Rödl Middle East

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

FINANCIAL STATEMENTS
DECEMBER 31, 2011
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

gulfa mineral water & Processing Industries Co., (PLC)
شركة غلفا للمياه المعدنية والصناعات التحويلية (ش.م.ع.)

January 8, 2012

Board of Directors Report
For the Financial Year Ended December 31, 2011

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, 2011** and the related Statement of comprehensive income, Statement of changes in shareholders' equity and Statement of cash flows for the year ended **December 31, 2011** and related Independent Auditor's Report.

Sales

The company has achieved a sales volume of **6.07** million cartons during **2011** compared to **6.74** million cartons in **2010**. This increase is due to the more focus that the company's management has been giving to products that have highest profit margin to be aligned with company's strategy.

The company had net sales vales AED **50:20** million for **2011** compared to AED **51.88** million for **2010** which is due to decrease in sales quantities compared to last year.

In spite of the decrease in the net sales value with **3.2%,** the company's management has succeeded to decrease the selling and marketing expenses in **2011**: AED **4.95** million compared to AED **7.02** million in **2010 (29% decrease).**This resulted in increase of profitability of the company's products.

Cost of Sales

In spite of the increase of raw material prices during **2011**, the company's management has succeeded to minimize the effect of this increase on cost of sales in relation to net sales to **2.7%** only which is due to the savings achieved from production.

Company Result

The company has reported a net profit of AED **3.16** million in **2011** compared to a net profit of AED **2.92** million in **2010**, this is after deducting the concession fees. This progress was attained mainly as a result of increase of the profitability of the company's products.

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 Rashed Saeed Hamarain
Chairman

HACCP BUREAU VERITAS Certification
ISO 9001 BUREAU VERITAS Certification
www.gulfa.ae

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Rödl Middle East

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

FINANCIAL STATEMENTS
DECEMBER 31, 2011
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Rödl Middle East

Independent Auditor's Report

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

We have audited the accompanying financial statements of Gulfa Mineral Water and Processing Industries Co. PLC as of December 31, 2011, the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted in the State of United Arab Emirates. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion , the financial statements present fairly , in all material respects, the financial position of Gulfa Mineral Water and Processing Industries Co. PLC as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the State of United Arab Emirates.

Other legal and regulatory requirements

As per UAE Company Law, we further report that, the financial statements include the disclosures required by the UAE Company Law and the Company's deed of association, proper books of account have been kept by the Company and stock taking was duly conducted in accordance with recognized practices. We further report that we have obtained the information and explanations required for the purpose of our audit. According to the information available to us, there were no violations of the UAE Company Law or the Company's deed of association during the year that would have a material effect on the Company's financial position or the result of its operations.

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

January 8, 2012
Ajman – U.A.E.

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Exhibit-A

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

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2011

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

	Notes	December 31, 2011	December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	5	**2,649,481**	5,928,825
Trade receivables	6	**11,509,978**	11,023,006
Inventories	7	**10,065,926**	7,492,532
Other receivables	8	**4,358,995**	4,243,757
Due from related parties	9	**6,040,413**	2,327,156
Total current assets		**34,624,793**	31,015,276
Non - Current assets			
Property, plant and equipment	10	**20,726,849**	22,643,474
Refundable deposits		**784,832**	544,032
Total non - current assets		**21,511,681**	23,187,506
Total assets		**56,136,474**	54,202,782
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		**3,294,571**	4,035,272
Short term loans	11	**2,000,000**	2,000,000
Other payables and provisions	12	**6,932,901**	6,146,128
Dividends payable		**175,795**	176,135
Due to related parties	9	**2,437,534**	2,138,784
Total current liabilities		**14,840,801**	14,496,319
Non - current liabilities			
Long term loans	11	**1,000,000**	3,000,000
Provision for indemnity		**4,421,878**	3,991,623
Total non – current liabilities		**5,421,878**	6,991,623
Shareholders' equity			
Paid up capital	13	**25,000,000**	25,000,000
Statutory reserve	14	**4,116,082**	3,800,186
Voluntary reserve	15	**767,937**	767,937
Retained earnings		**5,989,776**	3,146,717
Total shareholders' equity		**35,873,795**	32,714,840
Total liabilities and shareholders' equity		**56,136,474**	54,202,782

Those financial statements were approved by the board of directors on January 8, 2012 and signed on its behalf by:

Mr. Adel Fahmy
General Manager

Mr. Ramy Ibrahim
Finance Manager

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

Exhibit-B

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

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

	Notes	December 31, 2011	December 31, 2010
Sales		**51,996,329**	55,490,387
Sales discounts		**(1,798,830)**	(3,614,976)
Net sales		**50,197,499**	51,875,411
Cost of sales		**(37,762,818)**	(37,662,821)
Gross profit		**12,434,681**	14,212,590
Other income	16	**871,241**	1,221,631
Total revenues		**13,305,922**	15,434,221
Expenses and other charges			
Selling and marketing expenses		**4,953,055**	7,021,718
General and administrative expenses		**3,592,978**	3,708,594
Finance charges		**100,934**	279,728
Concession fee provision for Ajman Government	17	**1,500,000**	1,500,000
Total expenses and other charges		**(10,146,967)**	(12,510,040)
Net profit for the year		**3,158,955**	2,924,181
Earning per share	18	**0.13**	0.12

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

Exhibit-C

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011

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

	Full paid share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at January 1, 2010	25,000,000	3,507,768	767,937	514,954	29,790,659
Net profit for the year	-	-	-	2,924,181	2,924,181
Transfer to statutory reserve	-	292,418	-	(292,418)	-
Balance at December 31, 2010	25,000,000	3,800,186	767,937	3,146,717	32,714,840
Net profit for the year	-	-	-	3,158,955	3,158,955
Transfer to statutory reserve	-	315,896	-	(315,896)	-
Balance at December 31, 2011	**25,000,000**	**4,116,082**	**767,937**	**5,989,776**	**35,873,795**

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

Exhibit-D

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011
"All amounts are in U.A.E. Dirham"

	December 31, 2011	December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	**3,158,955**	2,924,181
Non monetary adjustment:		
Depreciations	**4,592,370**	4,767,202
Profit on sale of fixed assets	**(87,883)**	(60,622)
Provision for indemnity	**576,968**	832,433
Annuities for indemnity	**(146,712)**	(147,462)
Net changes in working capital items	**(3,370,332)**	(3,132,154)
Net cash generated from operating activities	**4,723,366**	5,183,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,676,812)**	(1,343,488)
Proceeds from sale of fixed assets	**88,950**	85,943
Net cash (used in) investing activities	**(2,587,862)**	(1,257,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlements of bank borrowing	**(2,000,000)**	(2,000,000)
Dividend paid	**(340)**	(581)
Related parties	**(3,414,507)**	90,824
Net cash (used in) from financing activities	**(5,414,847)**	(1,909,757)
Net (decrease) / increase in cash and cash equivalents	**(3,279,344)**	2,016,276
Cash and cash equivalents at the beginning of the year	**5,928,825**	3,912,549
Cash and cash equivalents at the end of year	**2,649,481**	5,928,825

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011
"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 114 and (121 for 2010) with cost 7,050,523 and (7,046,694 for 2010).

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2/1) Standards and interpretations adopted during the year:

The company has adopted the new standards, interpretations and amendments to (IFRSs) issued by International Accounting Standards Board (IASB), which are effective for the financial statements for the annual period beginning on or after January 1, 2011.

Annual Improvements for accounting standards:

The IASB has issued Improvements for International Financial Reporting Standards 2009 which have led to a number of changes in the detail of the company's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. Most of these amendments become effective in annual periods beginning on or after July 1, 2010 or January 1, 2011:

The new requirements in respect of these amendments are summarized below:

IAS 1 "Presentation of Financial Statements" (Revised):

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Company has applied the amendments in advance of their effective date (annual periods beginning on or after January 1, 2011). The amendments have been applied retrospectively.

Amendments to IFRS 3 Business Combinations

As part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ('market-based measure').

Amendments to IFRS 1:

(Effective for annual periods beginning on or after July 1, 2010)

Limited exemption from comparative IFRS 7 Disclosures for first-time Adopters.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011
"All amounts are in U.A.E. Dirham unless otherwise stated"

Amendments to IFRS 7: Disclosures:
(Effective for the periods beginning on or after July 1, 2011)
The amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

IAS 24 (revised in 2009):
(Effective for annual periods beginning on or after January 1, 2011)
IAS 24 Related Party Disclosures (as revised in 2010) modifies the definition of a related party and simplifies disclosures for government-related entities, and introduces a partial exemption from the disclosure requirements for government-related entities.

Amendments to IAS 32:
(Effective for annual periods beginning on or after February 1, 2010)
The amendments to IAS 32 titled *Classification of Rights* Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Company has not entered into any arrangements that would fall within the scope of the amendments. However, if the Company does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19:
(Effective for annual periods beginning on or after July 1, 2010)
IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Company has not entered into transactions of this nature. However, if the Company does enter into any such transactions in the future. IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognized in profit or loss.

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 effective:

- ***Amendments to IFRS 7 "Disclosures – Transfers of Financial Asset":***
  Effective for annual periods beginning on or after 1 July 2011.

- ***IFRS 9 "Financial Instruments":*** Effective for annual periods beginning on or after 1 January 2013.

- ***IFRS 10 "Consolidated Financial Statements"****: Effective for annual periods beginning on or after 1 January 2013.*

- ***IFRS 11 "Joint Arrangements":*** Effective for annual periods beginning on or after 1 January 2013.
- ***IFRS 12 "Disclosure of Interests in Other Entities":*** Effective for annual periods beginning on or after 1 January 2013.

- ***IFRS 13 "Fair Value Measurement":*** Effective for annual periods beginning on or after 1 January 2013.

- ***Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"****: Effective for annual periods beginning on or after 1 July 2012.*

- ***Amendments to IAS 12 "Deferred Tax – Recovery of Underlying Assets":*** *Effective for annual periods beginning on or after 1 January 2012.*

- ***IAS 19 (as revised in 2011) "Employee Benefits":*** Effective for annual periods beginning on or after 1 January 2013.

- ***IAS 27 (as revised in 2011) "Separate Financial Statements":*** Effective for annual periods beginning on or after 1 January 2013.

- ***IAS 28 (as revised in 2011)"Investments in Associates and Joint Ventures":*** Effective for annual periods beginning on or after 1 January 2013.

The management anticipates that the new standards and interpretations will be adopted in the company's accounting policies for the period beginning on or after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not relevant to the company's operations and therefore not expected 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 **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.

3-6 **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.

3-7 **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.

3-8 **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

3-9 **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.

3-10 **Cash and cash equivalents**

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011
"All amounts are in U.A.E. Dirham unless otherwise stated"

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.

5 CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010
Petty cash	**50,665**	-
Cash at bank – current	**2,396,008**	3,496,752
Cash at bank – call deposits	**202,808**	2,432,073
	2,649,481	5,928,825

The call deposits earn annual interest rate of 1,5% (3,5% in 2010).

6 TRADE RECEIVABLES

	December 31, 2011	December 31, 2010
Trade receivables	**11,963,633**	11,497,680
Allowance for doubtful debts	**(453,655)**	(474,674)
	11,509,978	11,023,006

7 INVENTORIES

	December 31, 2011	December 31, 2010
Raw materials	**7,598,141**	5,144,483
Spare parts	**2,000,367**	1,868,086
Finished products	**812,709**	825,254
Total inventory	**10,411,217**	7,837,823
Allowance for slow moving inventories	**(345,291)**	(345,291)
	10,065,926	7,492,532

8 OTHER RECEIVABLES

	December 31, 2011	December 31, 2010
Cheques under collection	**4,030,162**	3,952,157
Prepaid expenses and others	**192,523**	281,617
Advances to suppliers	**136,310**	9,983
	4,358,995	4,243,757

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011
"All amounts are in U.A.E. Dirham unless otherwise stated"

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 transactions.

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

	Due from	Due to
Gulf Food Industries (California Garden)	**6,040,413**	-
Kuwait Food Company – (Americana), Sharjah Branch	-	**1,428,569**
Kuwait Food Company – (Americana), Head Office, Kuwait	-	**1,008,965**
	6,040,413	**2,437,534**

10 PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Machinery and equipments	Furniture and fixture	Motor vehicles	Total
Cost:						
At December 31, 2010	243,000	18,248,906	50,708,217	4,468,310	2,472,868	76,141,301
Charges for the year	-	2,106,130	411,963	158,719	-	2,676,812
Disposal during year	-	-	(2,447,410)	(15,330)	(72,000)	(2,534,740)
At December 31, 2011	**243,000**	**20,355,036**	**48,672,770**	**4,611,699**	**2,400,868**	**76,283,373**
Depreciation:						
At December 31, 2010	-	11,848,245	35,829,295	3,916,549	1,903,738	53,497,827
Charges for the year	-	529,028	3,516,587	295,752	251,003	4,592,370
Disposal during year	-	-	(2,447,410)	(14,263)	(72,000)	(2,533,673)
At December 31, 2011	**-**	**12,377,273**	**36,898,472**	**4,198,038**	**2,082,741**	**55,556,524**
Net book values:						
At December 31, 2011	**243,000**	**7,977,763**	**11,774,298**	**413,661**	**318,127**	**20,726,849**
At December 31, 2010	243,000	6,400,661	14,878,922	551,761	569,130	22,643,474

11 BANK LOAN

	December 31, 2011	December 31, 2010
Short term loan	**2,000,000**	2,000,000
Long term loan	**1,000,000**	3,000,000
	3,000,000	5,000,000

- The bank loan is secured by the pledge of Kuwait Food Company – (Americana), Head Office, Kuwait shares in Gulfa Mineral Water and Processing Industries Co. with interest 5% per year.

12 OTHER PAYABLES AND PROVISIONS

	December 31, 2011	December 31, 2010
Post dated cheques	**3,575,180**	1,648,218
Accrued expenses	**2,930,249**	4,142,453
Other payables	**427,472**	355,457
	6,932,901	6,146,128

13 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) as a first stage of public offering, while the balance is to be called in future dates to be determined by the board of Directors.

14 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.

15 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.

16 OTHER INCOME

	December 31, 2011	December 31, 2010
Bank interest	**1,165**	1,414
Proceeds from sale of fixed assets	**87,883**	60,622
Other revenues	**782,193**	1,159,595
	871,241	1,221,631

17 CONCESSION FEES PROVISION FOR AJMAN GOVERNMENT

In accordance with a letter dated October 18, 2009, received from the Ruler's Court of Ajman, the Ajman Government agreed to receive a sum of AED 1,500,000 (AED one million five hundred thousand only) as an annual concession fee from the company for a period of three years effective January 1, 2010 to December 31, 2012.

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18 EARNING PER SHARE

	December 31, 2011	December 31, 2010
Profit for the year	**3,158,955**	2,924,181
Weighted average number of ordinary shares for purposes of basic earnings	**25,000,000**	25,000,000
Earning per share	**0.13**	0.12

19 CONTINGENT LIABILITIES

	December 31, 2011	December 31, 2010
Letters of guarantee	**330,000**	206,000
Letters of credit	**1,815,896**	1,499,692
	2,145,896	1,705,692

20 FINANCIAL INSTRUMENTS

20.1 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.

20.2 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.

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21 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:

21.1 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.

21.2 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, 2011:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Liabilities					
Trade payable	3,294,571	-	-	-	3,294,571
Short term loans	1,000,0000	1,000,000	-	-	2,000,000
Other payables and provision	-	6,932,901	-	-	6,932,901
Dividends distributed	-	175,795	-	-	175,795
Due to related parties	-	2,437,534	-	-	2,437,534
Long term loan	-	-	1,000,000	-	1,000,000
Provision for indemnity	-	-	-	4,421,878	4,421,878
Total liabilities	**4,294,571**	**10,546,230**	**1,000,000**	**4,421,878**	**20,262,679**

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The following is maturity table for the financial liabilities as at December 31, 2010:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Liabilities					
Trade payable	4,035,272	-	-	-	4,035,272
Short term loans	-	2,000,000	-	-	2,000,000
Other payables and provision	-	6,146,128	-	-	6,146,128
Dividends distributed	-	176,135	-	-	176,135
Due to related parties	-	-	2,138,784	-	2,138,784
Long term loan	-	-	3,000,000	-	3,000,000
Provision for indemnity	-	-	-	3,991,623	3,991,623
Total liabilities	**4,035,272**	**8,322,263**	**5,138,784**	**3,991,623**	**21,487,942**

21.3 **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.

22 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.

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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, 2011	December 31, 2010
Debts	**3,000,000**	5,000,000
Less: cash and cash equivalent	**2,649,481**	5,928,825
Net debts	**350,519**	(928,825)
Total equity	**35,873,795**	32,714,810
Gearing ratio	**%1**	(2.8%)

The decrease in debts and cash and cash equivalents and increase in shareholder's equity lead to increase the ratio from (2.8%) to 1% during the year.

23 APROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management on January 8, 2012.