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

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Gulfa Mineral Water and Processing Industries Co. P.L.C.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

	Page
Directors' Report	1
Independent auditor's report on the financial statements	2 - 6
Statement of financial position	7
Statement of comprehensive income	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 26

Gulfa Mineral Water and Processing Industries Co. P.L.C.

Directors' Report

For the financial year ended 31 December 2017

Dear Shareholders,

The Board Of Directors of Gulfa Mineral Water and Processing Industries Co. P.L.C. (the "Company") has the pleasure in submitting the statement of financial position for the Company as at **31 December 2017** and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended **31 December 2017** and related independent auditor's report.

Revenues

The Company has achieved a sales volume of **6** million cartons during **2017** compared to **5.9** million cartons in **2016**.

The Company had net sales value AED **39.3** million for **2017** compared to AED **42.1** million for **2016.** This is due to the decline in average selling price.

Cost of revenues

The percentage of cost of sales to sales value is **91%** for **2017** compared to **80%** for **2016** while selling and marketing expenses have increased by **43%**.

Company result

The Company has reported a net loss of AED **(6.4)** million in **2017** compared to a net profit of AED **1.3** million in **2016**, 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's goals.

On behalf of the Board

Saif Rashid Hamer Ain
Chairman

27 March 2018

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Independent auditor's report to the shareholders of Gulfa Mineral Water and Processing Industries Co. P.L.C.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gulfa Mineral Water and Processing Industries Co. P.L.C. (the "Company") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matters	• Provision for impairment of trade receivables.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our audit approach (continued)

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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 of 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 a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Provision for impairment of trade receivables As at 31 December 2017, the Company had an accounts receivable balance of AED 16,195,613 and an impairment provision for doubtful accounts against it of AED 5,394,439. Management performed an assessment of the recoverability of the Company's trade receivables to determine whether any were impaired. This assessment is considered to be a key audit matter due to the significant judgement required in determining doubtful debts and the potentially material adjustments resulting from it that could affect the Company's financial position and reported results. The potential need for an impairment provision against of the trade receivables balance was evidenced by either the significant difficulty in collecting a particular customer's debt and/or the repeated or continuous delinquency of customers in making payments beyond their credit terms. As a result of the assessment performed, management has recorded an impairment charge of AED 2,564,635 for the year ended 31 December 2017.	Our audit procedures included carrying out the following among others: • Agreed the aging report of trade accounts receivable to the trial balance; • Tested the reliability of the customer aging report that is used to assess the allowance for doubtful debts; • Reviewed management's assumptions and judgements concerning individual customers' debts; • Discussed the collectability with management and obtained additional support and corroboration to test whether the allowance for doubtful debts is appropriate at the year end; • Assessed the overall adequacy of the allowance for doubtful accounts in the light of explanations received and the audit work performed; and • Evaluated the adequacy of the disclosures in Note 7 to the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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, on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 are 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 scepticism 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 management's 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.
- 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.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, 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 disclosure 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.

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Independent auditor's report to the shareholders of Gulfa Mineral Water and Processing Industries Co. P.L.C. (continued)

Report on the audit of the financial statements (continued)

Other matter

The financial statements of the Company for the year ended 31 December 2016 were audited by another firm of auditors whose report dated 29 January 2017, expressed an unmodified opinion on those financial statements.

Report on other legal and regulatory requirements (continued)

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

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

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Director's Report is consistent with the books of account of the Company;

v) the Company has not purchased or invested in any shares during the year ended 31 December 2017;

vi) note 8 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would materially affect its activities Articles of Association which would materially affect its activities or its financial position as at 31 December 2017.

PricewaterhouseCoopers
27 March 2018

Mohamed ElBorno
Registered Auditor Number 946
Dubai, United Arab Emirates

Gulfa Mineral Water and Processing Industries Co. P.L.C.

STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2017 AED	2016 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	12,685,640	14,433,836
Intangible assets		129,234	-
		12,814,874	14,433,836
Current assets			
Inventories	6	5,977,580	6,211,443
Trade and other receivables	7	12,561,569	14,482,614
Due from related parties	8	1,081,389	461,054
Cash and cash equivalents	9	7,183,247	15,491,054
		26,803,785	36,646,165
Total assets		39,618,659	51,080,001
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	10	30,000,000	30,000,000
Statutory reserve	11	5,887,566	5,887,566
Voluntary reserve	12	234,067	234,067
(Accumulated losses)/retained earnings		(6,456,442)	1,217,013
Total shareholders' equity		29,665,191	37,338,646
LIABILITIES			
Non-current liability			
Provision for employees' end of service benefits	15	3,376,909	5,424,234
Current liabilities			
Trade payables and other payables	16	6,530,852	8,018,399
Due to related parties	8	45,707	298,722
		6,576,559	8,317,121
Total liabilities		9,953,468	13,741,355
Total shareholders' equity and liabilities		39,618,659	51,080,001

These financial statements were approved by the Board of Directors on 27 March 2018 and signed on its behalf by:

Mr. Mostafa Gooba
General Manager

Mr. Ahmed Sobhy
Deputy Finance Manager

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 AED	2016 AED
Revenue	17	39,358,498	42,058,416
Cost of revenue	18	(35,992,314)	(33,596,415)
Gross profit		3,366,184	8,462,001
Other income	22	1,119,839	823,810
General and administrative expenses	19	(6,391,439)	(4,731,260)
Selling and distribution expenses	20	(4,568,039)	(3,202,314)
(Loss)/profit for the year		(6,473,455)	1,352,237
Other comprehensive income		-	-
Total comprehensive income for the year		(6,473,455)	1,352,237
Basic and diluted (losses)/earnings per share	14	(0.2158)	0.0470

STATEMENT OF CHANGES IN EQUITY

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Retained earnings/ (accumulated losses) AED	Total AED
Balance at 1 January 2016	25,000,000	5,752,342	767,937	4,466,130	35,986,409
Increase in capital	5,000,000	-	(533,870)	(4,466,130)	-
Profit for the year	-	-	-	1,352,237	1,352,237
Transfer to statutory reserve	-	135,224	-	(135,224)	-
Balance at 31 December 2016	30,000,000	5,887,566	234,067	1,217,013	37,338,646
Dividends declared (Note 13)	-	-	-	(1,200,000)	(1,200,000)
Loss for the year	-	-	-	(6,473,455)	(6,473,455)
Balance at 31 December 2017	30,000,000	5,887,566	234,067	(6,456,442)	29,665,191

STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2017 AED	2016 AED
Cash flows from operating activities			
Net (loss)/profit for the year		(6,473,455)	1,352,237
Adjustments for:			
Depreciation	5	2,338,742	2,085,783
Amortisation		22,806	-
Reversal of provision for slow-moving inventory	6	-	(63,226)
Provision for/(reversal of) impairment of trade and other receivables	7	2,767,539	(778,407)
Gain on sale of property, plant and equipment	22	(520,000)	(7,119)
(Reversal of)/provision for employees' end of service benefits	15	(190,793)	788,407
Operating cash flows before changes in working capital and employees' end of service benefits paid		(2,055,161)	3,377,675
Payment of employees' end of service benefits	15	(1,823,343)	(3,325,075)
Changes in working capital:			
Trade and other receivables		(846,494)	(1,688,227)
Inventories		233,863	(149,635)
Due from related parties, net of transfer of provision for employees' end of service benefits		(653,524)	(115,623)
Trade and other payables		(1,480,257)	(620,106)
Due to related parties		(253,015)	81,370
Net cash used in operating activities		(6,877,931)	(2,439,621)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(635,586)	(4,563,225)
Proceeds from sale of property, plant and equipment	5	520,000	9,700
Purchase of intangible assets		(107,000)	-
Net cash used in investing activities		(222,586)	(4,553,525)
Cash flows from financing activity			
Dividends paid	13	(1,207,290)	(51,675)
Net decrease in cash and bank balances		(8,307,807)	(7,044,821)
Cash and cash equivalents at the beginning of the year		15,491,054	22,535,875
Cash and cash equivalents at the end of the year	9	7,183,247	15,491,054
Non-cash transaction			
Transfer of provision for employees' end of service benefits	15	(33,189)	-

Notes to the financial statements for the year ended 31 December 2017

1 GENERAL INFORMATION

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. The Company started its operations on 24 May 1977. The Company is a publicly listed company since 17 April 2007 on the Dubai Financial Market. The Company's registered address is at Gulfa Street, P.O.Box 929, Ajman, United Arab Emirates.

The Company is 92.7% effectively owned subsidiary of Kuwait Food Company (Americana), a company incorporated in Kuwait (the "Parent Company"). The Ultimate parent of the Company is Adeptio AD Holdings SPC Ltd. ("Ultimate Parent Company"), a company incorporated in Dubai.

The Company's plant is in Muzeirah Street Masfout, P.O. Box 929, Ajman, United Arab Emirates. The main activities of the Company are production and bottling of mineral water, manufacturing and trading of juices, food stuff preforms and screw caps.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied during the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS and applicable provisions of UAE law. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) New standards, amendments and interpretations adopted by the Company

Certain new standards and amendments have been issued and are effective from beginning 1 January 2017:

- IAS 7, 'Statement of Cash Flows' (amendment); and
- IAS 12, 'Income Taxes' (amendment).

The above amendments did not have a material impact on the Company's financial statements.

(b) New and amended standards issued but not effective for the financial year beginning 1 January 2017 and not early adopted:

- IFRS 9, 'Financial instruments' (effective from 1 January 2018);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 16, 'Leases' (effective from 1 January 2019).

Management has reviewed its financial assets and liabilities and significantly completed the impact assessment of IFRS 9. Management does not expect the new guidance to affect the classification and measurement of the financial assets. There will also be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and amended standards issued but not effective for the financial year beginning 1 January 2017 and not early adopted: (continued)

It applies to financial assets classified at amortised cost, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to the customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Management assessed the impact of applying the new standard using a representative sample of contracts for each business unit and has identified following areas which may affect the timing and quantum of revenue recognised in the Company's financial statements:

- Potential impact on timing of revenue recognition for variable consideration relating to sales returns and progressive rebates.
- Reclassification of certain payments to customers from expenses to deduction of revenue.

Management is currently assessing the quantitative impact of the above mentioned items on its revenue recognised and contract receivables at the transition date.

Management is currently assessing the impact of IFRS 16 to the Group's consolidated financial statements. The other standards, amendments and interpretations have been assessed by management and are expected to have no material impact to the Group's consolidated financial statements.

There are no other IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director of the Company that makes strategic decisions.

Notes to the financial statements for the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets

2.4.1 Classification

The Company classifies financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at the initial recognition of the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' (Note 7), 'cash and cash equivalents' (Note 9), and 'due from related parties' (Note 8) in the statement of financial position. The Company's exposure to various risks associated with holding these financial instruments is discussed in Note 3.1. A detailed breakdown for the classification of financial instruments is disclosed on Note 23 to the financial statements.

2.4.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

In the absence of reliable fair value estimates, Management have accounted for the available for sale financial assets at cost using the exemption under IAS 39 when the probabilities of the various estimates cannot be reasonably assessed.

2.4.3 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised within profit or loss in the statement of comprehensive income.

Notes to the financial statements for the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial liabilities

Financial liabilities comprise of trade and other payables (Note 16), and due to related parties (Note 8) in the statement of financial position. Such financial liabilities are initially recognised at fair value less transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying value of the replaced part is de-recognised. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives, as follows:

	Years
Building	20
Machinery and equipment	5 – 7
Furniture and fixtures	4 – 5
Motor vehicles	3 – 5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other income' in the statement of comprehensive income.

Capital work-in-progress is stated at cost and includes property and equipment that is being developed for future use. When commissioned, capital work-in-progress is transferred to the respective category, and depreciated in line with the Company's policy.

2.8 Intangible assets

Computer software

Computer software is capitalised at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

When the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at the end of each reporting period for possible reversal of impairment loss.

Computer software is amortised on a straight-line basis over the estimated useful life of 5 years.

Notes to the financial statements for the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are identified at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash on hand, balances in current accounts and term deposits with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Employees' end of service benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

A provision is made using for the full amount of end of service benefits due to eligible employees in accordance with Labour Laws applicable to the United Arab Emirates, for their period of service up to the end of the reporting period. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

2.15 Trade and other payables

Trade and other payable are obligations payable to suppliers and accrued staff benefits and other accruals. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities included in accounts payable and other liabilities are recognised initially at fair value and subsequently at amortised cost.

Notes to the financial statements for the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Company. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Sale of merchandise

Revenue from the sale of goods in the ordinary course of activities is measured at fair value of the consideration received or receivable, net of return, trade discounts and volume rebates and is recognised at the time of transfer of title to the goods.

2.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.18 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit/ (loss) attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have any dilutive potential ordinary shares.

2.18 Dividends distributions

Dividends to the Company's shareholders are recognised in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities may expose it to a variety of financial risks: market risk (including foreign exchange risk, price and cash flow and fair value interest rate risk), credit risk and liquidity risk. The management carries out risk assessment for managing each of these risks. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

(a) Market risk

(i) Foreign exchange risk

The Company is not exposed to a significant foreign exchange risk since majority of the transactions are denominated in AED.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuers or factors affecting all the instruments trade in the market. The Company has no exposure to price risk.

Notes to the financial statements for the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company had no exposure to interest rate risk as at 31 December 2017 as it does not carry any significant interest bearing assets or liabilities.

(b) Credit risk

Credit risk mainly arises from, 'trade and other receivables' (Note 7), due from related parties (Note 8) and 'cash and cash equivalents' (Note 9). The Company has policies in place to minimise its exposure to credit risk. The maximum exposure to credit risk is represented by the carrying value of financial assets on the statement of financial position date.

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and other financial institutions is managed by the Company by investing surplus funds only with approved and reputable counterparties and within credit limits assigned to each counterparty. Bank deposits, and term deposits are limited to high-credit-quality financial institutions. The table below presents an analysis of cash and bank balances by rating agency designation at the end of reporting period based on Moody's ratings or its equivalent for the main banking relationships:

	2017 AED	2016 AED
Cash and cash equivalents		
Aa3	7,018,368	-
A3	96,114	99,114
A2	-	15,391,940
	7,114,482	15,491,054

The table above cash and cash equivalents exclude cash on hand amounting to AED 68,765 (2016: AED Nil).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest where applicable.

	Within 1 year AED
31 December 2017	
Trade and other payables	6,530,852
Due to related parties	45,707
	6,576,559
31 December 2016	
Trade and other payables	8,018,399
Due to related parties	298,722
	8,317,121

Notes to the financial statements for the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. The gearing ratio is not applicable for the Company as it does not have any outstanding debt.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Impairment of trade receivables

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For all amounts, which are past due, the estimation is performed on an individual basis. A provision is applied according to the length of time past due, based on historical performance. The provision for impairment of trade receivables is disclosed in Note 7.

5 PROPERTY, PLANT AND EQUIPMENT

	Land AED	Building AED	Machinery and equipment AED	Furniture and fixtures AED	Motor vehicles AED	Capital work-in-progress AED	Total AED
Cost							
At 1 January 2016	243,000	19,912,522	49,598,831	3,439,433	2,519,368	-	75,713,154
Additions during the year	-	101,500	609,236	22,680	-	3,829,809	4,563,225
Disposals during year	-	(13,050)	-	(1,078,520)	-	-	(1,091,570)
At 31 December 2016	243,000	20,000,972	50,208,067	2,383,593	2,519,368	3,829,809	79,184,809
Additions during the year	-	-	497,093	64,603	73,890	-	635,586
Disposals during the year	-	(3,160)	(3,830,030)	(152,759)	(101,500)	-	(4,087,449)
Transfers	-	-	3,784,769	-	-	(3,829,809)	(45,040)
At 31 December 2017	243,000	19,997,812	50,659,899	2,295,437	2,491,758	-	75,687,906
Accumulated depreciation							
At 1 January 2016	-	13,821,922	44,549,326	3,001,962	2,380,969	-	63,754,179
Charge for the year	-	459,498	1,429,749	131,736	64,800	-	2,085,783
Disposals during year	-	(10,469)	-	(1,078,520)	-	-	(1,088,989)
At 31 December 2016	-	14,270,951	45,979,075	2,055,178	2,445,769	-	64,750,973
Charge for the year	-	445,496	1,689,318	129,357	74,571	-	2,338,742
Disposals during year	-	(3,160)	(3,830,030)	(152,759)	(101,500)	-	(4,087,449)
At 31 December 2017	-	14,713,287	43,838,363	2,031,776	2,418,840	-	63,002,266
Net book amount							
At 31 December 2017	243,000	5,284,525	6,821,536	263,661	72,918	-	12,685,640
At 31 December 2016	243,000	5,730,021	4,228,992	328,415	73,599	3,829,809	14,433,836

At 31 December 2016, Capital work-in-progress mainly comprise of machinery and equipment that were being prepared for internal use.

Notes to the financial statements for the year ended 31 December 2017 (continued)

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation allocation

	2017 AED	2016 AED
Cost of sales (Note 18)	2,202,412	1,970,826
General and administrative expenses (Note 19)	110,419	89,450
Selling and distribution expenses (Note 20)	25,911	25,507
	2,338,742	2,085,783

6 INVENTORIES

	2017 AED	2016 AED
Raw materials	2,655,202	3,079,928
Spare parts	2,475,235	2,330,848
Finished products	1,093,654	1,047,178
	6,224,091	6,457,954
Allowance for slow moving inventories	(246,511)	(246,511)
	5,977,580	6,211,443

The cost of inventories recognised as expense and included in costs of sales for the year ended 31 December 2017 amounted to AED 27,151,435 (31 December 2016 AED 24,432,177).

Movement on the Company's provision for impairment of inventories is as follows:

	2017 AED	2016 AED
At the beginning of the year	246,511	309,737
Charge/(reversal) for the year	-	(63,226)
At the end of the year	246,511	246,511

7 TRADE AND OTHER RECEIVABLES

	2017 AED	2016 AED
Trade receivables	16,195,613	16,196,093
Provision for impairment of trade receivables	(5,394,439)	(2,829,804)
	10,801,174	13,366,289
Advances to suppliers	897,185	94,069
Provision for advances to suppliers	(202,904)	-
	694,281	94,069
Deposits	782,332	737,832
Prepayments	283,782	284,424
	12,561,569	14,482,614

Movement on the Company's provision for impairment of trade receivables is as follows:

	2017 AED	2016 AED
At the beginning of the year	2,829,804	3,608,211
Charge/(reversal) for the year	2,564,635	(778,407)
At the end of the year	5,394,439	2,829,804

Notes to the financial statements for the year ended 31 December 2017 (continued)

7 TRADE AND OTHER RECEIVABLES (continued)

At 31 December 2017, 38 customers (2016: 41 customers) comprise AED 10,801,174 (2016: AED 13,366,289) representing 67% (2016: 83%) of the trade receivables. Management believes that the receivables related to these customers are fully recoverable due to the customers' good credit quality, reputation and the historic pattern of payment of the customers.

As at 31 December 2017, trade receivables of AED 5,034,269 (2016: AED 5,329,434) were within the applicable credit period of 90 days and therefore are considered fully performing.

As at 31 December 2017, trade receivables of AED 4,512,100 (2016: AED 7,918,883) were past due but not impaired. Management is confident of collectability of this balance.

As at 31 December 2017, trade receivables of AED 6,649,244 (2016: AED 2,947,776) were partially impaired and provided for. The amount of the provision was AED 5,394,439 (2016: AED 2,829,804).

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

All trade receivables are denominated in United Arab Emirates Dirham (AED) or currencies pegged with AED.

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

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the shareholders, key management personnel, associated companies, joint venture, directors and businesses including affiliates controlled directly or indirectly by the shareholders and directors or over which they exercise significant management influence. A fellow subsidiary is an entity which comes under the common controller of the Parent Company.

(a) Related party transactions

During the year, the Company entered into the following transactions with related parties at mutually agreed prices:

	Relationship	2017 AED	2016 AED
Gulf Food Industries Company	Fellow subsidiary		
Recharges of salaries and other benefits		396,562	457,105
Recharges of general and administrative expenses		22,984	356,711
Egyptian Canning Company - Americana	Fellow subsidiary		
Sale of machinery		300,000	-
Kuwait food Co. (Americana) - Main Office	Fellow subsidiary		
Recharges of general and administrative expenses		1,893	176,853

(b) Related party balances

The balances with relates parties at year end are as follows:

Due from related parties	Relationship	2017 AED	2016 AED
Gulf Food Industries Company	Fellow subsidiary	781,389	461,054
Egyptian Canning Company - Americana	Fellow subsidiary	300,000	-
		1,081,389	461,054

Notes to the financial statements for the year ended 31 December 2017 (continued)

8 RELATED PARTIY TRANSACTIONS AND BALANCES (continued)

(b) Related party balances

Due to related parties	Relationship	2017 AED	2016 AED
Kuwait Food Company S.A.K. (Americana) - Kuwait	Parent Company	43,814	296,968
Kuwait food Co. (Americana) - Main Office	Fellow subsidiary	1,893	-
Americana Group – Egypt	Fellow subsidiary	-	1,754
		45,707	298,722

(c) Key management personnel

	2017 AED	2016 AED
Compensation to key management personnel comprises:		
Salaries and other short term employee benefits	543,333	534,000
End of service benefits	-	305,511
	543,333	839,511

9 CASH AND CASH EQUIVALENTS

	2017 AED	2016 AED
Cash on hand	68,765	-
Call deposits	1,257,360	7,799,249
Cash at bank	5,857,122	7,691,805
	7,183,247	15,491,054

The call deposits earn annual interest rate of 0.05% (2016: 0.05%) from local banks.

10 SHARE CAPITAL

On 18 April 2016, the paid up share capital of the Company was increased from AED 25,000,000 to AED 30,000,000 by distributing bonus shares worth 20% of the capital and balance amount from voluntary reserve.

The Company's authorized share capital is AED 40 million. The issued and fully paid up capital is AED 30 million comprising of 30 million shares with nominal value of AED 1 each (31 December 2016: 30 million shares with nominal value of AED 1 each). All shares are in cash.

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 a statutory 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. This reserve is not available for distribution.

12 VOLUNTARY RESERVE

In compliance with the Company's 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 assembly of the Company as recommended by the Board of Directors. There are no restrictions on distribution from the voluntary reserve.

Notes to the financial statements for the year ended 31 December 2017 (continued)

13 DIVIDENDS

During the year, the Company declared and distributed a dividend of AED 0.04 per share amounting to AED 1,200,000. The Company has exhausted its retained earnings as a result of the dividends declared during the year. The ordinary general assembly of shareholders was held on 25 April 2017 who approved the financial statements for the year ended 31 December 2016 and unanimously declared the dividend to be paid.

14 (LOSS)/EARNINGS PER SHARE

	2017 AED	2016 AED
(Loss)/profit for the year	(6,473,455)	1,352,237
Weighted average number of ordinary shares for purposes of basic earnings	30,000,000	28,750,000
Basic and diluted (loss)/earning per share	(0.2158)	0.0470

Diluted (losses)/earning per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential ordinary shares. On 31 December 2017 and 31 December 2016, the Company did not have any such ordinary shares. Therefore, (losses)/earning per share equals the basic (losses)/earning per share.

15 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	Note	2017 AED	2016 AED
Balance at the beginning of the year		5,424,234	7,960,902
(Reversal)/charge for the year	21	(190,793)	788,407
Transfers		(33,189)	-
Payments during the year		(1,823,343)	(3,325,075)
Balance at the end of the year		3,376,909	5,424,234

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2017, using the projected unit credit method, in respect of employees' end of service benefits payable under the applicable Local Labour Laws. Under this method an assessment has been made of the employees' expected service life with the Company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 2% (2016: 2%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 3.03% (2016: 2.52%).

16 TRADE AND OTHER PAYABLES

	2017 AED	2016 AED
Trade payables	2,380,063	2,354,682
Accruals	3,687,529	4,502,029
Employees accrued benefits	441,926	473,418
Other payables	21,334	688,270
	6,530,852	8,018,399

17 REVENUE

	2017 AED	2016 AED
Sales	45,300,722	46,034,978
Rebates on trade	(5,942,224)	(3,976,562)
	39,358,498	42,058,416

Notes to the financial statements for the year ended 31 December 2017 (continued)

18 COST OF SALES

	Note	2017 AED	2016 AED
Materials sold	6	27,151,435	24,432,177
Staff costs	21	4,638,467	5,256,638
Depreciation	5	2,202,412	1,970,826
Ajman Government – Concession fee*		2,000,000	2,000,000
Provision for obsolete raw materials	6	-	(63,226)
		35,992,314	33,596,415

*In accordance with the letter dated 8 February 2013, received from the Rulers' Court of Ajman, the Ajman Government agreed to receive a sum of AED 2,000,000 as an annual concession fee for the use of natural resources from the Company for a period of three years effective 1 January 2013 to 31 December 2015. The above concession fee agreement has been extended till 31 December 2017.

19 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 AED	2016 AED
Provision/(reversal) for impairment of trade and other receivables	2,767,539	(778,407)
Staff costs (Note 21)	2,146,094	3,569,145
Entertainment	321,088	266,441
Repairs, maintenance and utilities	313,167	263,328
Professional and legal	312,282	445,281
Regional expenses	155,909	258,732
Depreciation (Note 5)	110,419	89,450
Others	264,941	617,290
	6,391,439	4,731,260

20 SELLING AND DISTRIBUTION EXPENSES

	2017 AED	2016 AED
Staff costs (Note 21)	3,496,398	2,393,200
Vehicle expenses	461,805	170,814
Advertisement	276,549	464,829
Depreciation and amortisation	48,717	25,507
Others	284,570	147,964
	4,568,039	3,202,314

21 STAFF COSTS

	2017 AED	2016 AED
Salaries and wages	7,698,440	7,065,577
Other benefits	2,773,312	3,364,999
End of service benefits (Note 15)	(190,793)	788,407
	10,280,959	11,218,983
Included under:		
Cost of sales (Note 18)	4,638,467	5,256,638
General and administrative expenses (Note 19)	2,146,094	3,569,145
Selling and distribution expenses (Note 20)	3,496,398	2,393,200
	10,280,959	11,218,983

Notes to the financial statements for the year ended 31 December 2017 (continued)

22 OTHER INCOME

	2017 AED	2016 AED
Gain on disposal of property, plant and equipment	520,000	7,119
Other	599,839	816,691
	1,119,839	823,810

23 FINANCIAL INSTRUMENTS

The accounting policies for the financial instruments have been applied to the line items below:

	2017 AED	2016 AED
Financial assets		
Due from related parties (Note 8)	1,081,389	461,054
Trade and other receivables (excluding advances to suppliers and prepayments (Note 7)	11,583,506	14,104,121
Cash and cash equivalents (Note 9)	7,183,247	15,491,054
	19,848,142	30,056,229

	2017 AED	2016 AED
Financial liabilities		
Due to related parties (Note 8)	45,707	298,722
Trade and other payables (Note 16)	6,530,852	8,018,399
	6,576,559	8,317,121

24 CONTINGENCIES AND COMMITMENTS

	2017 AED	2016 AED
Letters of guarantee	300,000	300,000

25 SEGMENT INFORMATION

In determining the Company's operating segment, management has primarily considered the financial information in the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources. Management has concluded that the Company has a single operating segment, being the production and bottling of mineral water, juices, soft drinks, food stuff preforms and screw caps in the United Arab Emirates.

Notes to the financial statements for the year ended 31 December 2017 (continued)

26 RE-ARRANGEMENT OF COMPARATIVES

The comparative figures have been reclassified to align with the current period classifications. These reclassifications do not have any impact on the results for the year ended 31 December 2017 or the Company's net assets. The impact of these reclassifications is summarised in the table below:

	For the year ended 31 December 2016		
	As previously stated AED	Reclassifications AED	As reclassified AED
Sales	44,844,757	(2,786,341)	42,058,416
Cost of sales	(31,659,644)	(1,936,771)	(33,596,415)
Provision no longer required	841,633	(841,633)	-
General and administrative expenses	(5,510,161)	778,901	(4,731,260)
Selling and distribution expenses	(5,988,158)	2,785,844	(3,202,314)
Concession fee provision for Ajman Government	(2,000,000)	2,000,000	-
Net impact statement of income for the year	528,427	-	528,427