Rödl Middle East

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

FINANCIAL STATEMENTS
DECEMBER 31, 2010
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

January 4, 2011

Board Of Directors Report
For the financial year ended December 31, 2010

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, **2010** and the related Statement of comprehensive income, Statement of changes in shareholders' equity and Statement of cash flows for the year ended December 31, **2010** and related Independent Auditor's Report.

Sales

The company has achieved a sales volume of **6.74** million cartons during **2010** comparing to **5.55** million cartons in **2009**. This increase is due to increasing the sales volume in the local market which commensurate with the company's strategy for giving more attention to the local market.
The company has reported net sales of AED **51.88** million during **2010** against AED **44.67** million during **2009** due to the increase in sales volume comparing to the prior year.

Cost of Sales

In spite of the increase of raw material prices during **2010**, the company's management has succeeded to minimize the effect of the this increase on cost of sales in relation to net sales to 3% only which is due to the saving achieved from production.

Company Result

The company has reported a net profit of AED **2.92** million in **2010** compared to a net profit of AED **2.76** million in **2009**, this is after deducting the concession fees. This progress was attained mainly as a result of increase in sales volume.

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

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

On behalf of the Board

Saif Rashid Hamer Ain
Chairman

Rödl Middle East

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

FINANCIAL STATEMENTS DECEMBER 31, 2010 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, 2010, and 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.

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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, 2010 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.

The opening balances were audited by another audit firm who issued unqualified reports on January 7, 2010 for the financial statements.

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

January 4, 2011
Ajman – U.A.E.

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

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2010

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

	Notes	December 31, 2010	December 31, 2009
ASSETS			
Current assets			
Cash and cash equivalents	5	**5,928,825**	3,912,549
Trade receivables	6	**11,023,006**	13,940,153
Inventories	7	**7,492,532**	6,198,279
Other receivables	8	**4,243,757**	709,855
Due from related parties	9	**2,327,156**	2,100,386
Total current assets		**31,015,276**	26,861,222
Non - Current assets			
Property, plant and equipment	10	**22,643,474**	26,092,509
Refundable deposits		**544,032**	544,032
Total non - current assets		**23,187,506**	26,636,541
Total assets		**54,202,782**	53,497,763
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		**4,035,272**	4,485,498
Short term loans	11	**2,000,000**	2,000,000
Other payables and provisions	12	**6,146,128**	6,242,048
Dividends payable		**176,135**	176,716
Due to related parties	9	**2,138,784**	1,821,190
Concession fee provision for Ajman Government	13	**-**	675,000
Total current liabilities		**14,496,319**	15,400,452
Non - current liabilities			
Long term loans	11	**3,000,000**	5,000,000
Provision for indemnity		**3,991,623**	3,306,652
Total non – current liabilities		**6,991,623**	8,306,652
Shareholders' equity			
Paid up capital	14	**25,000,000**	25,000,000
Statutory reserve	15	**3,800,186**	3,507,768
Voluntary reserve	16	**767,937**	767,937
Retained earnings		**3,146,717**	514,954
Total shareholders' equity		**32,714,840**	29,790,659
Total liabilities and shareholders' equity		**54,202,782**	53,497,763

Those financial statements were approved by the board of directors on January 4, 2011 and signed on its behalf by:

Mr. Ziad Abdel Rehim
Managing Director

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, 2010
"All amounts are in U.A.E. Dirham"

	Notes	December 31, 2010	December 31, 2009
Sales		**55,490,387**	49,525,671
Sales discounts		**(3,614,976)**	(4,857,063)
Net sales		**51,875,411**	44,668,608
Cost of sales		**(37,662,821)**	(31,068,650)
Gross profit		**14,212,590**	13,599,958
Other income	17	**1,221,631**	1,830,292
Total revenues		**15,434,221**	15,430,250
Expenses and other charges			
Selling and marketing expenses		**7,021,718**	7,025,378
General and administrative expenses		**3,708,594**	4,049,309
Finance charges		**279,728**	389,834
Concession fee provision for Ajman Government	13	**1,500,000**	675,000
Impairment loss		**-**	533,729
Total expenses and other charges		**(12,510,040)**	(12,673,250)
Net profit for the year		**2,924,181**	2,757,000
Earning per share	18	**0.12**	0.11

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, 2010
"All amounts are in U.A.E. Dirham"

	Full paid share capital	Statutory reserve	Voluntary reserve	Retained (losses) earnings	Total
Balance at January 1, 2009	25,000,000	3,232,068	767,937	(1,966,346)	27,033,659
Net profit for the year	-	-	-	2,757,000	2,757,000
Transfer to statutory reserve	-	275,700	-	(275,700)	-
Balance at December 31, 2009	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**

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, 2010
"All amounts are in U.A.E. Dirham"

	December 31, 2010	December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	**2,924,181**	2,757,000
Non monetary adjustment:		
Depreciations	**4,767,202**	4,088,818
Profit on sale of fixed assets	**(60,622)**	(13,388)
Provision for indemnity	**832,433**	383,128
Annuities for indemnity	**(147,462)**	(780,893)
Impairment loss	**-**	533,729
Net changes in working capital items	**(3,132,154)**	(5,400,074)
Net cash generated from operating activities	**5,183,578**	1,568,320
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,343,488)**	(3,752,342)
Proceeds from sale of fixed assets	**85,943**	113,714
Net cash generated from (used in) investing activities	**(1,257,545)**	(3,638,628)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlements of bank borrowing	**(2,000,000)**	(2,000,000)
Dividend paid	**(581)**	(289)
Related parties	**90,824**	5,454,900
Net cash generated from (used in) from financing activities	**(1,909,757)**	3,454,611
Net increase in cash and cash equivalents	**2,016,276**	1,384,303
Cash and cash equivalents at the beginning of the year	**3,912,549**	2,528,246
Cash and cash equivalents at the end of year	**5,928,825**	3,912,549

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, 2010
"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 121 and (117 for 2009) with cost 7,046,694 and (6,418,443 for 2009).

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

2-1 STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR:

The company has adopted the new standards, interpretations and amendments to (IFRS) issued by International Accounting Standards Board (IASB), which are effective for the financial statements for the annual period beginning on or after January 1, 2009.

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

IAS 1 "Presentation of Financial Statements" (Revised):
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expenses, either in a single statement, or in two linked statements. The company elected to present two linked statements.

IFRS 8 "Operating Segments"
The new standard which replaced IAS 14: "Segment reporting" requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This standard has resulted in the segments being reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker.

Amendments to IFRS 7: Financial Instruments: Disclosures
The amendments of IFRS 7 expand the disclosures required in respect of fair value measurements of financial instruments and liquidity risk. The company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

IAS 23 Borrowing Costs (Revised)
IAS 23 Borrowing Costs (Revised 2007) requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. The adoption of the revised standard did not have any effect on the measurement and recognition of the company's assets, liabilities, income and expenses.

IAS 40 Investment Properties (Revised)
IAS 40 has been amended as part of Improvements to IFRS (2008), to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the general accounting policy, investment property under construction is measured at fair value (where that fair value is reliably determinable), with recognizing the changes in fair value in the statement of income. The adoption of the amendment does not have any effect on the measurement and recognition of the company's assets, liabilities, income and expenses.

IFRIC 15 - "Accounting for Agreements for Construction of Real Estate"
This Interpretation - issued in July 3, 2008 - clarifies when and how revenue and related expenses from the sale of a real estate unit are recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether the agreement is within the scope of IAS 11 or 18.

In accordance with this Interpretation, the revenue from real estate units sold to customers but still under construction should be recognized as per the IAS (18) instead of the previous method of recognizing the revenue using the percentage of completion. This interpretation does not have any effect on the company's financial statements.

2-2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE:
The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

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.

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.

IFRS 9 (As amended in 2010):
(Effective for annual periods beginning on or after January 1, 2013 with earlier application permitted)
IFRS 9 *"Financial Instruments"* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

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

The disclosures exemptions introduced in IAS 24 (as revised in 2009) do not affect the Company because the Company is not a government-related entity. However, disclosures regarding related party transactions and balances in these financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

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 recognised in profit or loss.

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

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standard Board (IASB) and U.A.E. Company Law.

3-2 Accounting convention

The financial statements are prepared under the historical cost convention using accrual basis of accounting.
The accounting polices have been consistently applied during the year.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010
"All amounts are in U.A.E. Dirham unless otherwise stated"

3-3 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.

3-4 Impairment

At the end of each financial year, the company assesses if there is any objective evidence indicating impairment of financial assets and non financial assets. If such evidence exists, an impairment loss are calculated as a difference between the carrying amount and the recoverable amount, is recognized in Income Statement.

The company assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognized immediately in Income Statement.

3-5 Inventories

Finished goods are stated at the lower of cost and net realisable value. Cost is based on production cost including raw materials, wages, and production expenses. Net Realisable 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 realisable 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 Trade and other payables

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

3-8 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010
"All amounts are in U.A.E. Dirham unless otherwise stated"

3-9 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 recognised on invoiced value of goods sold less returns and trade discount

3-10 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.

3-11 Cash and cash equivalents

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5 CASH AND CASH EQUIVALENTS

	December 31, 2010	December 31, 2009
Cash at bank – current	**3,496,752**	2,019,127
Cash at bank – call deposits	**2,432,073**	1,893,422
	5,928,825	3,912,549

The call deposits earn annual interest rate of 3,5% (4,5% in 2009).

6 TRADE RECEIVABLES

	December 31, 2010	December 31, 2009
Trade receivables	**11,497,680**	14,576,372
Allowance for doubtful debts	**(474,674)**	(636,219)
	11,023,006	13,940,153

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010
"All amounts are in U.A.E. Dirham unless otherwise stated"

7 INVENTORIES

	December 31, 2010	December 31, 2009
Raw materials	**5,144,483**	4,346,333
Spare parts	**1,868,086**	1,624,877
Finished products	**825,254**	572,360
Total inventory	**7,837,823**	6,543,570
Allowance for slow moving inventories	**(345,291)**	(345,291)
	7,492,532	6,198,279

8 OTHER RECEIVABLES

	December 31, 2010	December 31, 2009
Cheques under collection	**3,952,157**	533,935
Prepaid expenses and others	**281,617**	172,311
Advances to suppliers	**9,983**	3,609
	4,243,757	709,855

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)	**2,327,156**	-
Kuwait Food Company – (Americana), Sharjah Branch	-	**1,417,918**
Kuwait Food Company – (Americana), Head Office, Kuwait	-	**720,866**
	2,327,156	**2,138,784**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

"All amounts are in U.A.E. Dirham unless otherwise stated"

10 PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Machinery and equipments	Furniture and fixture	Motor vehicles	Assets to be deployed	Total
Cost:							
Balance at December 31, 2009	243,000	13,199,124	49,860,912	4,332,409	2,389,369	4,865,173	74,889,987
Additions	-	449,475	395,305	155,075	156,499	187,134	1,343,488
Disposals	-	-	-	(19,174)	(73,000)	-	(92,174)
Transfer during year	-	4,600,307	452,000	-	-	(5,052,307)	-
At December 31, 2010	**243,000**	**18,248,906**	**50,708,217**	**4,468,310**	**2,472,868**	**-**	**76,141,301**
Depreciation:							
Balance at December 31, 2009	-	11,407,772	32,288,440	3,497,913	1,603,353	-	48,797,478
Additions	-	440,473	3,540,855	436,823	349,051	-	4,767,202
Disposals	-	-	-	(18,187)	(48,666)	-	(66,853)
At December 31, 2010	**-**	**11,848,245**	**35,829,295**	**3,916,549**	**1,903,738**	**-**	**53,497,827**
Net book values:							
At December 31, 2010	**243,000**	**6,400,661**	**14,878,922**	**551,761**	**569,130**	**-**	**22,643,474**
At December 31, 2009	243,000	1,791,352	17,572,472	834,496	786,016	4,865,173	26,092,509

11 BANK LOAN

	December 31, 2010	December 31, 2009
Short term loan	**2,000,000**	2,000,000
Long term loan	**3,000,000**	5,000,000
	5,000,000	7,000,000

- 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, 2010	December 31, 2009
Post dated cheques	**1,648,218**	1,066,494
Accrued expenses	**4,142,453**	4,755,070
Other payables	**355,457**	420,484
	6,146,128	6,242,048

13 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.

14 AUTHORIZED AND PAID CAPITAL

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

15 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.

16 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.

17 OTHER REVENUE

	December 31, 2010	December 31, 2009
Bank interest	**1,414**	1,947
Lease revenues	**-**	1,000,000
Other revenues	**1,159,595**	814,957
Proceeds from sale of fixed assets	**60,622**	13,388
	1,221,631	1,830,292

18 EARNING PER SHARE

	December 31, 2010	December 31, 2009
Profit for the year	**2,924,181**	2,757,000
Weighted average number of ordinary shares for purposes of basic earnings	**25,000,000**	25,000,000
Earning per share	**0.12**	0.11

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19 CONTINGENT LIABILITIES

	December 31, 2010	December 31, 2009
Letters of guarantee	**206,000**	206,000
Letters of credit	**1,499,692**	-
	1,705,692	206,000

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.

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.

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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, 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**

The following is maturity table for the financial liabilities as at December 31, 2009:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Liabilities					
Trade payable	4,485,498	-	-	-	4,485,498
Short term loans	-	2,000,000	-	-	2,000,000
Other payables and provision	-	6,242,048	-	-	6,242,048
Dividends distributed	-	176,716	-	-	176,716
Due to related parties	-	-	1,821,190	-	1,821,190
Concession fee provision for Ajman Government	-	675,000	-	-	675,000
Long term loan	-	-	5,000,000	-	5,000,000
Provision for indemnity	-	-	-	3,306,652	3,306,652
Total liabilities	**4,485,498**	**9,093,764**	**6,821,190**	**3,306,652**	**23,707,104**

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.
  The company is not exposed to interest risk since it has no loans or any other facilities.

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.

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, 2010	December 31, 2009
Debts	**5,000,000**	7,000,000
Less: cash and cash equivalent	**5,928,825**	3,912,549
Net debts	**(928,825)**	3,087,451
Total equity	**32,714,810**	29,790,659
Gearing ratio	**(2.8%)**	10.4%

The decrease in debts and increase in cash and cash equivalents and shareholder's equity lead to reduce the ratio from 10.4% to (2.8%) during the year.

23 APROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management on January 4, 2011.