Foodco National Foodstuff P.J.S.C.
(Formerly known as Sense Gourmet Food Company P.S.C)

Consolidated financial statements

31 December 2018

Principal business address:
Foodco National Foodstuff P.J.S.C.
(Formerly known as Sense Gourmet Food Company P.S.C.)
P O Box: 2378
Abu Dhabi
UAE

Foodco National Foodstuff P.J.S.C.

(Formerly known as Sense Gourmet Food Company P.S.C)

Consolidated financial statements

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B O D Financial Report
For the period ended 31 December 2018

1. Foodco National Foodstuff PJSC(Formerly known as Sense Gourmet food company PSC) has increased its Share Capital to 280M in 2018 from earlier 8.522M thorough subscription.
2. The Company name has changed to new Name " Foodco National Foodstuff PJSC". and Articles of Association is amended in Ministry of Economy on 26th December 2018.
3. Foodco National Foodstuff PJSC(Formerly known as Sense Gourmet food company PSC) as per AGM approval on 21 May 2018 had acquired the FMCG business Abu Dhabi National Foodstuff company from Foodco Holding PJSC on 31st December 2018.
4. The Misc Income for the year is 855,242 through Dividends,gain on sales of Fixed assets etc.
5. The Total Comprehensive income for Year is 389,047 (2017 Loss :3,591,356)
6. The book value per share amounted to AED 0.99 on 31/12/2018.(AED 0.58 on 31/12/2017).

Board Of Director

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M.H

KPMG

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Independent Auditors' Report

The Shareholders of Foodco National Foodstuff P.J.S.C. *(formerly known as Sense Gourmet Food Company P.S.C)*

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Foodco National Foodstuff P.J.S.C. *(formerly known as Sense Gourmet Food Company P.S.C)* and its subsidiary (the "Group") *which* comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements 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.

Material Uncertainty Related to Going Concern

We draw attention to note 2 (a) to the consolidated financial statements, which indicates that the Group had accumulated losses of AED 3,331,942 (2017: AED 3,480,239) and negative operating cashflows of AED 18,579,505 (2017: AED 7,992,546) as at 31 December 2018. As stated in note 2 (a), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report as set out on page 1.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Other Information (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 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 Group'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 Group's ability to continue as a going concern. If we

Responsibilities of Management for the Consolidated Financial Statements (continued)

- conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with shareholders 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.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

I. We have obtained all information and explanations we considered necessary for the purposes of our audit;

II. The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

III. The Group has maintained proper books of account;

IV. The financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

V. As disclosed in note 12 to the consolidated financial statements the Group has not purchased shares during the year ended 31 December 2018;

VI. Note 9 to the consolidated financial statements reflects material related party transactions and the terms under which they were conducted;

VII. Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would materially affect its activities or its financial position as at 31 December 2018.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates
Date: 16 APR 2019

Foodco National Foodstuff P.J.S.C.
(Formerly known as Sense Gourmet Food Company P.S.C)

Consolidated statement of financial position
As at 31 December

	Note	2018 AED	2017 AED
Assets			
Non-current assets			
Property, plant and equipment	*5*	**3,724,466**	41,710
Goodwill	*17*	**99,262,144**	-
Investments held at fair value through Other comprehensive income	*10*	**3,703,836**	3,463,086
Long term security deposits		**85,000**	428,593
Total non-current assets		**106,775,446**	3,933,389
Current assets			
Trade and other receivables	*7*	**127,834,715**	6,352
Amounts due from related parties	*9*	**113,597,985**	834,110
Inventories	*6*	**10,349,111**	-
Cash and bank balances	*8*	**4,271,462**	861,993
Assets held for sale	*11*	**180,154**	728,249
Total current assets		**256,233,427**	2,430,704
Total assets		**363,008,873**	6,364,093
Equity and liabilities			
Capital and reserve			
Share capital	*12*	**280,000,000**	8,522,129
Investments revaluation reserve		**136,554**	(104,196)
Accumulated losses		**(3,331,942)**	(3,480,239)
Total equity		**276,804,612**	4,937,694
Non-current liabilities			
Provision for employees' end of service benefits	*13*	**2,790,391**	16,767
Current liabilities			
Trade and other payables	*14*	**79,843,846**	1,407,315
Amounts due to related parties	*9*	**3,570,024**	2,317
Total current liabilities		**83,413,870**	1,409,632
Total liabilities		**86,204,261**	1,426,399
Total equity and liabilities		**363,008,873**	6,364,093

These consolidated financial statements were approved by the Board of Directors on 16 APR 2019 and signed on its behalf by:

Chairman *Finance Manager*

The notes on pages 9 to 36 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 2 to 4.

Foodco National Foodstuff P.J.S.C.
(Formerly known as Sense Gourmet Food Company P.S.C)

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December

	Note	2018 AED	2017 AED
Continuing operations			
General and administrative expenses	*15*	**(166,487)**	(497,004)
Property, plant and equipment written off	5	**(11,212)**	(627,482)
Other income	*16*	**785,277**	470,954
Profit / (loss) from continuing operations		**607,578**	(653,532)
Discontinued operations			
Loss from discontinued operations	*18*	**(459,281)**	(2,826,707)
Profit / (loss) for the year		**148,297**	(3,480,239)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net changes in the fair value of investments held through other comprehensive income	*10*	**240,750**	(111,117)
Other comprehensive income / (loss)		**240,750**	(111,117)
Total comprehensive income / (loss)		**389,047**	(3,591,356)

The notes on pages 9 to 36 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 2 to 4.

Foodco National Foodstuff P.J.S.C.
(Formerly known as Sense Gourmet Food Company P.S.C)

Consolidated statement of changes in equity
for the year ended 31 December

	Share Capital AED	Legal reserve AED	General reserve AED	Investment Revaluation reserve AED	Accumulated losses AED	Total AED
Balance at 1 January 2017	17,591,053	1,438,966	1,438,966	6,921	(19,946,856)	529,050
Reduction in share capital during the year (note 12)	(17,068,924)	(1,438,966)	(1,438,966)	-	19,946,856	-
Increase in share capital during the year (note 12)	8,000,000	-	-	-	-	8,000,000
Loss for the year	-	-	-	-	(3,480,239)	(3,480,239)
Other comprehensive loss	-	-	-	(111,117)	-	(111,117)
Balance at 31 December 2017	**8,522,129**	-	-	**(104,196)**	**(3,480,239)**	**4,937,694**
Balance at 1 January 2018	8,522,129	-	-	(104,196)	(3,480,239)	4,937,694
Increase in share capital during the year (note 12)	271,477,871	-	-	-	-	271,477,871
Profit for the year	-	-	-	-	148,297	148,297
Other comprehensive income	-	-	-	240,750	-	240,750
Balance at 31 December 2018	**280,000,000**	-	-	**136,554**	**(3,331,942)**	**276,804,612**

The notes on pages 9 to 36 form an integral part of these consolidated financial statements.

Foodco National Foodstuff P.J.S.C.
(Formerly known as Sense Gourmet Food Company P.S.C)

Consolidated statement of cash flows
for the year ended 31 December

	Note	2018 AED	2017 AED
Cash flows from operating activities			
Profit / (loss) for the year		**148,297**	(3,480,239)
Adjustments for:			
Depreciation of property, plant and equipment	5	**21,108**	339,549
Amortisation of intangible assets		-	14,426
End of service benefits charge		-	27,357
Impairment loss on assets held for sale	11	**529,246**	-
Dividend income	16	**(324,086)**	(370,384)
Property, plant and equipment written off	5	**11,212**	627,482
Intangibles written off		-	1,032,013
Inventories written off		-	518,959
Gain on disposal of assets held for sale		**(69,965)**	(123,322)
		315,812	(1,414,159)
Changes in:			
- inventories		-	1,237,476
- trade and other receivables		**6,352**	1,891,073
- amounts due from a related party		**(17,862,658)**	(657,079)
- trade and other payables		**(1,365,086)**	(1,402,783)
- amounts due to related parties		**(750)**	(7,542,676)
- long term security deposits		**343,592**	328,352
End of service benefits paid		**(16,767)**	(432,750)
Net cash used in operating activities		**(18,579,505)**	(7,992,546)
Investing activities			
Purchases of property, plant and equipment		-	(9,750)
Acquisition of subsidiary, net of cash acquired		**(249,901,797)**	-
Dividend received		**324,086**	370,384
Proceeds from disposal of assets held for sale		**88,814**	260,863
Increase in share capital		**271,477,871**	8,000,000
Net cash from investing activities		**21,988,974**	8,621,497
Net increase in cash and cash equivalents		**3,409,469**	628,951
Cash and cash equivalents at 1 January		**861,993**	233,042
Cash and cash equivalents at 31 December		**4,271,462**	861,993

The notes on pages 9 to 36 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 4.

1 Legal status and principal activities

Foodco National Foodstuff P.J.S.C. (formerly known as Sense Gourmet Food Company P.S.C) (the "Company"), is a Private Joint Stock Company operating in the Emirate of Abu Dhabi under a trade license issued in the Emirate of Abu Dhabi, United Arab Emirates.

The Company is engaged in the provision of import and distribution of foodstuff and household items, catering services, facility management services and restaurants management. It is a subsidiary of Foodco Holding - P.J.S.C., the ultimate Parent Company, which is deemed to have control of the Company.

On 31 December 2018, the ultimate Parent Company resolved to transfer their entire ownership in Abu Dhabi National Foodstuff Company to Foodco National Foodstuff P.J.S.C. (formerly known as Sense Gourmet Food Company P.S.C). These transactions are accounted for at fair value. Details relating to assets acquired, liabilities assumed and equity obtained are summarized in note 17.

The consolidated financial statements of Foodco National Foodstuff P.J.S.C. (formerly known as Sense Gourmet Food Company P.S.C) for the year ended 31 December 2018 comprise the Foodco National Foodstuff P.J.S.C. (formerly known as Sense Gourmet Food Company P.S.C) and its subsidiary (Abu Dhabi National Foodstuff Company) together referred to as the "Group".

The consolidated financial statements of the Group for the year ended 31 December 2018 were authorized for the issue in accordance with a resolution of Board of Directors on ____________

2 Basis of preparation

(a) *Going concern*

These financial statements have been prepared on a going concern basis. The Group had accumulated losses of AED 3,331,942 (2017: AED 3,480,239) and negative operating cashflows of AED 18,579,505 (2017: AED 7,992,546) as at 31 December 2018. In accordance with article 301 of UAE Federal Law No. 2 of 2015, the ultimate parent company has confirmed its intention to continue its business operations. Consequently, these financial statements have been prepared on a going concern basis, as the ultimate parent company has confirmed its intention to continue to provide financial support to the Group to enable it to meet its liabilities as they fall due.

(b) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply where appropriate, with the relevant Articles of Association and the requirements of the UAE Federal Law No. 2 of 2015.

(c) *Basis of measurement*

These consolidated financial statements are prepared on the historical cost basis except for the investments held at fair value through other comprehensive income in the statement of financial position which are measured at fair value.

(d) *Functional and presentation currency*

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional and presentation currency.

2 Basis of preparation (continued)

(e) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements is described in note 21.

(f) New and amended standards and interpretations adopted by the Group

During the current year, the below new and amended International Financial Reporting Standards (" IFRS" or "standards") and an interpretation to a standard became effective for the first time for financial years beginning on 1 January 2018.

- IFRS 15 "*Revenue from Contracts with Customers*"
- IFRS 9 "*Financial Instruments*"
- Classification and Measurement of Share-based Payments Transactions (Amendments to IFRS 2)
- *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)*
- *Transfers of Investment Property (Amendments to IAS 40)*
- *Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of the above new and amended standards and the interpretation to a standard had no significant impact on the consolidated financial statements, except for the IFRS 15 "Revenue from Contracts with Customers" and the IFRS 9 "Financial Instruments" whose effects on the Group's financial statements are explained in note 4.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards as the Group has benefited from the exemption.

(g) New and amended standards and an interpretation to a standard not yet effective, but available for early adoption

A number of new standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

IFRS 16 ***Leases***

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

2 Basis of preparation (continued)

(g) *New and amended standards and an interpretation to a standard not yet effective, but available for early adoption (continued)*

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group is still assessing the impact on its consolidated financial statements.

Transition
The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards
The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 *Uncertainty over Tax Treatments.*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9).*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).*
- *Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.*
- *Amendments to References to Conceptual Framework in IFRS Standards.*
- IFRS 17 *Insurance Contracts.*

3 Significant accounting policies

(a) *Basis of consolidation*

(i) Business combination
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are generally expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Group.

3 Significant accounting policies *(continued)*

(a) ***Basis of consolidation*** *(continued)*

(iii) Loss of control

When the Group losses control over a subsidiary. It derecognises the assets and liabilities of the subsidiary and any related NCI and components of the equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under common control are accounted for at fair value.

(b) ***Revenue recognition***

The Group initially applied IFRS 15 from 1 January 2018. Information about the Group's accounting policies relating to contract with customers is provided along the effect of initially applying IFRS 15 is described in note 4.

(c) ***Property, plant and equipment***

Recognition and measurement
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss and other comprehensive income as incurred.

Depreciation
Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

	Years
Warehouse and office buildings	25
Office equipment and furniture	5 - 10
Motor vehicles	4 - 5

Depreciation methods, useful lives and residual values, are reviewed at each reporting date.

3 Significant accounting policies *(continued)*

(c) ***Property, plant and equipment*** *(continued)*

Capital work in progress
Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category or investment properties and depreciated in accordance with the Group's policies.

(d) ***Inventories***

Inventories are valued at the lower of cost and net realisable value. Cost is determined on an average cost basis and includes invoiced cost, transport and handling costs. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(e) ***Financial instruments***

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset unless it is a trade receivable without a significant financing component or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement of financial assets - policy applicable from 1 January 2018

On initial recognition, a financial asset is classified at:

- *Amortised cost-* if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

- *Fair Value Through Other Comprehensive Income (FVOCI)* - if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective achieved by both collecting contractual cash flows and selling financial assets; and
  - its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

- *Fair Value Through Profit or Loss (FVTPL) - All financial assets not classified as measured at* amortised cost or FVOCI as described above.

3 Significant accounting policies *(continued)*

(e) ***Financial instruments*** *(continued)*

Classification and subsequent measurement of financial assets - policy applicable from 1 January 2018 *(continued)*

On initial recognition, the Group may irrecoverably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group has classified on initial recognition its trade and other receivables, amount due from related parties and its cash at bank at amortised cost. The Group does not hold any other financial assets.

Financial assets - Business model assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual cash flows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets - Assessment whether contractual cash flows are Solely Payments of Principal and Interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

3 Significant accounting policies *(continued)*

(e) ***Financial instruments*** *(continued)*

Classification and subsequent measurement of financial assets - policy applicable from 1 January 2018 *(continued)*

Financial assets - Assessment whether contractual cash flows are Solely Payments of Principal and Interest (continued)

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non- recourses features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

- Financial assets at amortised cost- These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

- Financial assets at Fair Value Through Profit or Loss (FVTPL) -These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The Group does not hold such assets.

- Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI) - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Group does not hold such assets.

- Equity investments at Fair Value Through Other Comprehensive Income (FVOCI) - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never derecognised to profit or loss. The Group does not hold such assets.

3 Significant accounting policies *(continued)*

(e) *Financial instruments (continued)*

Classification and subsequent measurement of financial assets - policy applicable before 1 January 2018

Non-derivative financial assets
Group's non-derivative financial assets comprise of trade and other receivables, amounts due from related parties and cash and cash equivalents. The Group initially recognises trade and other receivables on the date when they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. All of the Group's non-derivative financial assets fall within the category of trade and other receivables.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other receivables
The Group's financial assets are categorised as trade and other receivables. Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and at bank in current account.

Non-derivative financial liabilities
Group's non-derivative financial liabilities comprise of trade and other payable. The Group initially recognises financial liabilities (including liabilities designated as at fair value through profit or loss) on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument

The Group derecognises a financial liability when the contractual obligations are discharged, cancelled or expired. The Group classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise trade and other payables.

3 Significant accounting policies *(continued)*

(f) Impairment

Non-derivative financial assets - policy applicable from 1 January 2018

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:
- customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

The Group considers Bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's Rating Agency.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or being more than 360 days past due; or
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the customer will enter bankruptcy or other financial reorganization.
- the disappearance of an active market for a security because of financial difficulties.

3 Significant accounting policies *(continued)*

(f) Impairment

Non-derivative financial assets - policy applicable from 1 January 2018 *(continued)*

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-derivative financial assets - policy applicable before 1 January 2018

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise and indications that a debtor will enter bankruptcy.

An impairment loss in respect of a financial asset carried at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate.

Impairment losses in respect of receivables are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade and other receivables
The Group considers evidence of impairment for financial assets at amortised cost at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Trade and other receivables that are not individually significant are collectively assessed for impairment by Grouping together trade and other receivables with similar risk characteristics.

(g) Impairment on non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

3 Significant accounting policies *(continued)*

(g) ***Impairment on non-financial assets*** *(continued)*

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) ***Foreign currency***

Transactions in foreign currencies are translated to AED at exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

(i) ***Provisions***

Provisions are recognised 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(j) ***Employees' end of service benefits***

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final 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.

3 Significant accounting policies *(continued)*

(k) Goodwill

Goodwill which resulted from the acquisition of a business represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(l) Discontinued operations

A discontinued operation is a component of the Company's business, the operation and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations; or
- is a part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations.

Classification as discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the presentation had been discontinued from the start of the comparative year.

4 Changes in significant accounting policies

a) IFRS 15 *Revenue from Contracts with Customers*

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Type of product/ Service	**Nature, timing of satisfaction of performance obligations, significant payment terms**	**Nature of change in accounting policy**
Distribution of food and non-food items.	Invoices and delivery notes are issued at the time of delivering the goods in the customer's locations. These are acknowledged in the form of signature / stamp or both. The invoices are posted and the revenue is recognized at that point of time. Returns: There are no significant abnormal returns occurring in the retail segment The returns from customers are contractual where the aging inventory is replaced with fresh ones. Group logistics team present in customers' sites monitor the inventory. The Group have back to back agreement with our suppliers for 50% of the inventory. The remaining stock is transferred to retail segments to be sold in the market on cost basis. The Group based on the historical and expected losses maintains a running provision to account for any failure / contingency in the rotations process.	IFRS 15 did not have a significant impact on the Group's accounting policies.

Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Based on management assessment, the application of IFRS 15 does not have a significant impact on the Group's financial statements.

b) IFRS 9 *Financial Instruments*

IFRS 9 "Financial instruments" (hereafter "IFRS 9"), which replaced the IAS 39 "Financial Instruments: Recognition and Measurement" (hereafter "IAS 39"), introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets, and
- General hedge accounting.

4 Changes in significant accounting policies *(continued)*

b) IFRS 9 *Financial Instruments (continued)*

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

Classification and measurement of financial assets and financial liabilities

Financial assets
IFRS 9 eliminated the previous IAS 39 categories of financial assets (a) loans and receivables; (b) available-for-sale; (c) held-to-maturity, and (d) Fair Value Through Profit or Loss, and replaced them with the classification categories (a) amortised cost; (b) Fair Value Through Other Comprehensive Income (FVOCI); and (c) Fair Value Through Profit or Loss (FVTPL).

The IFRS 9 classification of a financial asset is done on the basis of the business model in which a financial asset is managed and its contractual cash flow characteristics. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI on the principal amount outstanding, are measured subsequently at FVTOCI;

- equity instruments that are not held for trading, on initial recognition, the Group may irrevocably elect to present subsequent changes in their fair value in OCI. This election is made on an investment-by investment basis; and

- all other debt investments and equity investments are measured subsequently at FVTPL.

Management reviewed and assessed the Group's existing financial assets at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement: Financial assets classified as loans and receivables (Trade and other receivables, amount due from related parties and cash at bank) under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist SPPI on the principal amount outstanding. Therefore, the change in the classification has had no impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in the year.

Financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Therefore, the application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

4 Changes in significant accounting policies *(continued)*

b) IFRS 9 *Financial Instruments* *(continued)*

Impairment of financial assets
IFRS 9 replaced the 'incurred credit loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The ECL model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on debt instruments measured subsequently at amortised cost or at FVTOCI, but not to other debt investments and equity investments that are measured subsequently at FVTPL.

As at 1 January 2018 and during the year, the Group only had debt instruments measured subsequently at amortised cost. Specifically, these were (a) trade and other receivables; (b) amount due from related parties; and (c) cash and cash equivalents. With respect to the trade and other receivables, the Group applied the simplified approach which recognises lifetime ECL for these assets which reflects an increased credit risk. All bank balances are assessed to have low credit risk as they are held with reputable banking institutions.

The adoption of IFRS 9 didn't impact the impairment, as the Group's provision suffice ECL requirements. Hence no adjustment to opening retained earnings were required.

Foodco National Foodstuff P.J.S.C.
(Formerly known as Sense Gourmet Food Company P.S.C)

Notes to the consolidated financial statements
for the year ended 31 December 2018

5 Property, plant and equipment

	Warehouse and office buildings	Office equipment, and furniture	Motor vehicles	Capital work in progress	Total
Cost					
As at 1 January 2017	-	7,087,911	579,719	-	7,667,630
Additions during the year	-	9,750	-	-	9,750
Write-off	-	(3,177,389)	(579,719)	-	(3,757,108)
Assets held for sale (note 11)	-	(1,902,002)	-	-	(1,902,002)
As at 31 December 2017	-	2,018,270	-	-	2,018,270
As at 1 January 2018	-	2,018,270	-	-	2,018,270
Acquisitions through business combination	642,015	8,923,266	6,721,124	417,385	16,703,790
Write-off	-	(1,946,227)	-	-	(1,946,227)
As at 31 December 2018	**642,015**	**8,995,309**	**6,721,124**	**417,385**	**16,775,833**
Accumulated Depreciation					
As at 1 January 2017	-	5,821,864	485,079	-	6,306,943
Charge for the year	-	316,318	23,231	-	339,549
Write-off	-	(2,621,316)	(508,310)	-	(3,129,626)
Assets held for sale (note 11)	-	(1,540,306)	-	-	(1,540,306)
As at 31 December 2017	-	1,976,560	-	-	1,976,560
As at 1 January 2018	-	1,976,560	-	-	1,976,560
Charge for the year	-	21,108	-	-	21,108
Acquisitions through business combination	580,403	6,624,361	5,783,950	-	12,988,714
Write-off	-	(1,935,015)	-	-	(1,935,015)
As at 31 December 2018	**580,403**	**6,687,014**	**5,783,950**	**-**	**13,051,367**
Carrying amount					
31 December 2017	-	**41,710**	-	-	**41,710**
31 December 2018	61,612	**2,308,295**	937,174	417,385	**3,724,466**

5 Property, plant and equipment *(continued)*

The depreciation charge for the year was classified as follows:

	2018 AED	2017 AED
Cost of restaurant services	-	307,883
General and administrative expenses *(note 15)*	**21,108**	31,666
	21,108	1,031,627

During the year, the Company has written off assets from closing outlets at an amount of AED 11,212 (2017: AED 627,482).

6 Inventories

	2018 AED	2017 AED
Goods for resale	**13,689,275**	-
Less: provision for slow moving inventories	**(3,340,164)**	-
	10,349,111	-

7 Trade and other receivables

	2018 AED	2017 AED
Trade receivables	**142,974,905**	-
Less: allowance for impairment of trade receivables	**(21,582,872)**	
	121,392,033	-
Prepayments	**895,419**	-
Advance to suppliers	**4,707,676**	-
Other receivables	**2,721,858**	6,352
Less: allowance for impairment on other receivables	**(1,882,271)**	-
	127,834,715	6,352

Out of the trade receivables balance at the end of the year, 65.46% is due from one customer *(2017: nil).*

7 Trade and other receivables *(continued)*

The ageing of trade receivables at the reporting date was:

	2018 AED	2017 AED
0 – 30 days	**88,544,999**	-
31 – 60 days	**5,820,478**	-
61 – 90 days	**9,079,680**	-
91 – 180 days	**12,802,091**	-
181 – 365 days	**9,495,516**	-
More than 365 days	**17,232,141**	-
	142,974,905	-
Allowance for impairment of trade receivables	**(21,582,872)**	-
Total	**121,392,033**	-

8 Cash and bank balances

	2018 AED	2017 AED
Cash in hand	**98,203**	-
Cash at bank	**4,173,259**	861,993
Total	**4,271,462**	861,993

9 Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Related parties balances are as follows:

	2018 AED	2017 AED
Amounts due from related parties		
5PL Logistics L.L.C.	-	148,100
Foodco Holdings PJSC	**113,023,736**	686,010
Others	**574,249**	-
	113,597,985	834,110
Amounts due to related parties		
Ali and Sons Group L.L.C.	**167,380**	2,317
5PL Logistics L.L.C	**3,402,644**	-
	3,570,024	2,317

9 Related parties *(continued)*

Significant transactions with related parties are as follows:

	2018 AED	2017 AED
Share capital	**268,348,732**	7,892,592
Other charges	-	326,733
Service charges	-	125,741
Investment in subsidiary	**264,218,009**	-

Key management compensation has not been recognized in these consolidated financial statements as the management services are carried out by the management of the ultimate parent Company of the Group.

10 Investments held at fair value through other comprehensive income

The Group has chosen to designate the investments in quoted UAE shares at fair value through other comprehensive income ("FVTOCI") as it intends to hold the investments for the medium to long-term. Therefore, the Group believes that designating these investments as at FVTOCI will provide a more meaningful presentation of its medium to long-term interest in its investment than fair valuing the interest through profit or loss.

The Group's investments at the end of the reporting year are detailed below.

	2018 AED	2017 AED
Investments held at fair value through other comprehensive income	**3,703,836**	3,463,086

The movement in investments is as follows:

	2018 AED	2017 AED
At 1 January	**3,463,086**	3,574,203
Increase / (decrease) in fair value	**240,750**	(111,117)
At 31 December	**3,703,836**	3,463,086

11 Assets held for sale

During the year, management committed to a plan to sell additional specific movable office equipment and furniture. Accordingly, such assets are presented as held for sale. Efforts to sell the assets have started and a sale is expected by next year.

	2018 **AED**	2017 AED
At 1 January	**728,249**	504,094
Transfer from property, plant and equipment (note 5)	-	361,696
Provision for impairment	**(529,246)**	-
Sold during the year	**(18,849)**	(137,541)
At 31 December	**180,154**	728,249

12 Share capital

	2018 **AED**	2017 AED
Share Capital	**280,000,000**	8,522,129

The authorised, issued and fully paid up share capital of the Group comprises of 280,000,000 (2017: 8,522,129) shares of AED 1 each.

On 21 May 2018, the shareholders have declared to increase the share capital by AED 271,477,871. The Article of Association has been amended as of 26 December 2018 by the Ministry of Economy.

The movement in share capital is as follows:

	2018 **AED**	2017 AED
Opening balance	**8,522,129**	17,591,053
Reduction in share capital to the extent of accumulated loss	-	(17,068,924)
Increase in share capital during the year	**271,477,871**	8,000,000
	280,000,000	8,522,129

At 31 December 2018, a total of 276,495,221 shares (2017: 8,146,489 shares) representing 98.75% (2017: 95.6%) interest, were held by Foodco Holding - P.J.S.C.

13 Provision for employees' end of service benefits

	2018 AED	2017 AED
At 1 January	**16,767**	550,322
Charge for the year	**-**	27,357
Paid during the year	**(16,767)**	(432,750)
Transferred to a related party	**-**	(128,162)
Acquired through business combination	**2,790,391**	-
At 31 December	**2,790,391**	16,767

14 Trade and other payables

	2018 AED	2017 AED
Trade payables	**54,767,994**	684,083
Contingent consideration (note 17)	**14,218,009**	-
Accrued expenses	**8,176,837**	574,577
Other payables	**2,681,006**	148,655
	79,843,846	1,407,315

15 General and administrative expenses

	2018 AED	2017 AED
Staff costs	**-**	278,642
Professional fees	**51,489**	112,700
Depreciation *(note 5)*	**21,108**	31,666
Other costs	**93,890**	73,996
	166,487	497,004

16 Other income

	2018 AED	2017 AED
Dividends income	**324,086**	370,384
Other income	**461,191**	100,570
	785,277	470,954

17 Common control acquisitions

On 31 December 2018, the Company acquired 100% of the shares and voting interests in Abu Dhabi National Foodstuff Company from Foodco Holding – P.J.S.C *(its ultimate Parent Company)* and obtained control.

The assets and liabilities acquired are required to be measured at their acquisition date fair values. The following fair values of the identifiable assets and liabilities have been recognised on a provisional basis, as the Group is in process of finalising the Purchase Price Allocation (PPA) exercise:

	31 December 2018 AED
Trade and other receivables	127,834,715
Amount due from related parties	95,049,317
Inventories	10,349,111
Property, plant and equipment	3,715,076
Cash and cash equivalent	98,203
Trade and other payables	(65,583,608)
Amounts due to related parties	(3,716,558)
Provision for end of service benefits	(2,790,391)
Net book value before fair value adjustment (100%)	164,955,865
Fair value adjustment of identifiable assets and liabilities	-
Fair value of identifiable assets and liabilities	**164,955,865**
Cash consideration transferred	(250,000,000)
Contingent consideration*	(14,218,009)
Goodwill	**99,262,144**

** The Group has agreed to pay additional consideration of AED 15 million to the Foodco Holding – P.J.S.C., if the acquiree achieved profit of not less than AED 15 million during the financial year ending 31 December 2019. The Group has included AED 14.2 million as contingent consideration related to additional consideration which represents its fair value at the date of acquisition*

If new information obtained with one year of the date of acquisition about the facts and circumstances that existed at the date of the acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of the acquisition, then the accounting for the acquisition will be revised.

18 Discontinued operations

During 2018, the Group decided to discontinue their restaurant operations. The restaurant operations were not previously classified as a discontinued operation. Accordingly, the comparative consolidated statement of profit or loss has been re-presented to show discontinued operation separately from continuing operations.

18 Discontinued operations (continued)

Result of discontinued operations

	2018 AED	2017 AED
Revenue from restaurant services	-	6,067,804
Cost of restaurant services	-	(7,466,861)
Intangible assets written off	-	(1,032,013)
Inventories written off	-	(518,959)
Impairment loss on assets held for sale	**(529,246)**	-
Gain on disposal of assets held for sale	**69,965**	123,322
Loss from discontinued operations	**(459,281)**	(2,826,707)

19 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies and reports regularly to the shareholders on its activities.

Credit risk

The Company's risk management policies are established to identify and analyse the risks faced by the Company, and to monitor those risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivable from customers and related parties.

Trade receivables and amounts due from related parties
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

19 Financial risk management (continued)

Credit risk (continued)

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

Expected credit loss assessment for customers as at 1 January and 31 December 2018

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast and industry outlook.

As at 31 December 2018, maximum exposure to credit risk was as follows:

	2018	2017
	AED	AED
Trade and other receivables	**122,231,620**	6,352
Amounts due from related parties	**113,598,085**	834,110
	235,829,705	840,462

19 Financial risk management *(continued)*

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses including the servicing of financial obligations.

The following are the contractual maturities of financial liabilities:

31 December 2018	**Carrying value AED**	**Contractual cash flows AED**	**1 year or less AED**
Trade and other payables	**65,625,837**	**(65,625,837)**	**(65,625,837)**
Contingent consideration	**14,218,009**	**(14,218,009)**	**(14,218,009)**
Amounts due to related parties	**3,570,024**	**(3,570,024)**	**(3,570,024)**
	83,413,870	**(83,413,870)**	**(83,413,870)**

31 December 2017	Carrying value AED	Contractual cash flows AED	1 year or less AED
Trade and other payables	1,407,315	(1,407,315)	(1,407,315)
Amounts due to related parties	2,317	(2,317)	(2,317)
	1,409,632	**(1,409,632)**	**(1,409,632)**

Market risk

Market risk is the risk that the changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
The Company's exposure to foreign currency risk is limited as all the transactions are denominated in AED.

Interest rate risk
The Company has no significant exposure to interest rate risk.

Capital management
The primary objective of the Company's capital management is to ensure that it maintains a strong financial position and appropriate capital ratios in order to support its business and maximise Shareholders' value.

19 Financial risk management *(continued)*

Capital management (continued)

The Board's policy is to maintain a strong capital base so as to sustain future development of the business. Other than certain requirements of the UAE Federal Law No. 2 of 2015, which the Company is complying with, the Company is not subject to externally imposed capital requirements.

Fair value of financial assets and liabilities
The fair value of the Group's financial assets and liabilities approximates their carrying amounts as stated in the consolidated financial statements.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2018

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Financial assets at FVTOCI				
Quoted shares	**3,703,836**	-	-	**3,703,836**
Total	**3,703,836**	-	-	**3,703,836**

31 December 2017

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted shares	3,463,086	-	-	3,463,086
Total	3,463,086	-	-	3,463,086

The total gains or losses for the year included a gain of AED 240,750 relating to assets held at the end of the reporting year *(2017: loss of AED* 111,117*)*. Such fair value gains or losses are included within the statement of comprehensive income.

All gains and losses included in other comprehensive income relate to quoted shares held at the end of the reporting period and are reported as changes of investments revaluation reserve.

20 Commitments and contingent liabilities

	2018 **AED**	2017 AED
Bank guarantees	**120,000**	336,310

Bank guarantees were issued in the normal course of business.

21 Accounting estimates and judgements

In the process of applying the Company's accounting policies, which are described in note 3, management has used estimates and made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of trade receivables
Management reviews receivables to assess impairment on a regular basis. The Company's credit risk is primarily attributable to its trade receivables. In determining an allowance for impairment, management makes judgements related to measurement of ECL allowance for trade receivables and key assumptions used in determining the weighted-average loss rate. Accordingly, an allowance for impairment is made.

Provision for slow moving inventories
Management reviews its inventory to assess losses on account of obsolescence on a regular basis. In determining whether a provision for obsolescence should be recorded in the statement of consolidated profit or loss and other comprehensive income management makes judgements as to whether there is any observable data indicating that there is any future use of the material and the net realisable value for such materials. Accordingly, provision for impairment is made where the net realisable value is less than cost based on management's best estimates.

Useful lives and residual values of property, plant and equipment
Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and has determined that no adjustment is necessary.

Impairment of property, plant and equipment
Management reviews property, plant and equipment to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in consolidated profit or loss, management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows attributable to property, plant and equipment. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

21 Accounting estimates and judgements *(continued)*

Classification of investments
Management designates when securities are acquired whether they should be classified as at FVTOCI, FVTPL or amortised cost. In making a judgement whether investments in securities are as at FVTOCI, FVTPL or amortised cost, management considers the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculations require the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of those estimated future cash flows.