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

REVIEW REPORT
AND
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Review report and interim condensed consolidated financial statements
For the six months period ended June 30, 2020

CONTENTS ***PAGE(S)***

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. and it's subsidiaries (the **"Group"**) as at June 30, 2020 which comprised the interim condensed consolidated statement of financial position as at June 30, 2020, and the related interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended and interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six 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.

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

MAZARS مــــزارز
محاسبـــــون قانونيـــــون ذ م م
CHARTERED ACCOUNTANTS LLC
Abu Dhabi br. فــرع أبو ظبي

By: Jaffer A. Rupawala
Registered Auditor Number: 852

Abu Dhabi,
August 13, 2020

Gulfa Mineral Water and Processing Industries Co. P.L.C.
Interim condensed consolidated statement of financial position
As at June 30, 2020

	Note	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	8,300,317	9,542,942
Intangible assets	6	53,131	68,293
Investment property	7	25,196,500	25,196,500
		33,549,948	**34,807,735**
Current assets			
Inventories	8	3,969,518	4,110,028
Trade receivables	9	523,336	592,793
Other assets	10	1,257,547	1,017,607
Net value added tax (VAT) receivable	11	50,601	360,299
Cash and cash equivalents	12	571,804	296,356
		6,372,806	**6,377,083**
Total assets		**39,922,754**	**41,184,818**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	30,000,000	30,000,000
Statutory reserves	14	5,887,566	5,887,566
General reserves	15	234,067	234,067
Accumulated (losses)		(7,825,690)	(3,970,728)
		28,295,943	**32,150,905**
Non-current liability			
Provision for employees' end of service benefits	16	1,609,031	1,593,335
		1,609,031	**1,593,335**
Current liability			
Trade and other payables	17	6,315,640	7,440,578
Contract liability	18	3,702,140	-
		10,017,780	**7,440,578**
Total liabilities		**11,626,811**	**9,033,913**
Total equity and liabilities		**39,922,754**	**41,184,818**

These interim condensed consolidated financial statements were approved by the Management and Board of Directors on August 13, 2020 and signed on their behalf by.

Khalifa Al Hammadi
Chairman

Fadi Radieddine
Finance Manager

The notes from 1 to 22 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 six months period ended June 30, 2020

	Note	Three months ended June 30,		Six months ended June 30,	
		(Reviewed) 2020 AED	(Reviewed) 2019 AED	(Reviewed) 2020 AED	(Reviewed) 2019 AED
Net revenue		2,115,987	5,477,821	4,054,148	9,004,096
Cost of revenue	*19*	(2,074,987)	(4,323,627)	(4,476,384)	(7,822,817)
Gross profit		**41,000**	**1,154,194**	**(422,236)**	**1,181,279**
General and administrative expenses	*20*	(1,411,141)	(1,123,889)	(2,110,773)	(2,188,174)
Selling and distribution expenses		(551,202)	(1,683,565)	(1,438,889)	(2,781,285)
Gain from fair value adjustment	*7*	-	-	-	5,032,700
Other income	*21*	93,667	192,369	116,936	331,236
(Loss) / profit for the period		**(1,827,676)**	**(1,460,891)**	**(3,854,962)**	**1,575,756**
Total comprehensive (loss) / profit for the period		**(1,827,676)**	**(1,460,891)**	**(3,854,962)**	**1,575,756**
Basic losses per share		**(0.061)**	**(0.049)**	**(0.128)**	**0.052**

The notes from 1 to 22 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 six months period ended June 30, 2020

	Share capital AED	Statutory reserves AED	General reserves AED	Accumulated (losses) / income AED	Total AED
As at January 1, 2019 (audited)	30,000,000	5,887,566	234,067	226,315	36,347,907
Total comprehensive income for the period	-	-	-	1,575,756	1,575,756
As at June 30, 2019 (reviewed)	**30,000,000**	**5,887,566**	**234,067**	**1,802,071**	**37,923,663**
As at January 1, 2020	30,000,000	5,887,566	234,067	(3,970,728)	32,150,905
Total comprehensive (loss) for the period	-	-	-	(3,854,962)	(3,854,962)
As at June 30, 2020 (reviewed)	**30,000,000**	**5,887,566**	**234,067**	**(7,825,690)**	**28,295,943**

The notes from 1 to 22 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 six months period ended June 30, 2020

		Six months period ended	
		(Reviewed) June 30, 2020	(Reviewed) June 30, 2019
	Note	AED	AED
Cash flows from operating activities			
(Loss) / profit for the period		(3,854,962)	1,575,756
Adjustments for:			
Depreciation on property, plant and equipment	*5*	1,242,625	1,386,674
Amortization on intangible assets		15,162	15,204
Provision for expected credit losses written back		-	(183,257)
Provision for employees' end of service benefits	*16*	29,077	296,034
(Gain) on disposal of property, plant and equipment		(93,000)	(146,675)
(Gain) on fair value adjustment in investment properties		-	(5,032,700)
		(2,661,098)	**(2,088,964)**
Movement in working capital			
Decrease in inventories		140,510	467,893
Decrease / (increase) in trade receivables		69,457	(4,492)
(Increase) in other assets		(239,940)	(1,229,346)
Decrease in net value added tax (VAT) receivable		309,698	-
(Decrease) / increase in trade and other payables		(1,124,938)	2,732,599
Increase in contract liability		3,702,140	-
Cash generated from / (used in) operating activities		**195,829**	**(122,310)**
Employees' end of service benefits paid / reversal	*16*	(13,381)	(714,462)
Net cash generated from / (used in) operating activities		**182,448**	**(836,772)**
Cash flows from investing activities			
Purchase of property, plant and equipment	*5*	-	(54,805)
Proceeds from sales of property, plant and equipment		93,000	146,675
Net cash generated from investing activities		**93,000**	**91,870**
Net increase / (decrease) in cash and cash equivalents		**275,448**	**(744,902)**
Cash and cash equivalents as of the period beginning		296,356	2,038,264
Cash and cash equivalents as of the period end		**571,804**	**1,293,362**

The notes from 1 to 22 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.

The principal activities of the Company are as follows.

- Importing and exporting
- Wholesale and retail sale of mineral water
- Industry, bottles and plastic bottles
- Wholesale of juice trading
- Mineral water purification and bottling
- Plastic covers manufacturing
- Natural fruit juice manufacturing
- Mineral water bottling
- Investment in industrial, commercial, retail trade enterprises and management and water enterprises and development.
- General trading

The consolidated interim condensed consolidated financial information includes the performance and financial position as at June 30, 2020 of the company and its subsidiaries ("**The Group**").

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

On December 2019, the general assembly approved changing Group name to "Gulfa General Investment Company" and approved adding activities to its Article of Association (Article (5)).

2. Application of new and revised International Financial Reporting Standards, amendments and interpretations:

a) Standards, amendments and interpretations effective as at January 1, 2020:

The following amendments to existing standards have been adopted by the Group on January 1, 2020:

- Amendments to IFRS 3, Business Combination, improve the definition of a business or group of assets.
- Amendments to references to conceptual framework in IFRSs.
- Amendments to IAS 1, Presentation of Financial Statements and to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors in respect with the Definition of Material.
- Amendments to IFRS 9, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures (Interest Rate Benchmark Reform).

The amendments listed above do not have significant impact on the Group's interim condensed consolidated financial statements.

b) Standards, amendments and interpretations issued but are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations have been issued but are not yet effective and have not been early adopted by the Group:

- Amendments to IAS 1, Presentation of Financial Statements, clarify how to classify debt and other liabilities as current or non-current.
- Amendments to IFRS 3, Business Combination (Reference to the Conceptual Framework).
- Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Asset (Onerous Contracts- Cost of Fulfilling a Contract).

2. **Application of new and revised International Financial Reporting Standards, amendments and interpretations (continued):**

   c) **Standards, amendments and interpretations issued but are not yet effective and have not been early adopted by the Group (continued)**
   - Annual improvements to IFRS Standards 2018-2020.
   - Amendments to IAS 16, Property, Plant and Equipment (Proceeds before Intended Use).
   - IFRS 17, Insurance Contracts, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

3. **Summary of significant accounting policies:**

   a. **Basis of preparation**

   The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values.

   These interim condensed consolidated financial statements have been presented in Arab Emirates Dirhams which is the Group's functional and presentation currency.

   b. **Statement of compliance**

   The interim condensed consolidated financial statements for the six months period ended June 30, 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and in compliance with applicable provisions of UAE Federal Law No. (2) of 2015.

   The accounting policies, critical judgement and estimates used in preparation of interim condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements of the Group for the year ended December 31, 2019. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statement for the year ended December 31, 2019, which has been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

   These interim condensed consolidated financial statements have been prepared in accordance with application of IFRS 10 Consolidated Financial Statements that requires an entity (Parent) that controls one or more than entities (subsidiaries) to present consolidated financial statements. Control is achieved when the Company:
   - has power over the investee;
   - is exposed, or has rights, to variable returns from its involvement with the investee; and
   - has the ability to use its power to affect its returns.

   The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

   Intra-group balances and income and expenses arising from intra-group transactions are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

   c. ***Leases***

   The Group has adopted and applied IFRS 16. However, the provisions of IFRS 16 do not have a material impact on the consolidated financial statements of the Group. A summary of significant accounting policies adopted by the Group are as under:

   i. Accounting for leases as a lessee

   Subsequent to adoption of the standard, the Group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset. (the underlying asset) for a period in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

3. Summary of significant accounting policies (continued):

c. Leases (continued)

i. Accounting for leases as a lessee (continued)

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Each lease term is determined on an individual basis and corresponds to the non-cancellable period of the lease commitment, plus any option periods that are reasonably certain to be applied.

Measurement and recognition of leases as a lessee

At the commencement date, the Group measures the right-of-use asset and the lease liability at the present value of the future lease payments at that date, discounted using the interest rate implicit in the lease contract if that rate is readily available or the Group's incremental borrowing rate.

The Group depreciates the right-of-use assets on a straight-line/systematic basis from the lease commencement date. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Right-of-use assets includes the amount for lease liability, lease payments before/on commencement date less lease incentives received (if any), initial direct cost incurred by the lessee and any estimate of cost for dismantling the leased assets or restoring the site (if applicable) and if there are such obligations.

Lease liability includes all the payments not paid at commencement date discounted to the present value using the implicit interest rate in the lease contract or incremental borrowing rate if not possible.

Lease payments not paid at commencement date included in the measurement of the lease liability, are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantees, payments arising from options reasonably certain to be exercised and payments for penalties for terminating the lease if the Group assumes terminating the lease early.

Subsequently, the right-of-use assets will be reduced for the depreciation/amortization and the lease liability will be reduced for payments made and increased for interest using the constant period interest rate. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases (leases with lease term of 12 months or less) and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line/systematic basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been show separately.

3. Summary of significant accounting policies (continued):

c. *Leases (continued)*

ii. Accounting for leases as a lessor

The Group's accounting for recognition under IFRS 16 has not changed from the comparative period. As a lessor, the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if transfers substantially all the risks and rewards incidental to the ownership of the underlying asset and classifies the same as an operating lease if it does not.

d) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value, if any. Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment. The estimated useful lives and depreciation rates applied are as follows:

Assets	Useful life
Buildings	20 years
Machinery and equipment	5 - 7 years
Furniture and fixtures	4 - 5 years
Motor Vehicles	3 - 5 years

The estimated useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the pattern of economic benefits expected to flow to the Group through the use of items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow towards the Group and the cost of that item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss when incurred.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of comprehensive income.

At each statement of financial position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. It is the management opinion that no such indication exist at the financial position date and accordingly no adjustments or disclosure are required.

e) *Intangible assets*

Intangible assets with finite useful life are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets include computer software is capitalized at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

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

Computer software estimated useful life of 5 years.

3. Summary of significant accounting policies (continued):

f) *Investment properties*

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment properties. Investment properties is measured initially at its cost, including related transaction costs and where applicable borrowing costs

After initial recognition, investment properties is carried at fair value. The fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets. Valuations are performed as of the financial position date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. These valuations form the basis for the carrying amounts in the financial statements.

Changes in fair values are recognized in the statement of comprehensive income. Investment properties are derecognized when they have been disposed. If an investment properties becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment properties because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognized in the statement of comprehensive income to the extent that it reverses a previous impairment loss, with any remaining increase recognized in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognized revaluation surplus, with any remaining decrease charged to income statement. Where an investment properties undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognized in the income statement within "Other income".

g) *Inventories*

Inventories are stated at the lower of cost and net realizable value with due allowance for any obsolete or slow-moving items. Net realizable value is the estimate of selling price in the ordinary course of business, less the selling expenses. Cost is determined on the weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

h) *Trade receivables*

Trade receivables are measured at fair value and are stated net of amounts estimated to be uncollectible (Expected credit loss - ECL). An estimate is made for doubtful receivables based on a review of the outstanding amounts at the year end. Bad debts are written off, in the year in which they are identified. The Group uses simplified approach to estimating expected credit losses i.e. lifetime ECL. The simplified approach requires expected lifetime losses to be recognized form initial recognition of the trade receivables.

i) *Value added tax (VAT)*

Value added tax is imposed on import and supply of goods or services, including deemed supply, at each stage of production and distribution. Tax collected or due on supply of services are credited to output tax account and tax paid on purchases and business expenses and are available for input tax credit are debited to input tax account. At the end of each tax period, value added tax payable / receivable is calculated in accordance with UAE Tax Laws and are carried in the statement of financial position.

3. Summary of significant accounting policies (continued):

j) Cash and cash equivalents

Cash and cash equivalents for purpose of statement of cash flows comprise cash at bank in current accounts, cash on hand and short-term deposits with a maturity date of three months or less from the date of placement.

k) Financial instruments

Financial assets and financial liabilities are recognized when Group becomes a party to the contractual provisions of the instruments. All financial assets and financial liabilities are initially measured at fair value except for trade receivables which are initially recognized at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group classifies and subsequently measures its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for the relevant applicable category is as follows:

(i) Amortized cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables from related parties), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Group's financial assets measured at amortized cost comprise trade receivables and other assets (except prepayments), contract assets, due from related parties, short term deposits and cash and cash equivalents.

(ii) Fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at the date of statement of financial position, the Group does not have any financial assets designated as fair value through other comprehensive income.

(iii) Fair value through profit or loss

Fair value through profit or loss are financial assets that are either designated on this category or not classified as financial assets at amortized cost or fair value through other comprehensive income. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

As at the date of the statement of financial position, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

3. Summary of significant accounting policies (continued):

k) Financial instruments (continued)

(iii) Fair value through profit or loss (continued)

The Group classifies and subsequently measures its financial liabilities into one of two categories below, depending on the purpose for which the liability was acquired:

1. Fair value through profit or loss

Financial liabilities are classified under this category through fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedging accounting relationships, are also classified under this category. The Group carries financial liabilities at fair value through profit or loss using the fair values and reports fair value changes in profit or loss. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the statement of changes in equity.

As of the date of statement of financial position, the Group does not have any financial liabilities at fair value through profit or loss.

2. Other financial liabilities

Interest bearing borrowings are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Other financial liabilities, including trade and other payables, provision for employees' benefits and due to related parties, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Subsequent to initial recognition, financial liabilities are not reclassified.

Impairment of financial assets

The Group rrecognizes a loss allowance for expected credit losses (ECL) on financial assets at amortized cost and financial assets at fair value through other comprehensive income. ECLs are based on the difference between the contractual cash flow due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate.

For credit exposures of financial assets in which there has not been a significant increase in credit risk since initial recognition or that have low credit risk at reporting date, for these assets, 12 months expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction of for credit allowances). Financial assets in which there has been a significant increase in credit risk since initial recognition (unless they have a low credit risk at reporting date) but they do not have objective evidence of impairment, for these assets, life time ECL are recognized, however, interest revenue is still calculated on the gross carrying amount of the asset. Financial assets that have objective evidence of impairment at reporting date, for these assets lifetime ECL are recognized and interest revenue is also calculated on the net carrying amount (that is, net of credit allowance).

Management opted to apply the "simplified approach" on trade receivables that do not contain any significant financing component, other than these the management shall apply the former approach i-e "general approach" to all other type of financial assets.

3. Significant accounting policies (continued):

k) *Financial instruments (continued)*

Derecognition of financial assets and financial liabilities

A financial asset (or where applicable, a part of a financial asset or a part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a related party and either (i) has transferred substantially all the risks and rewards of the asset or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially difference terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying statement of financial position when a legally enforceable right to set-off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

l) *Employees' end of service indemnity*

The Group provides end of service benefits to its employees in accordance with UAE labor law. The entitlement to these benefits is based upon the employees' final basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

m) *Trade payables*

Liabilities are recognized for amounts to be paid for goods and services received by the Group, whether billed or not. Trade payables are generally settled as per the credit terms agreed with the vendors.

n) *Leave salary and air ticket*

Vacation and air ticket costs are accrued in the period in which they are due.

o) *Provisions*

Provisions are established when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

p) *Foreign currencies*

For the purpose of the consolidated financial statements, the results and the financial position of the Group are expressed in United Arab Emirates Dirham (AED), which is the functional currency of the Group.

3. Significant accounting policies (continued):

*q) **Foreign currencies (continued)***

All assets and liabilities of the Group are denominated in functional currency which is AED. However, the revenue stream of the Group is received in multiple currencies. All the amounts received in foreign currencies are translated into AED at standard average rates with the resulting foreign exchange gain or loss being directly recognized in profit or loss for the year.

r) *Revenue*

The Group has adopted IFRS 15, the day it became effective and assessed that the impact of IFRS 15, which was not material on the consolidated financial statements of the Group on adoption and reporting date.

The application of the new standard required the Group to apply the following new accounting policies:

The Group recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognize revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes. The Group assesses its revenue arrangements against specific criteria to determine if it's acting as a principle or agent. The Group concluded that it's acting a principle on all of its revenue arrangements.
A loss is recognized in the statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

3. Significant accounting policies (continued):

r) Revenue (continued)

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are met:

- The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) as a single performance obligation.

If the above criteria is met, the arrangements are combined and accounted for a single arrangement for revenue recognition.

Pre-contract costs of obtaining a contract with a customer is recognized as an asset if those costs are expected to be recovered.
Revenue is recognized in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and the revenue and costs, if applicable, can be measured reliably.

4. Critical accounting judgements and keys sources of estimation uncertainty:

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgement, estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenue, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from the reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

a. Useful life of property and equipment

Property and equipment are depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear. Management has not considered any residual value as it is deemed immaterial.

b. Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimate at the end of each reporting period.

c. Investment properties

The fair value of investment properties is determined by using valuation techniques. Further details of the judgements and assumptions made, see note 7. At June 30, 2020, if the price per square feet increased/decreased by 10%, with all other variables held constant, the value of the investment properties would have been higher/lower by AED 2.52 million (December 31, 2019: AED 2.52 million higher/lower)

d. Provision for inventory obsolescence

Management undertakes a review of the Group's inventory in order to assess the likely realization proceeds, taking into account purchases and replacement prices, age and the physical condition of the inventory. Based on the assessment of possible effects of COVID-19 in the realization of inventories, assumptions are made as to the level of provisioning required. Management estimates that the allowance required for the period ended June 30, 2020 is AED 1,292,800 (December 31, 2019: 1,292,800 AED).

4. Critical accounting judgements and keys sources of estimation uncertainty (continued):

e. Provision for inventory obsolescence

Management undertakes a review of the Group's inventory in order to assess the likely realization proceeds, taking into account purchases and replacement prices, age and the physical condition of the inventory. Based on the assessment of possible effects of COVID-19 in the realization of inventories, assumptions are made as to the level of provisioning required. Management estimates that the allowance required for the period ended June 30, 2020 is AED 1,292,800 (December 31, 2019: 1,292,800 AED).

f. Calculation of loss allowance

When determining the loss allowance on receivables, management estimates expected credit loss. The Group assess the possible economic impact of COVID-19 using unbiased probability weighted amount, time value of money and supportable forward-looking information based on possible economic effect, which is based on assumptions and possible effects for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of loss arising on default. It is based on difference between the contractual cash flow due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancement.

g. Provisions

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

h. Revenue recognition

In recognizing revenue from the customers, management makes judgement in respect of nature and timings of the satisfaction of performance obligations, including significant payment terms and related revenue recognition policies. This results in decision on whether revenue is to be recognized over time or at a point in time.

i. Legal proceedings

The Group reviews outstanding legal cases following developments in legal proceedings and at each reporting date, in order to assess the need for provision and disclosures in its interim condensed consolidated financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claims or assessment, legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought. The progress of the case (including progress after the date of financial statements but before those statements issued), the opinions or views of legal advisors, experience on similar cares and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

5. Property, plant and equipment:

	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	AED	AED	AED	AED	AED
Cost:					
At January 1, 2020 (audited)	20,151,552	52,541,272	2,503,168	1,485,908	76,681,900
Disposals during period	-	-	-	(691,500)	(691,500)
At June 30, 2020 (reviewed)	**20,151,552**	**52,541,272**	**2,503,168**	**794,408**	**75,990,400**
Accumulated depreciation:					
At January 1, 2020 (audited)	(15,609,776)	(47,739,013)	(2,313,424)	(1,476,745)	(67,138,958)
Charge for the period	(221,637)	(962,331)	(50,234)	(8,423)	(1,242,625)
Disposal during period	-	-	-	691,500	691,500
At June 30, 2020 (reviewed)	**(15,831,413)**	**(48,701,344)**	**(2,363,658)**	**(793,668)**	**(67,690,083)**
Net book value:					
At 30 June 2020 (reviewed)	**4,320,139**	**3,839,928**	**139,510**	**740**	**8,300,317**
At 31 December 2019 (audited)	4,541,776	4,802,259	189,744	9,163	9,542,942

6. Intangible assets:

The movement in the intangible assets is as follows:

	Computer softwares AED
Cost	
At December 31, 2019 (audited) and June 30, 2020 (reviewed)	**152,040**
Accumulated amortization	
As at January 1, 2019 (audited)	53,214
Charge for the year	30,533
At December 31, 2019 (audited)	83,747
Charge for the year	15,162
At June 30, 2020 (reviewed)	**98,909**
Net book value	
At June 30, 2020 (reviewed)	**53,131**
At December 31, 2019 (audited)	68,293

7. Investment property:

The movement in the investment property is as follows:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
As at June 30 / December 31	**25,196,500**	**25,196,500**

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.

8. Inventories:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
Raw materials	2,075,382	2,230,642
Spare parts	2,475,119	2,465,634
Finished products	711,817	706,552
	5,262,318	5,402,828
Less: provision for slow moving inventories	(1,292,800)	(1,292,800)
	3,969,518	**4,110,028**

9. Trade receivables:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
Trade receivables	8,744,797	8,814,254
Less: provision for expected credit losses	(8,221,461)	(8,221,461)
	523,336	**592,793**

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

Below is the movement of aging analysis on unimpaired trade receivables:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
Not yet due		138,812
Up to 3 Months		436,865
Over 3 Months		8,238,577
	8,765,222	**8,814,254**

Below is the movement for expected credit losses:

	2020 AED	2019 AED
As at January 1	8,221,461	7,956,204
Charge for the period / year	-	448,514
Written back during the period / year	-	(183,257)
As at June 30 / December 31,	**8,221,461**	**8,221,461**

10. Other assets:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
Advances to suppliers	148,037	31,861
Prepayments	473,951	385,469
Refundable deposit	160,999	160,999
Margin on letters of guarantee	465,345	435,345
Others	9,215	3,933
	1,257,547	**1,017,607**

11. Net value added tax (VAT) receivable:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
Input	1,067,031	1,177,125
Output	(1,016,430)	(816,826)
	50,601	**360,299**

12. Cash and cash equivalents:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
Cash at bank	355,226	145,394
Cash in hand	122,175	56,559
Call deposits	94,403	94,403
	571,804	**296,356**

13. 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, 2019. 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.

14. 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, 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.

15. 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.

16. Provision for employees' end of service benefits:

	(Reviewed) 2020 AED	(Audited) 2019 AED
As at January 1,	1,593,335	2,218,034
Provided during the period / year	29,077	516,797
Payment during the period / year	(13,381)	(1,141,496)
As at June 30 / December 31,	**1,609,031**	**1,593,335**

17. Trade and other payables:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
Trade payables	3,609,524	3,870,484
Accruals	1,936,916	3,065,805
Employee benefits	613,108	475,993
Other payables	156,092	28,296
	6,315,640	**7,440,578**

18. Contract liability:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
Advance from customer	3,702,140	-
	3,702,140	**-**

19. Cost of revenue:

	Three months ended June 30,		Six months ended June 30,	
	(Reviewed) 2020 AED	(Reviewed) 2019 AED	(Reviewed) 2020 AED	(Reviewed) 2019 AED
Cost of revenue	1,128,572	2,641,769	2,033,703	4,420,650
Staff costs	90,633	560,668	496,337	1,155,603
Depreciation	514,453	621,188	1,080,015	1,246,562
Ajman Government - rent fees	341,330	500,002	866,330	1,000,002
	2,074,987	**4,323,627**	**4,476,384**	**7,822,817**

19.1 Cost of revenue:

	Three months ended June 30,		Six months ended June 30,	
	(Reviewed) 2020 AED	(Reviewed) 2019 AED	(Reviewed) 2020 AED	(Reviewed) 2019 AED
Inventory beginning balance	5,186,530	6,265,187	5,402,828	6,627,741
Purchases during the period	1,204,359	2,536,430	1,893,193	3,952,757
Inventory ending balance June 30	(5,262,318)	(6,159,848)	(5,262,318)	(6,159,848)
	1,128,571	**2,641,769**	**2,033,703**	**4,420,650**

20. General and administrative expenses:

	Three months ended June 30,		Six months ended June 30,	
	(Reviewed) 2020 AED	(Reviewed) 2019 AED	(Reviewed) 2020 AED	(Reviewed) 2019 AED
Staff costs	671,732	453,188	971,801	709,217
Capital right issue	437,110	-	437,110	-
Governmental and visa	65,197	66,617	129,330	353,637
Repairs, maintenance and utilities	2,188	18,534	24,671	164,537
Professional and legal	22,500	324,235	98,375	517,136
Depreciation	100,950	11,931	131,968	56,139
Others	111,464	249,384	317,518	387,508
	1,411,141	**1,123,889**	**2,110,773**	**2,188,174**

21. Other income:

	Three months ended June 30,		Six months ended June 30,	
	(Reviewed) 2020 AED	(Reviewed) 2019 AED	(Reviewed) 2020 AED	(Reviewed) 2019 AED
Provision reversal	-	50,000	-	183,257
Gain on sale of property, plant and equipment	85,000	141,065	93,000	146,675
Scrap sale	8,667	-	23,936	-
Others	-	1,304	-	1,304
	93,667	**192,369**	**116,936**	**331,236**

22. Contingencies and commitments:

	(Reviewed) June 30, 2020 AED	(Audited) December 31, 2019 AED
Letter of guarantee	300,000	300,000
Labour guarantees	165,345	393,000