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

REVIEW REPORT
AND
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Review report and interim condensed consolidated financial statements
For the nine months period ended September 30, 2019

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MAZARS

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulfa Mineral Water and Processing Industries Co. P.L.C (the **"Company"**) as at September 30, 2019 which comprised the interim condensed consolidated statement of financial position as at September 30, 2019, and the related interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended and interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 as issued by International Accounting Standard Board (IASB). Our responsibility is to express a conclusion of these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Other matters

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

For:
Mazars
Chartered Accountants LLC (Abu Dhabi Br.1)

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محاسبـــون قانونيـــون ذ م م
CHARTERED ACCOUNTANTS LLC
Abu Dhabi br. فـرع أبو ظبي

By: Jaffer Rupawala
Registered Auditor No. 852

Abu Dhabi,
November 11, 2019

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Interim condensed consolidated statement of financial position
As at September 30, 2019

	Note	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
ASSETS			
Non-current assets			
Property, plant and equipment	3	10,187,353	12,163,632
Intangible assets		75,958	98,826
Investment property	4	25,196,500	20,163,800
		35,459,811	**32,426,258**
Current assets			
Inventories	5	5,010,543	5,579,644
Trade receivables	6	1,421,090	2,810,515
Deposits and other receivables	7	1,483,689	1,077,063
Cash and cash equivalents	8	1,118,951	2,038,264
		9,034,273	**11,505,486**
Total assets		**44,494,084**	**43,931,744**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	30,000,000	30,000,000
Statutory reserves	10	5,887,566	5,887,566
General reserves	11	234,067	234,067
Accumulated (losses) / income		(1,156,670)	226,315
		34,964,963	**36,347,948**
Non-current liability			
Provision for employees' end of service benefits	12	1,799,951	2,218,034
		1,799,951	**2,218,034**
Current liability			
Trade and other payables	13	7,729,170	5,365,762
		7,729,170	**5,365,762**
Total liabilities		**9,529,121**	**7,583,796**
Total equity and liabilities		**44,494,084**	**43,931,744**

These interim condensed consolidated financial statements were approved by the Management and Board of Directors on 14/11/19 and signed on their behalf by.

Fadi Radieddine
Finance Manager

Khalifa Al Hammadi
Chairman

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

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Interim condensed consolidated statement of comprehensive income
For the nine months period ended September 30, 2019

	Note	Three months ended September 30, (Reviewed) 2019 AED	(Reviewed) 2018 AED	Nine months ended September 30, (Reviewed) 2019 AED	(Reviewed) 2018 AED
Net revenue		2,986,253	6,461,262	11,990,349	18,695,623
Cost of revenue	*14*	(2,914,294)	(5,640,726)	(10,753,381)	(20,951,501)
Gross profit / (loss)		**71,959**	**820,536**	**1,236,968**	**(2,255,878)**
General and administrative expenses		(2,141,824)	(2,305,441)	(4,490,598)	(4,183,101)
Selling and distribution expenses		(1,012,357)	(1,490,084)	(3,616,772)	(3,096,915)
Gain from fair value adjustment	*4*	-	-	5,032,700	-
Other income	*15*	123,481	77,005	454,717	92,010
(Loss) for the period		**(2,958,741)**	**(2,897,984)**	**(1,382,985)**	**(9,443,884)**
Total comprehensive (loss) for the period		**(2,958,741)**	**(2,897,984)**	**(1,382,985)**	**(9,443,884)**
Basic losses per share		**(0.099)**	**(0.097)**	**(0.046)**	**(0.315)**

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

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Interim condensed consolidated statement of changes in equity
For the nine months period ended September 30, 2019

	Share capital AED	Statutory reserves AED	General reserves AED	Accumulated (losses) / income AED	Total AED
As at January 1, 2018 (restated)	30,000,000	5,887,566	234,067	(6,456,442)	29,655,191
Impact of application of new standard IFRS 9 Financial instruments	-	-	-	(1,712,413)	(1,712,413)
Total comprehensive (loss) for the period	-	-	-	(9,443,884)	(9,443,884)
As at September 30, 2018 (reviewed)	**30,000,000**	**5,887,566**	**234,067**	**(17,612,739)**	**18,508,894**
As at January 1, 2019	30,000,000	5,887,566	234,067	226,315	36,347,948
Total comprehensive (loss) for the period	-	-	-	(1,382,985)	(1,382,985)
As at September 30, 2019 (reviewed)	**30,000,000**	**5,887,566**	**234,067**	**(1,156,670)**	**34,964,963**

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

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Interim Condensed Consolidated statement of cash flows
For the nine months period ended September 30, 2019

	Nine months period ended	
	(Reviewed) September 30, 2019 AED	(Reviewed) September 30, 2018 AED
Cash flows from operating activities		
(Loss) for the period	(1,382,985)	(9,443,884)
Adjustments for:		
Depreciation on property, plant and equipment	2,031,084	1,872,393
Amortization on intangible assets	22,868	22,806
Provision for slow moving inventories	-	1,720,717
Provision for expected credit losses / reversal	(34,743)	1,905,850
Provision for impairment of deposits and other receivables written off	(906,948)	-
Provision for employees' end of service benefits / reversal	389,765	(319,884)
(Gain) on disposal of property, plant and equipment	(186,675)	(76)
(Gain) on fair value adjustment in investment properties	(5,032,700)	-
	(5,100,334)	**(4,242,078)**
Movement in working capital		
Decrease / (increase) in inventories	569,101	(657,634)
Decrease in trade receivables	1,424,168	3,940,595
Decrease / (increase) in deposits and other receivables	500,322	(1,442,568)
(Increase) in due from related parties	-	(57,572)
Increase in trade and other payables	2,363,408	104,825
Increase in due to related parties	-	126,851
Cash (used in) operating activities	**(243,335)**	**(2,227,581)**
Employees' end of service benefits paid / reversal	(807,848)	(720,738)
Net cash (used in) operating activities	**(1,051,183)**	**(2,948,319)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(54,805)	(1,973,702)
Proceeds from sales of property, plant and equipment	186,675	600
Net cash generated from / (used in) investing activities	**131,870**	**(1,973,102)**
Net (decrease) in cash and cash equivalents	(919,313)	(4,921,421)
Cash and cash equivalents as of the period beginning	2,038,264	7,183,247
Cash and cash equivalents as of the period end	**1,118,951**	**2,261,826**

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

1. Legal status and principal activities:

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

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

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

The principal activities of the Company are as follows.

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

The consolidated interim condensed consolidated financial information includes the performance and financial position as at September 30, 2019 of the company and its subsidiaries.

Subsidiaries	Ownership
Jibal Gulfa Owned by Owner Gulfa Mineral Water and Processing Industries Co. L.L.C. – Sole Proprietorship LLC	100%
Gulfa General Trading L.L.C.	100%
Gulfa Investment L.L.C.	100%

2. Summary of significant accounting policies:

Basis of preparation

- The interim condensed consolidated financial statements for the period ended September 30, 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting".
- The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2019.
- In additions, results for the period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2019.
- Items included in the financial information of the Company are measured and presented in United Arab Emirates "Dirham" (AED) which is the functional currency of the Company.

New standards, amendments and interpretations

IFRS 16 Leases

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

3. Property, plant and equipment:

	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	AED	AED	AED	AED	AED
Cost:					
At January 1, 2019 (audited)	20,151,552	52,529,703	2,459,932	2,491,758	77,632,945
Additions	-	11,569	43,236	-	54,805
Disposals	-	-	-	(1,005,850)	(1,005,850)
At September 30, 2019 (reviewed)	**20,151,552**	**52,541,272**	**2,503,168**	**1,485,908**	**76,681,900**
Accumulated depreciation:					
At January 1, 2019 (audited)	(15,156,484)	(45,693,302)	(2,158,560)	(2,460,967)	(65,469,313)
Charge for the period	(341,190)	(1,544,272)	(128,652)	(16,970)	(2,031,084)
Related to disposal	-	-	-	1,005,850	1,005,850
At September 30, 2019 (reviewed)	**(15,497,674)**	**(47,237,574)**	**(2,287,212)**	**(1,472,087)**	**(67,125,734)**
Carrying value					
At 30 September 2019 (reviewed)	**4,653,878**	**5,303,698**	**215,956**	**13,821**	**10,187,353**
At 31 December 2018 (audited)	4,995,068	6,836,401	301,372	30,791	12,163,632

4. Investment property:

The movement in the investment property is as follows:

Cost	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
As at January 1,	25,196,000	25,196,000
Gain / (loss) on fair value adjustment	5,032,700	(5,032,200)
At 30 September / 31 December	**25,196,500**	**20,163,800**

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

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

5. Inventories:

	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
Raw materials	2,804,450	3,196,832
Spare parts	2,484,161	2,519,749
Finished products	770,029	911,160
	6,058,640	6,627,741
Less: provision for slow moving inventories	(1,048,097)	(1,048,097)
	5,010,543	**5,579,644**

6. Trade receivables:

	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
Trade receivables	9,342,551	10,766,719
Less: provision for expected credit losses	(7,921,461)	(7,956,204)
	1,421,090	**2,810,515**

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

	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
Not yet due	313,882	1,990,090
Up to 3 Months	460,344	494,933
Over 3 Months	8,568,325	8,281,696
	9,342,551	**10,766,719**

7. Deposits and other receivables:

	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
Advances to suppliers	76,326	883,315
Advances to consultants	373,000	-
Prepayments	361,407	232,171
Less: provision for expected losses on advances and prepayments	-	(906,948)
	810,733	**208,538**
Refundable deposit	147,732	147,732
Margin on letters of guarantee	435,345	693,000
Value added tax (VAT) receivable	10,442	17,074
Others	79,437	10,719
	1,483,689	**1,077,063**

8. Cash and cash equivalents:

	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
Cash at bank	962,970	1,897,095
Cash in hand	61,578	46,766
Call deposits*	94,403	94,403
	1,118,951	**2,038,264**

* Call deposits earn annual interest rate of 0.05 % from local banks.

9. Share capital:

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

10. Statutory reserves:

In accordance with article of association of the company in line with the provisions of United Arab Emirates Federal Commercial Law no. (2) of 2015 (as amended), the company is required to contribute 10% of the profit for the year until such time, till it equals to 50% of the share capital of Company. This reserve is not available for distribution.

11. General reserves:

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

12. Provision for employees' end of service benefits:

	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
As at January 1, (Audited)	2,218,034	3,376,909
Provided / (Reversal) during the period / year	389,765	(250,771)
Transfer to related party	-	(21,047)
Payment during the period / year	(807,848)	(887,057)
As at September 30 / December 31,	**1,799,951**	**2,218,034**

13. Trade and other payables:

	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
Trade payables	3,999,838	2,274,809
Accruals	3,112,058	2,637,450
Employee benefits	475,660	395,214
Other payables	141,614	58,289
	7,729,170	**5,365,762**

14. Cost of revenue:

	Three months ended September 30,		Nine months ended September 30,	
	(Reviewed) 2019 AED	(Reviewed) 2018 AED	(Reviewed) 2019 AED	(Reviewed) 2018 AED
Cost of goods sold	1,491,347	3,533,839	5,923,927	14,509,253
Staff costs	319,311	998,410	1,475,951	3,177,260
Depreciation	603,636	608,477	1,853,503	1,764,988
Ajman Government - Rent fees	500,000	500,000	1,500,000	1,500,000
	2,914,294	**5,640,726**	**10,753,381**	**20,951,501**

15. Other income:

	Three months ended September 30,		Nine months ended September 30,	
	(Reviewed) 2019 AED	(Reviewed) 2018 AED	(Reviewed) 2019 AED	(Reviewed) 2018 AED
Provision reversal	-	-	183,257	-
Gain on sale of property, plant and equipment	40,000	-	186,675	76
Others	83,481	77,005	84,785	91,934
	123,481	**77,005**	**454,717**	**92,010**

16. Financial Instruments:

	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
Financial assets		
Trade receivables	1,421,090	2,810,515
Deposits and other receivables (excluding advances to suppliers and consultants and prepayments)	672,956	868,525
Cash and cash equivalent	1,118,951	2,038,264
	3,212,997	**5,717,304**
Financial liability		
Trade and other payables	7,729,170	5,365,762
	7,729,170	**5,365,762**

17. Contingencies and commitments:

	(Reviewed) September 30, 2019 AED	(Audited) December 31, 2018 AED
Letter of guarantee	300,000	300,000
Labour guarantees	135,345	393,000