Dirham"

	December 31, 2016	December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	**1,352,237**	1,047,212
Non monetary adjustments:		
Depreciations	**2,085,783**	3,682,953
Profit on sale of fixed assets	**(7,119)**	(7,728)
Provision for indemnity	**788,407**	1,394,191
Annuities for indemnity	**(3,325,074)**	(608,044)
Net changes in working capital items	**(3,299,603)**	6,359,117
Net cash (used in) from operating activities	**(2,405,369)**	11,867,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(4,563,225)**	(927,440)
Proceeds from sale of fixed assets	**9,700**	9,028
Net cash (used in) investing activities	**(4,553,525)**	(918,412)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(51,675)**	(16,250,000)
Related parties	**(34,252)**	(458,845)
Net cash (used in) financing activities	**(85,927)**	(16,708,845)
Net (decrease) in cash and cash equivalents	**(7,044,821)**	(5,759,556)
Cash and cash equivalents at the beginning of the year	**22,535,875**	28,295,431
Cash and cash equivalents at the end of year	**15,491,054**	22,535,875

The accompanying notes are an integral part of these financial statements.

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GULFA MINERAL WATER
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
"All amounts are in U.A.E. Dirham unless otherwise stated"

1 COMPANY'S INFORMATION 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.

Number of employees for the year 111 and (115 for 2015) with cost 11,219,010 and (12,372,420 for 2015).

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 *Amendments to IFRSs those are mandatorily effective for the current year:*

In the current year, the following effective amendments to IFRSs issued by the International Accounting Standards Board (IASB) are mandatorily for the accounting period beginning on or after January 1, 2016:

- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (Effective for annual periods beginning on or after January 1, 2016)**
  The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.

- **Amendments to IFRS 11 "Accounting for Acquisitions of Interest in Joint Operations"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations". A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

- **Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.

- **Amendments to IAS 27 "Separate Financial Statements"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments allowed an entity to account for its investment in subsidiaries, joint ventures and associates in its separate financial statements:
  - At cost; or
  - In accordance with IFRS 9; or
  - Using the equity method

  Also, clarified that when the parent ceases or becomes an investment entity, it should account for the change from the date when the change in status occurs.

2.2 New and revised IFRSs in issue but not yet effective:

The Company has not applied the following new and revised IFRSs that have been issued but are not yet mandatorily effective:

- **Amendments to IFRS 2 "Classification and Measurement of Share-based payment Transactions"**
  (Effective for annual periods beginning on or after January 1, 2018).

- **IFRS 9 "Financial Instruments"**
  (Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).
  IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting.

  The final version of IFRS 9 was issued in July 2014, which adds a new expected loss impairment model and limited amendments to the classification and measurement requirements by introducing the "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test. The final version supersedes all previous versions of IFRS 9 and replaces IAS 39. The Company is in the process to quantify the effect on the financial statements.

- **IFRS 15 "Revenue from Contracts with Customers"**
  (Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).
  In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and related Interpretations when it becomes effective. The standard introduces a five-step approach for revenue recognition to be applied to all contracts with customers.

- **IFRS 16 "leases"**
  (Effective for annual periods beginning on or after January 1, 2019).
  IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements of both leasees and lessors.

- **Amendments to IAS 7 "Disclosure Initiative"**
  (Effective for annual periods beginning on or after January 1, 2017)
  The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The management anticipates that the new or revised standards will be adopted in the Company's accounting policies for the period beginning on or after the effective date of the pronouncement, and those new and revised standards that have been issued but are not relevant to the Company's operations are expected not to have a material impact on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

3-1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and United Arab Emirates Commercial Companies Laws requirements.

3-2 Accounting convention

- These financial statements are prepared under the historical cost convention, adjusted through the revaluation of some assets according to fair value as explained in detail in the following accounting policies and disclosures.
- The accounting policies have been consistently applied during the year and consistent with those applied during previous year, except for the adoption of new and revised standards and interpretation as explained in note 2.
- The financial statements are presented in U.A.E. Dirham.

3-3 Financial instruments

Classification

The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluate them every reporting date.

The Company has classified its financial instruments as follows:

Financial assets at fair value through statement of income
This category has two sub-categories financial assets held for trading and those designated at fair value through statement of income. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designed by management.

Trade and other Receivables
These are non-derivative financial assets with fixed or determinable amounts to be collected that are not quoted in an active market. They arise when the Company provides goods and services directly to a debtor with no intention of trading the receivables.

Assets available for sale
These are non-derivative financial assets that are either designated in this category or not included in any of the above categories and are principally, those acquired to be held, for an indefinite period of time which could be sold when liquidity is needed or upon changes in rates of profit.

Payables and accruals
These are non-derivative financial liabilities. Liabilities are recognized for amounts to be paid in the future for goods or services received/rendered, whether billed by the supplier or not.

Recognition and de-recognizing of financial instrument
A financial asset or a financial liability is recognized when the Company becomes a party to the contractual provisions of the instrument. Financial asset (in whole or in part) is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Company transfers substantially all the risks and rewards of ownership or when the Company has neither transferred nor retained substantially all the risks and rewards of ownership and when it no longer has control over the asset or a proportion of the assets. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Measurement
Financial assets are initially recognized at fair value plus transaction cost for all financial assets not carried at fair value through statement of income. Financial assets carried at fair value through statement of income are initially recognized at fair value and transaction costs are expensed in the statement of income.

Subsequently, financial assets available for sale and at fair value through statement of income are carried at fair value and receivables and payables are carried at amortized cost using the effective yield method.

Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through statement of income category are included in the statement of income for the period in which they arise. Changes in the fair value of financial assets classified as assets available for sale are recognized in equity, when available for sale financial assets are sold or impaired; the accumulated changes in fair value recognized in equity are included in the statement of income.

Fair values
The fair values of financial instruments traded in regular financial market are bases on last bid prices.

For other financial instruments that have no quoted market, the Company establishes a reasonable fair value estimates by reference to the current fair value of another instrument that is substantially the same, recent arm's length market transactions, using the expected discounted cash flow analysis, or other valuation methods. Assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Impairment of financial assets
The Company assesses at each financial position date whether there is objective evidence that a financial asset or a Company of financial assets is impaired. In the case of equity securities classified as available for sale, a significant 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 recognized in profit or loss – is removed from equity and recognized in the statement of income. Impairment losses recognized in the statement of income on equity instruments are not reversed through the statement of income.

A specific provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts of receivable. The amount of the specific provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the effective rate of return. The amount of the provision is recognized in the statement of income.

3-4 Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.
Depreciation on the straight-line is provided at the following annual rates to write-off the cost of each asset over its expected useful life, as follows:

- Building	20 years
- Machinery and furniture	5-7 years
- Furniture, computers and fixture	4-5 years
- Motor vehicles	3-5 years

Gain or loss on disposal is determined as the difference between the net sales proceeds and the carrying value of the assets, and is recognized in Income Statement for the financial year.
There is no significant change in any of accounting estimates during the year regarding property, plant and equipment.

3-5 Trade and other receivables
Receivables are carried at invoice value on transaction date less any estimate for doubtful receivable, based on the review of all outstanding amounts at period-end.
Bad debts are written off as and when identified.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
"All amounts are in U.A.E. Dirham unless otherwise stated"

3-6 Inventories

Finished goods are stated at the lower of cost and net realizable value. Cost is based on production cost including raw materials, wages, and production expenses. Net Realizable value is estimated selling price in ordinary course of business, less cost incidental to selling these inventories.

Raw materials and spare parts are stated at the lower of cost and net realizable value. Cost is based on weighted average method.

3-7 Trade and other payables

Liabilities for payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods received, whether or not billed to the branch.

3-8 Provisions for leave pay and indemnity

Provisions for leave pay and indemnity are computed in accordance with U.A.E. labour law no. 8 of 1980 and its amendments and as per the terms of employment contracts, and these provisions are not funded.

3-9 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past event and the costs to settle the obligation are both probable and able to be reliably measured.

3-10 Revenues

Revenues are recognized to the extend, that it is probable that future economic benefits will flow to company and revenue can be measured reliably.

The basis of revenue recognition of the sales is as follows:

Sales: The revenue is recognized on invoiced value of goods sold less returns and trade discount

3-11 Foreign currencies

Transactions in foreign currencies are translated into U.A.E. Dhs. at rates of exchange prevailing on the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated at exchange rates prevailing on that date. The exchange gains and losses, including foreign currency translation gains and losses are included in the Income Statement.

3-12 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management best knowledge, the actual results may differ from those estimates.

Rödl Middle East

GULFA MINERAL WATER
AND PROCESSING INDUSTRIES CO. PLC
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
"All amounts are in U.A.E. Dirham unless otherwise stated"

5 CASH AND CASH EQUIVALENTS

	December 31, 2016	December 31, 2015
Cash at bank – current	**7,691,804**	15,150,618
Cash at bank – call deposits	**7,799,250**	7,385,257
	15,491,054	22,535,875

The call deposits earn annual interest rate of 0.05% (0.05% in 2015).

6 TRADE RECEIVABLES

	December 31, 2016	December 31, 2015
Trade receivables	**16,196,093**	12,451,908
Cheques under collection	**-**	1,529,973
	16,196,093	13,981,881
Allowance for doubtful debts	**(2,829,804)**	(3,608,211)
	13,366,289	10,373,670

7 INVENTORIES

	December 31, 2016	December 31, 2015
Raw materials	**3,161,210**	3,131,631
Spare parts	**2,330,847**	2,368,682
Finished products	**965,897**	808,006
Total inventories	**6,457,954**	6,308,319
Allowance for slow moving inventories	**(246,511)**	(309,737)
	6,211,443	5,998,582

8 OTHER RECEIVABLES

	December 31, 2016	December 31, 2015
Prepaid expenses	**284,424**	405,560
Advances to suppliers	**94,069**	393,518
Others	**-**	110,400
	378,493	909,478

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9 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 support.

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

	Due from	Due to
Gulf Food Industries (California Garden)	461,054	-
Kuwait Food Company – (Americana), Head Office, Kuwait	-	296,968
Americana Group – Egypt	-	1,754
	461,054	298,722

10 PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Machinery and equipments	Furniture and fixture	Motor vehicles	Assets under construction	Total
Cost:							
At December 31, 2015	243,000	19,912,522	49,598,831	3,439,433	2,519,368	-	75,713,154
Additions for the year	-	101,500	609,236	22,680	-	3,829,809	4,563,225
Disposal during year	-	(13,050)	-	(1,078,520)	-	-	(1,091,570)
At December 31, 2016	**243,000**	**20,000,972**	**50,208,067**	**2,383,593**	**2,519,368**	**3,829,809**	**79,184,809**
Depreciation:							
At December 31, 2015	-	13,821,922	44,549,326	3,001,962	2,380,969	-	63,754,179
Additions for the year	-	459,498	1,429,749	131,736	64,800	-	2,085,783
Disposal during year	-	(10,469)	-	(1,078,520)	-	-	(1,088,989)
At December 31, 2016	**-**	**14,270,951**	**45,979,075**	**2,055,178**	**2,445,769**	**-**	**64,750,973**
Net book values:							
At December 31, 2016	**243,000**	**5,730,021**	**4,228,992**	**328,415**	**73,599**	**3,829,809**	**14,433,836**
At December 31, 2015	243,000	6,090,600	5,049,505	437,471	138,399	-	11,958,975

11 OTHER PAYABLES AND PROVISIONS

	December 31, 2016	December 31, 2015
Post dated cheques	-	991,575
Accrued expenses	3,679,655	3,166,618
Others	1,161,688	820,089
	4,841,343	4,978,282

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12 AUTHORIZED AND PAID UP 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) and on April 18, 2016 the ordinary general assembly of the company decided to increase the paid up capital to AED 30,000,000 by distributing a bonus shares worth 20% of the capital and balance amount from voluntary reserve, while the balance is to be called in future dates to be determined by the board of Director.

13 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.

14 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.
During the period, transferring the amount AED 533,870 from voluntary reserves to paid-up capital account.

15 OTHER INCOME

	December 31, 2016	December 31, 2015
Profit from sale of fixed assets	**7,119**	7,728
Other	**816,691**	561,766
	823,810	569,494

16 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. Said concession fee payment has been extended for one more year from January 1, 2016 to December 31, 2016.

17 EARNING PER SHARE

	December 31, 2016	December 31, 2015
Profit for the year	**1,352,237**	1,047,212
Weighted average number of ordinary shares for purposes of basic earnings	**30,000,000**	30,000,000
Earning per share	**0.045**	0.035

18 CONTINGENT LIABILITIES

	December 31, 2016	December 31, 2015
Letters of guarantee	**300,000**	300,000
	300,000	300,000

19 FINANCIAL INSTRUMENTS

19.1 Categories of financial instruments

The financial instruments represent financial assets & liabilities. Financial assets include cash and cash equivalent, accounts receivable and other debts balances, investments available for sale and investment in associate. The financial liabilities include due to banks and accounts payable other credit balances.

19.2 Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in force or liquidation sale. The company used recognized assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of other financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar financial instruments.
- The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values.

20 FINANCIAL RISK MANAGEMENT

The company's use of financial instruments exposes it to financial risks such as credit risk, market risk, liquidity risk.
The company continuously reviews its risk exposures and takes the necessary procedures to limit these risks at acceptable levels.

The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risks, credit risk and investment of excess liquidity.

The significant risks that the company is exposed to are as follows:

20.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to pay an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the company to credit risk, consist principally of accounts receivables. Credit risk with respect to receivables is limited due to dealing with governmental bodies and credible corporates.

The credit risk of trade receivables is limited due to large customers' size of company and no existence of relation between them.

20.2 Liquidity risks

Liquidity risks is the risk that the company will be unable to meet its cash obligations. The management of liquidity risks consist of keeping sufficient cash, and arranging financing sources through enough facilities, managing highly liquid assets, and monitoring liquidity on a yearly basis by method of future cash flow.

The maturity of liabilities stated below based on the year from the balance sheet date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time year in which the asset will be collected or disposed and the liability settled.

The following is maturity table for the financial liabilities as at December 31, 2016:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Liabilities					
Trade payables	2,354,681	-	-	-	2,354,681
Other payables and provision	-	4,841,342	-	-	4,841,342
Dividends payable	-	822,374	-	-	822,374
Due to related parties	-	298,722	-	-	298,722
Provision for indemnity	-	-	5,424,234	-	5,424,234
Total liabilities	**2,354,681**	**5,962,438**	**5,424,234**	**-**	**13,741,353**

The following is maturity table for the financial liabilities as at December 31, 2015:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Liabilities					
Trade payables	2,837,850	-	-	-	2,837,850
Other payables and provision	-	4,978,282	-	-	4,978,282
Dividends payable	-	874,049	-	-	874,049
Due to related parties	-	217,352	-	-	217,352
Provision for indemnity	-	-	7,960,902	-	7,960,902
Total liabilities	**2,837,850**	**6,069,683**	**7,960,902**	**-**	**16,868,435**

20.3 Market risks

Market risk, comprise of price risk, interest rate risk and currency risk. These risks arise due to change in market prices, interest rates and foreign currency rates.

- **Foreign currencies risks**
  Foreign currencies risks arise from transactions with foreign currencies. The company manages these risks by setting limits on transaction with other foreign currencies and counterparty and limiting its transaction business in major currencies with reputable counterparties.

- **Cash flow and fair value interest rate risks**
  As the company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially not affected by the changes in market interest rates.

21 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are:

- To safeguard the company's ability to continue as a going concern to be able to provide returns for shareholders and benefits for other beneficiaries, and,
- To maintain an optimal returns to owner by pricing its products and services commensurately with risk level

The company determines share capital that is adequate for risks and manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics related to assets. In order to maintain or adjust the capital structure, the company may adjust the amount of profits paid to partners or sell assets to reduce debt.

Consistently with other companies in the same field the company monitors capital on the basis of ratio debt to adjusted capital ratio. This ratio is calculated as net debt divided by total adjusted capital. Net debt calculated as total debts including borrowings, bank facilities and non operational debts less cash and cash equivalent. Total adjusted capital comprises all components of shareholders equity (share capital reserves) and subordinated loans.

The debts to equity ratio as follows:

	December 31, 2016	December 31, 2015
Debts	**-**	-
Less: cash and cash equivalent	**15,491,054**	22,535,875
Net debts	**(15,491,054)**	(22,535,875)

No debts, so no gearing ratio.

22 APROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on January 29, 2017.