

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

**INDEPENDENT AUDITOR'S REPORT  
AND  
CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2019**

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Independent auditor's report and condensed consolidated financial statements**  
**For the year ended December 31, 2019**

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<b><u>INDEX</u></b>	<b><u>PAGE</u></b>
Director's report	1
Independent auditor's report	2 - 3
Condensed consolidated statement of financial position	4
Condensed consolidated statement of comprehensive income	5
Condensed consolidated statement of changes in equity	6
Condensed consolidated statement of cash flows	7
Notes to the financial Condensed consolidated statements	8 - 26

## **Director's report**

The Directors submit their report together with the audited condensed consolidated financial statements of Gulfa Mineral Water and Processing Industries Co. P.L.C. ("the Company") for the year ended 31 December 2019.

### **Revenues**

The company has achieved a sales volume of 32,866 million liters during 2019 compared to 49,991 Million liters in 2018.

The Company had net sales value AED 14,045,708 Million for 2019 compared to AED 25,118,747 million for 2018. This is due to the decline in average selling price.

### **Company net loss**

The Company has reported a net loss of AED 4,197,043 million in 2019 compared to a net loss of AED 16,557,830 Million in 2018. Company will keep focusing to increase the distribution growth in UAE and exploring new markets.

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

Finally, we thank the entire staff of the Company for their efforts in accomplishing and achieving the Company's goals.

For and on behalf of the Board

Mr. Khalifa Hasan Ali Alhammadi  
Chairman  
Date:

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF GULFA MINERAL WATER AND PROCESSING  
INDUSTRIES CO. P.L.C.**

**Report on the audit of the condensed consolidated financial statements**

**Opinion**

We have audited the condensed consolidated financial statements of Gulfa Mineral Water and Processing Industries Co. P.L.C. (the “**Company**”), which comprise the condensed consolidated statement of financial position as at December 31, 2019, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and notes to the condensed consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying condensed consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the condensed consolidated financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the condensed consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Matter**

The financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified opinion on those financial statements and report date was March 7, 2019.

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

Management is responsible for the preparation and fair presentation of the condensed consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

**INDEPENDENT AUDITOR'S REPORT  
TO THE OWNER OF GULFA MINERAL WATER AND PROCESSING  
INDUSTRIES CO. P.L.C. (CONTINUED)**

**Auditor's responsibilities for the audit of the condensed consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the condensed consolidated financial statements, including the disclosures, and whether the condensed consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**For:**

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Condensed consolidated statement of financial position**  
**As at December 31, 2019**

		<b>December 31,</b>	<b>December 31,</b>
<b>ASSETS</b>	<b><u>Note</u></b>	<b>2019</b>	<b>2018</b>
<b>Non-current asset</b>		<b><u>AED</u></b>	<b><u>AED</u></b>
Property, plant and equipment	5	9,542,942	12,163,632
Intangible assets		68,293	98,826
Investment property	6	<u>25,196,500</u>	<u>20,163,800</u>
		<b><u>34,807,735</u></b>	<b><u>32,426,258</u></b>
<b>Current assets</b>			
Inventories	7	4,110,028	5,579,644
Trade receivables	8	592,793	2,810,515
Deposits and other receivables	9	1,377,906	1,077,063
Cash and cash equivalents	10	<u>296,356</u>	<u>2,038,264</u>
		<b><u>6,377,083</u></b>	<b><u>11,505,486</u></b>
<b>Total assets</b>		<b><u>41,184,818</u></b>	<b><u>43,931,744</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	30,000,000	30,000,000
Statutory reserves	12	5,887,566	5,887,566
General reserves	13	234,067	234,067
Accumulated (losses) / income		<u>(3,970,728)</u>	<u>226,315</u>
		<b><u>32,150,905</u></b>	<b><u>36,347,948</u></b>
<b>Non-current liability</b>			
Provision for employees' end of service indemnity	14	<u>1,593,335</u>	<u>2,218,034</u>
		<b><u>1,593,335</u></b>	<b><u>2,218,034</u></b>
<b>Current liabilities</b>			
Trade and other payables	15	<u>7,440,578</u>	<u>5,365,762</u>
		<b><u>7,440,578</u></b>	<b><u>5,365,762</u></b>
<b>Total liabilities</b>		<b><u>9,033,913</u></b>	<b><u>7,583,796</u></b>
<b>Total equity and liabilities</b>		<b><u>41,184,818</u></b>	<b><u>43,931,744</u></b>

We approve these condensed consolidated financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgments underlying them. We also confirm that we have made available all relevant accounting records and information for the audit.

These condensed consolidated financial statements were approved by the management and board of directors on

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**Mr. Fadi Radieddine**  
**Finance Manager**

**Mr. Khalifa Al Hammadi**  
**Chairman**

The notes from 1 to 25 form an integral part of these condensed consolidated financial statements.

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Condensed consolidated statement of comprehensive income**  
**For the year ended December 31, 2019**

		<b>2019</b>	<b>2018</b>
	<b><u>Note</u></b>	<b><u>AED</u></b>	<b><u>AED</u></b>
Net revenue	16	14,045,708	25,118,747
Cost of revenue	17	<u>(13,842,369)</u>	<u>(26,012,272)</u>
<b>Gross profit / (loss)</b>		<b>203,339</b>	<b>(893,525)</b>
General and administrative expenses	18	(5,281,843)	(3,175,725)
Selling and distribution expenses	19	(4,634,617)	(6,062,848)
Gain / (loss) from fair value adjustment	6	5,032,700	(5,032,200)
Loss allowance		-	(1,553,396)
Other income	20	<u>483,378</u>	<u>159,864</u>
<b>(Loss) for the year</b>		<b><u>(4,197,043)</u></b>	<b><u>(16,557,830)</u></b>
<b>Total comprehensive (loss) for the year</b>		<b><u>(4,197,043)</u></b>	<b><u>(16,557,830)</u></b>
<b>Basic losses per share</b>		<b><u>(0.140)</u></b>	<b><u>(0.552)</u></b>

The notes from 1 to 25 form an integral part of these condensed consolidated financial statements.

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Condensed consolidated statement of changes in equity**  
**For the year ended December 31, 2019**

	<b>Share capital</b>	<b>Statutory</b>	<b>General</b>	<b>Accumulated</b>	
	<b><u>AED</u></b>	<b><u>reserves</u></b>	<b><u>reserves</u></b>	<b>(losses) /</b>	<b>Total</b>
		<b><u>AED</u></b>	<b><u>AED</u></b>	<b><u>income</u></b>	<b><u>AED</u></b>
As at January 1, 2018 (restated)	30,000,000	5,887,566	234,067	18,496,558	54,618,191
Impact of application of new standard IFRS 9 Financial instruments	-	-	-	(1,712,413)	(1,712,413)
Total comprehensive (loss) for the year	-	-	-	(16,557,830)	(16,557,830)
<b>As at December 31, 2018</b>	<b>30,000,000</b>	<b>5,887,566</b>	<b>234,067</b>	<b>226,315</b>	<b>36,347,948</b>
Total comprehensive (loss) for the year	-	-	-	(4,197,043)	(4,197,043)
<b>As at December 31, 2019</b>	<b>30,000,000</b>	<b>5,887,566</b>	<b>234,067</b>	<b>(3,970,728)</b>	<b>32,150,905</b>

The notes from 1 to 25 form an integral part of these condensed consolidated financial statements.



**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Condensed consolidated statement of cash flows**  
**For the year ended December 31, 2019**

	<b>2019</b>	<b>2018</b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
<b>Cash flows from operating activities</b>		
(Loss) for the year	(4,197,043)	(16,557,830)
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment	2,675,495	2,581,360
Amortization on intangible assets	30,533	30,408
Provision for slow moving inventories	244,703	801,586
Provision for expected credit losses / reversal	265,257	1,553,396
Provision for impairment of deposits and other receivables written off	(906,948)	-
Provision for employees' end of service benefits / reversal	516,797	(250,771)
(Gain) on disposal of property, plant and equipment	(60,000)	(19,982)
(Gain) / (loss) on fair value adjustment in investment properties	(5,032,700)	5,032,200
	<b><u>(6,463,906)</u></b>	<b><u>(6,829,633)</u></b>
<b><i>Movement in working capital</i></b>		
Decrease / (increase) in inventories	1,224,913	(403,650)
Decrease in trade receivables	1,952,465	5,418,894
Decrease/(Increase) in deposits and other receivables	606,105	(10,712)
(Increase) in due from related party	-	1,081,389
Increase / (decrease) in trade and other payables	2,074,816	(1,165,090)
(Decrease) in due to related parties	-	(66,754)
<b>Cash (used in) operating activities</b>	<b><u>(605,607)</u></b>	<b><u>(1,975,556)</u></b>
Employees' end of service indemnity reversal / paid	(1,141,496)	(887,057)
<b>Net cash (used in) operating activities</b>	<b><u>(1,747,103)</u></b>	<b><u>(2,862,613)</u></b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(54,805)	(2,303,279)
Proceeds from the disposal of property, plant and equipment	60,000	20,909
<b>Net cash generated from / (used in) investing activities</b>	<b><u>5,195</u></b>	<b><u>(2,282,370)</u></b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(1,741,908)</b>	<b>(5,144,983)</b>
Cash and cash equivalents at beginning of the year	<u>2,038,264</u>	<u>7,183,247</u>
<b>Cash and cash equivalents at end of the year</b>	<b><u>296,356</u></b>	<b><u>2,038,264</u></b>

The notes from 1 to 25 form an integral part of these condensed consolidated financial statements.

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Notes to the condensed consolidated financial statements**  
**For the year ended December 31, 2019**

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**1. Legal status and principal activities:**

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

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

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

The principal activities of the Company are as follows.

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

The condensed consolidated financial information includes the performance and financial position as at December 31, 2019 of the company and its subsidiaries.

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

On December 2019, the general assembly approved changing company name to "Gulfa General Investment Company" and approved adding activities to it's article of association (Article (5)).

**2. Application of new and revised International Financial Reporting Standards:**

**a) Standards, amendments and interpretations effective as at January 1, 2019:**

The Company has adopted the new accounting standards which have been effective this year and are as follows:

- IFRS 16 - Leases- requiring Company to present most of the operating leases in statement of financial position effective from January 1, 2019.
- Lessors continue to classify leases as operating or financing, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

**b) Standards, amendments and interpretations effective in 2019 but not relevant for the Company's operations:**

The following standards, amendments and interpretations have been issued and are effective for the year but are either not relevant to the operations of the Company or don't have significant impact on these financial statements:

- Amendments to IFRS 9 in respect of Prepayment features with negative compensation.
- Amendments to IAS 28 in respect of Long-term interests in Associates and Joint Ventures.
- Amendments to IAS 19 in respect of Plan amendment, curtailment or settlement.
- IFRIC 23-Uncertainty over income tax treatments.
- Annual improvements to IFRS Standards 2015-2017 Cycle.

**3. Application of new and revised International Financial Reporting Standards (continued):**

**(c) Standards, amendments and interpretations issued but are not yet effective and have not been early adopted by the Company:**

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

- IFRS 17-Insurance Contracts.
- Amendments to references to conceptual framework in IFRS Standards.
- Amendments to IFRS 3 in respect of Definition of Business
- Amendments to IAS 1 and IAS 8 in respect Definition of Material.

**4. Significant accounting policies**

**a. Statement of compliance**

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment property measured at fair value. Historic cost is generally based on the fair value of consideration given in exchange for goods and services. The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

**b. Basis of preparation**

These condensed consolidated financial statements have been prepared on the historical cost basis, except for investment property measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**Going concern**

The company incurred a loss of AED 4,197,043 for the year ended 31 December 2019 (2018: loss of AED 16,557,830) and had a negative operating cash flows of AED 6,463,906 (2018: AED 6,829,633). The total accumulated (loss) of the company as at 31 December 2019 is AED 3,970,728 (2018 retained earnings: AED 226,315). These factors could indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. As a result, management performed a detailed assessment for the appropriateness of the Company’s use of the going concern assumption through review of its cash flow projections covering a 12-month period from the date of approval of these condensed consolidated financial statements. These projections indicate that the Company will be able to generate sufficient cash to meet its future obligations. The Board of Directors are therefore confident that the Company will be able to meet its obligations as and when they fall due and to carry on its business without significant curtailment of operations. Accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

**c. Functional and presentation currency**

These condensed consolidated financial statements have been presented in United Arab Emirates Dirham (AED) which is the Group functional and presentation currency.

**d. Leases**

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

**i. Accounting for leases as a lessee**

Subsequent to adoption of the standard, the Company 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

**3. Significant accounting policies (continued):**

**d. Leases (continued)**

**i. Accounting for leases as a lessee (continued)**

asset (the underlying asset) for a period in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- 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 Company.
- the Company 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 Company has the right to direct the use of the identified asset throughout the period of use. The Company 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 Company 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 Company's incremental borrowing rate.

The Company depreciates the right-of-use assets on a straight-line/systematic basis from the lease commencement date. The Company 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 Company 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.

**4. Significant accounting policies (continued):**

**e. Leases (continued)**

**ii. Accounting for leases as a lessee (continued)**

The Company 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.

**ii. Accounting for leases as a lessor**

The Company's accounting for recognition under IFRS 16 has not changed from the comparative period. As a lessor, the Company 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.

**e. Property and equipment**

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 plant and equipment. The estimated useful lives and depreciation rates applied are as follows:

<u>Assets</u>	<u>Useful life</u>
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 Company through the use of items of 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 Company 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 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 Company 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 Company 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.

**f. Intangible assets**

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

**g. Investment property**

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

After initial recognition, investment property 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 Company 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 property 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 property 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 property 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 property 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".

**h. 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.

**i. 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 Company uses simplified approach to estimating expected credit losses i.e. lifetime ECL. The simplified approach requires expected lifetime losses to be recognized from initial recognition of the trade receivables.

**j. Cash and cash equivalents**

Cash and cash equivalents for purpose of statement of cash flows comprise cash on hand, cash at bank in current accounts 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 Company 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 Company 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 Company'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 Company'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 Company 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 recognised in profit or loss.

As at the date of the statement of financial position, the Company 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. Significant accounting policies (continued):**

***h. Financial instruments (continued)***

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

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

(i) 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 Company 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 Company does not have any financial liabilities at fair value through profit or loss.

(ii) 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 Company recognizes 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 Company 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).



**3. Significant accounting policies (continued):**

***h. Financial instruments (continued)***

***Impairment of financial assets (continued)***

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.

***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 Company 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 Company intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

***i. Employees' end of service indemnity***

The Company 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.

***j. Trade payables***

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

***k. Leave salary and air ticket***

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

***l. Provisions***

Provisions are established when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

**3. Significant accounting policies (continued):**

**m. Foreign currencies**

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

All assets and liabilities of the Company are denominated in functional currency which is AED. However, the revenue stream of the Company 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.

**n. Revenue**

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

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

The Company 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 Company 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 Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company 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 Company 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 Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

**3. Significant accounting policies (continued):**

**n. Revenue (continued)**

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 Company assesses its revenue arrangements against specific criteria to determine if it's acting as a principle or agent. The Company 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.

The Company 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 condensed 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. Impairment of financial assets**

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

**b. Investment property**

The fair value of investment properties is determined by using valuation techniques. Further details of the judgements and assumptions made, see note 6. At 31 December 2019, if the price per square feet increased/decreased by 10%, with all other variables held constant, the value of the investment property would have been higher/lower by AED 2.52 million (2018: AED 2.02 million higher/lower)

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

**c. Provision for inventory obsolescence**

Allowance for obsolete inventory is determined using a combination of factors, including the overall quality, stability and ageing of inventories. Management makes allowance for inventory obsolescence based on its best estimates at the statement of financial position date. Management estimates that the allowance required for the year ending December 31, 2019 is AED 1,292,800.

**d. Calculation of loss allowance**

When determining the loss allowance on receivables, management estimates expected credit loss. Company uses reasonable and supportable forward-looking information, which is based on assumptions 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.

**e. 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.

**f. 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.

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the year ended December 31, 2019**

**5. Property, plant and equipment:**

	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b><u>AED</u></b>	<b><u>AED</u></b>	<b><u>AED</u></b>	<b><u>AED</u></b>	<b><u>AED</u></b>
<b><u>Cost:</u></b>					
At January 1, 2019	20,151,552	52,529,703	2,459,932	2,491,758	77,632,945
Additions	-	11,569	43,236	-	54,805
Disposals	-	-	-	(1,005,850)	(1,005,850)
<b>At December 31, 2019</b>	<b><u>20,151,552</u></b>	<b><u>52,541,272</u></b>	<b><u>2,503,168</u></b>	<b><u>1,485,908</u></b>	<b><u>76,681,900</u></b>
<b><u>Accumulated depreciation:</u></b>					
At January 1, 2019	(15,156,484)	(45,693,302)	(2,158,560)	(2,460,967)	(65,469,313)
Charge for the period	(453,292)	(2,045,711)	(154,864)	(21,628)	(2,675,495)
Related to disposal	-	-	-	1,005,850	1,005,850
<b>At December 31, 2019</b>	<b><u>(15,609,776)</u></b>	<b><u>(47,739,013)</u></b>	<b><u>(2,313,424)</u></b>	<b><u>(1,476,745)</u></b>	<b><u>(67,138,958)</u></b>
<b><u>Carrying value</u></b>					
<b>At December 31, 2019</b>	<b><u>4,541,776</u></b>	<b><u>4,802,259</u></b>	<b><u>189,744</u></b>	<b><u>9,163</u></b>	<b><u>9,542,942</u></b>
At December 31, 2018	<u>4,995,068</u>	<u>6,836,401</u>	<u>301,372</u>	<u>30,791</u>	<u>12,163,632</u>

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the year ended December 31, 2019**

**6. Investment property:**

*The movement in the investment property is as follows:*

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
<b>Cost</b>		
As at January 1,	25,196,000	25,196,000
Gain / (loss) on fair value adjustment	<u>5,032,700</u>	<u>(5,032,200)</u>
<b>At December 31,</b>	<b><u>25,196,500</u></b>	<b><u>20,163,800</u></b>

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.

**7. Inventories:**

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
Raw materials	2,230,642	3,196,832
Spare parts	2,465,634	2,519,749
Finished products	<u>706,552</u>	<u>911,160</u>
	4,858,125	6,627,741
Less: provision for slow moving inventories	<u>(1,292,800)</u>	<u>(1,048,097)</u>
	<b><u>4,110,028</u></b>	<b><u>5,579,644</u></b>

Below is the movement for expected slow moving inventories:

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
As at January 1	1,048,097	246,511
Charge for the year	<u>244,703</u>	<u>801,586</u>
<b>As at December 31,</b>	<b><u>1,292,800</u></b>	<b><u>1,048,097</u></b>

**8. Trade receivables:**

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
Trade receivables	8,814,254	10,766,719
Less: Provision for expected credit losses	<u>(8,221,461)</u>	<u>(7,956,204)</u>
	<b><u>592,793</u></b>	<b><u>2,810,515</u></b>

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the year ended December 31, 2019**

The age analysis of unimpaired trade receivables is as follows:

	<b>December 31,</b> <b>2019</b> <b><u>AED</u></b>	<b>December 31,</b> <b>2018</b> <b><u>AED</u></b>
Not yet due		1,990,090
Up to 3 months		494,933
Over 3 months		8,281,696
	<u>                    </u>	<u>10,766,719</u>

Below is the movement for expected credit losses:

	<b>December 31,</b> <b>2019</b> <b><u>AED</u></b>	<b>December 31,</b> <b>2018</b> <b><u>AED</u></b>
As at January 1	7,956,204	5,394,439
Opening loss allowance as at 1 January 2018 – calculated under IFRS under modified retrospective approach	-	1,712,413
Charge for the year	448,514	849,352
Written back during the year	(183,257)	-
<b>As at December 31,</b>	<b><u>7,921,461</u></b>	<b><u>7,956,204</u></b>

**9. Deposits and other receivables:**

	<b>December 31,</b> <b>2019</b> <b><u>AED</u></b>	<b>December 31,</b> <b>2018</b> <b><u>AED</u></b>
Advances to suppliers	31,861	883,315
Prepayments	385,469	232,171
Less: provision for expected losses on advances and prepayments	-	(906,948)
	<u>417,330</u>	<u>208,538</u>
Refundable deposit	160,999	147,732
Margin on letters of guarantee	435,345	693,000
Value added tax (VAT) receivable	360,229	17,074
Others	3,933	10,719
	<b><u>1,377,906</u></b>	<b><u>1,077,063</u></b>

**10. Cash and cash equivalents:**

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement are:

	<b>December 31,</b> <b>2018</b> <b><u>AED</u></b>	<b>December 31,</b> <b>2018</b> <b><u>AED</u></b>
Cash in hand	145,394	1,897,095
Cash at bank	56,560	46,766
Short term deposits	94,403	94,403
	<b><u>296,356</u></b>	<b><u>2,038,264</u></b>

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the year ended December 31, 2019**

**11. Share capital:**

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

**12. Statutory reserves:**

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

**13. 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.

**14. Provision for employees' end of service indemnity:**

	<b>2019</b>	<b>2018</b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
As at January 1,	2,218,034	3,376,909
Provided / (reversal) during the year	516,797	(250,771)
Transfer to related party	-	(21,047)
Payments made during the year	(1,141,496)	(887,057)
<b>As at December 31,</b>	<b><u>1,593,335</u></b>	<b><u>2,218,034</u></b>

**15. Trade and other payables:**

	<b>December 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Trade payables	3,870,483	2,274,809
Accrued expenses	3,065,805	2,637,450
Employee benefits	475,993	395,214
Other payables	28,296	58,289
	<b><u>7,440,578</u></b>	<b><u>5,365,762</u></b>

**16. Revenue**

	<b>December 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Sales	14,284,239	28,553,391
Returns and discounts	(238,531)	(3,434,644)
	<b><u>14,045,708</u></b>	<b><u>25,118,747</u></b>



**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the year ended December 31, 2019**

**17. Cost of revenue:**

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
Cost of goods sold	7,229,332	17,563,566
Staff costs	1,906,138	4,057,240
Depreciation	2,453,859	2,391,466
Slow moving inventory	244,703	-
Ajman Government – Rent fees	2,008,337	2,000,000
	<b><u>13,842,369</u></b>	<b><u>26,012,272</u></b>

**18. General and administrative expenses:**

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
Staff costs	1,821,666	1,382,671
Governmental expenses	525,279	-
Repairs, maintenance and utilities	108,389	357,937
Professional and legal	1,349,264	295,753
Depreciation	125,298	159,986
Bad debts	448,514	-
Others	903,433	979,378
	<b><u>5,281,843</u></b>	<b><u>3,175,725</u></b>

**19. Selling and distribution expenses:**

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
Staff costs	1,718,234	4,347,801
Vehicle expenses	2,062,642	1,083,215
Advertisement	102,657	192,737
Depreciation and amortisation	30,533	60,316
Others	661,900	378,779
	<b><u>4,575,966</u></b>	<b><u>6,062,848</u></b>

**20. Other income:**

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
Gain on sale of property, plant and equipment	60,000	19,982
Sale of scarp	221,907	82,645
Others	201,471	57,237
	<b><u>483,378</u></b>	<b><u>159,864</u></b>

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the year ended December 31, 2019**

**21. Financial instruments:**

**a) *Significant accounting policies***

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the condensed consolidated financial statements.

**b) *Fair value***

Financial assets of the Company include trade receivables and other assets, contract assets, due from related parties, short term deposits and cash and cash equivalents. Financial liabilities include trade and other payables, due to related parties and net VAT payable. The management believes that the fair value of the above financial assets and liabilities are not significantly different from their carrying amounts at the statement of financial position date.

**c) *Categories of financial instruments***

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
<b><u>Financial assets:</u></b>		
Trade receivables	592,793	2,810,515
Deposit and other receivables (excluding prepayments)	992,437	844,892
Cash and cash equivalents	296,356	2,038,264
	<b><u>1,881,586</u></b>	<b><u>5,693,671</u></b>
<b><u>Financial liabilities:</u></b>		
Trade and other payables	7,440,578	5,365,762
Provision for employees' benefits	1,593,335	2,218,034
	<b><u>9,033,913</u></b>	<b><u>7,583,796</u></b>

The table below shows the maximum exposure to credit risk:

	<b>December 31, 2019 <u>AED</u></b>	<b>December 31, 2018 <u>AED</u></b>
Trade receivables	592,793	2,810,515
Deposit and other receivables (excluding prepayments)	992,437	844,892
Cash and cash equivalents	296,356	2,038,264
	<b><u>1,881,586</u></b>	<b><u>5,693,671</u></b>

**22. Financial risk management:**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the year ended December 31, 2019**

**22. Financial risk management (continued):**

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

Cash and bank balances are placed with reputable banks having international operations.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with trade payables when they fall due. The Company limits its liquidity risk by taking necessary steps to cover it by ensuring that adequate cash is available to limit its needs and exposure to such risks.

The table below shows the maximum exposure to liquidity risk:

<b>2019</b>	<b>Less than 1 year <u>AED</u></b>	<b>1 to 5 years AED <u>AED</u></b>	<b>More than 5 years <u>AED</u></b>	<b>Total <u>AED</u></b>
Trade and other payables	7,372,457		-	7,372,457
Provision for employees' benefits		1,593,336	-	1,593,336
	<b><u>7,372,457</u></b>	<b><u>1,593,336</u></b>	<b><u>-</u></b>	<b><u>8,965,793</u></b>
<b>2018</b>	<b>Less than 1 year <u>AED</u></b>	<b>1 to 5 years AED <u>AED</u></b>	<b>More than 5 years <u>AED</u></b>	<b>Total <u>AED</u></b>
Trade and other payables	5,365,762	-	-	5,365,762
Provision for employees' benefits	-	2,218,034	-	2,218,034
	<b><u>5,365,762</u></b>	<b><u>2,218,034</u></b>	<b><u>-</u></b>	<b><u>7,583,796</u></b>

***Exchange rate risk***

There are no significant exchange rate risks, substantially all financial assets and financial liabilities are denominated in UAE Dirhams or USD to which the dirham is pegged.

***Currency risk***

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the United Arab Emirates Dirham. The Management closely monitors fluctuations on a daily basis in order to mitigate currency risks.

***Interest rate risk***

The Company is not exposed to interest rate risk as it has not availed any financing facility whether long term or short term from any scheduled bank.

**23. Comparative figures**

Certain comparative figures have been reclassified to comply with the financial statement's presentation for the current year.

**24. Litigation**

The company has filed cases against ten customers claiming an amount of AED 3,605,555, the cases are still pending for execution and the company has taken full provision against the related customers balances. One case has been filed against the company from Ajman Government for cancelling the concession agreement of the factory land.

**Gulfa Mineral Water and Processing Industries Co. P.L.C.**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the year ended December 31, 2019**

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**25. Subsequent events**

Till the date of this report, the company did not receive the rent contract of the factory from Ajman Government.