Unikai Foods (P.J.S.C.) and its subsidiary

Condensed consolidated interim financial statements

30 September 2018

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Contents

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Unikai Foods (P.J.S.C.)

Introduction

We have reviewed the accompanying 30 September 2018 condensed consolidated interim financial statements of Unikai Foods (P.J.S.C.) ("the Company") and its subsidiary (collectively referred to as "the Group"), which comprise:

- the condensed consolidated income statement for the three month and nine month periods ended 30 September 2018;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2018;
- the condensed consolidated statement of financial position as at 30 September 2018;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2018;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2018; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with *IAS 34, 'Interim Financial Reporting'*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, _"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"_. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 September 2018 are not prepared, in all material respects, in accordance with _IAS 34, 'Interim Financial Reporting'_.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 11 NOV 2018

Unikai Foods (P.J.S.C.) and its subsidiary

Condensed consolidated income statement

for the three and nine month periods ended 30 September 2018 (unaudited)

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2018 AED 000	*2017 AED 000	**2018 AED 000**	*2017 AED 000
Revenue		**92,035**	99,837	**269,651**	265,490
Cost of sales	*5*	**(63,466)**	(64,569)	**(193,592)**	(175,253)
Gross profit		**28,569**	35,268	**76,059**	90,237
Administrative, selling and distribution expenses	*6*	**(28,390)**	(29,660)	**(86,207)**	(82,162)
Impairment loss on trade receivables	*12*	**-**	(561)	**(1,600)**	(961)
Operating profit/(loss) for the period		**179**	5,047	**(11,748)**	7,114
Finance costs		**(2,201)**	(1,845)	**(6,810)**	(4,684)
Impairment of assets held for sale		**-**	(2,784)	**-**	(5,294)
Gain on fair valuation of investment property	*9*	**1,800**	-	**1,800**	-
Gain on fair valuation of investments	*10*	**-**	-	**(1)**	-
Gain on sale of available for sale investments		**-**	44	**-**	44
Other income	*7*	**665**	1,565	**3,020**	3,238
Profit/(loss) for the period before tax		**443**	2,027	**(13,739)**	418
Tax expense		**(415)**	-	**(415)**	-
Profit/(loss) for the period		**28**	2,027	**(14,154)**	418
Profit/(loss) attributable to:					
Owners of the Company		**28**	2,027	**(14,154)**	418
(Loss)/earnings per share					
(Loss)/earnings per share-basic (AED)	*21*	**0.00**	0.06	**(0.44)**	0.01

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 4.

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 2.

Unikai Foods (P.J.S.C.) and its subsidiary

Condensed consolidated statement of profit or loss and other comprehensive income

for the three and nine month periods ended 30 September 2018 (unaudited)

		Three month period ended 30 September		Nine month period ended 30 September	
	Note	**2018 AED 000**	*2017 AED 000	**2018 AED 000**	*2017 AED 000
Profit/(loss) for the period		**28**	2,027	**(14,154)**	418
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Revaluation of a building	*8*	-	-	**6,188**	-
Items that are or may be reclassified subsequently to profit or loss					
Available-for-sale investments – net change in fair value	*10*	-	18	-	(15)
Other comprehensive income/(loss) for the period		-	18	**6,188**	(15)
Total comprehensive income/(loss) for the period		**28**	2,045	**(7,966)**	403
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**28**	2,045	**(7,966)**	403

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 4.

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Unikai Foods (P.J.S.C.) and its subsidiary

Condensed consolidated statement of financial position

as at 30 September 2018

	Note	30 September 2018 AED 000 (Unaudited)	31 December *2017 AED 000 (Audited)	30 September *2017 AED 000 (Unaudited)
Non-current assets				
Property, plant and equipment	*8*	**40,636**	41,322	38,117
Available for sale investments	*10*	**-**	5,595	5,594
Investment property	*9*	**14,300**	-	-
		54,936	46,917	43,711
Current assets				
Inventories	*11*	**47,340**	63,748	65,071
Trade and other receivables	*12*	**86,379**	88,031	77,607
Investments at fair value through profit or loss	*10*	**13,886**	-	-
Due from a related party	*18*	**148**	184	221
Cash in hand and at bank	*13*	**12,915**	12,472	13,709
		160,668	164,435	156,608
Total assets		**215,604**	211,352	200,319
Equity				
Share capital		**32,368**	32,368	32,368
Legal reserve		**2,366**	2,366	1,484
Restricted reserve		**792**	792	792
Revaluation surplus	*8*	**6,188**	-	-
Fair value reserve		**-**	(1)	(2)
(Accumulated losses)/retained earnings	*14*	**(13,406)**	1,659	603
		28,308	37,184	35,245
Non-current liabilities				
Provision for staff terminal benefits		**7,740**	7,408	6,950
Long term borrowings	*15*	**6,255**	-	10,307
		13,995	7,408	17,257
Current liabilities				
Short term borrowings	*15*	**124,792**	113,170	108,802
Trade and other payables	*16*	**46,260**	53,090	38,655
Due to related parties	*18*	**1,547**	213	-
Provision for tax	*17*	**702**	287	360
		173,301	166,760	147,817
Total liabilities		**187,296**	174,168	165,074
Total equity and liabilities		**215,604**	211,352	200,319

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 4.

The notes set out on pages 9 to 26 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 2.

The condensed consolidated interim financial statements was authorized for issue on behalf of the Board of Directors on 11 NOV 2018

Director

Director

Unikai Foods (P.J.S.C.) and its subsidiary

Condensed consolidated statement of cash flows

for the nine month period ended 30 September 2018 (unaudited)

	30 September 2018 AED 000	30 September *2017 AED 000
Cash flows from operating activities		
(Loss)/profit for the period	**(14,154)**	418
Adjustments for:		
Depreciation	**3,764**	3,244
Finance costs	**6,810**	4,684
Dividend income	**-**	(526)
Impairment loss on trade receivables	**1,600**	-
Impairment loss on assets held for sale	**-**	5,294
Gain on fair valuation of investment property	**(1,800)**	-
Gain on fair valuation of investments	**1**	-
Gain on disposal of property, plant and equipment	**(90)**	(25)
Gain on sale of available for sale investments	**-**	(44)
Provision for employee end-of-service benefits	**952**	1,125
Provision for income tax	**415**	-
Operating (loss)/profit before changes in working capital	**(2,502)**	14,170
Changes in:		
- Inventories	**16,408**	(19,674)
- trade and other receivables	**(7,386)**	(38,863)
- trade and other payables	**(6,692)**	7,297
- due to related parties	**1,334**	(1,965)
- due from a related party	**36**	94
- Employees' end-of-service benefits paid	**(620)**	(499)
Taxes paid	**-**	(239)
Directors' fee paid	**(147)**	(951)
Net cash from/(used in) operating activities	**431**	(40,630)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**151**	71
Proceeds from disposal of assets held for sale	**-**	5,225
Proceeds from sale of available for sale investments	**-**	294
Acquisition of property, plant and equipment	**(9,611)**	(8,930)
Dividend received	**-**	526
Net cash used in investing activities	**(9,460)**	(2,814)
Cash flows from financing activities		
Net movement in bank borrowings	**8,077**	50,604
Interest paid	**(6,948)**	(4,217)
Dividend paid	**(1,457)**	(3,025)
Net cash (used in)/from financing activities	**(328)**	43,362
Net decrease in cash and cash equivalents	**(9,357)**	(82)
Cash and cash equivalents at the beginning of the period	**1,357**	5,357
Cash and cash equivalents at end of period	**(8,000)**	5,275
Cash and cash equivalents comprise:		
Cash in hand and at bank – excluding deposits under lien (note 13)	**8,059**	8,853
Bank overdraft (note 15)	**(16,059)**	(3,578)
	(8,000)	5,275

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 4.

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 2.

Unikai Foods (P.J.S.C.) and its subsidiary

Condensed consolidated statement of changes in equity
for the nine month period ended 30 September 2018

	Share capital AED 000	Legal reserve AED 000	Restricted reserve AED 000	Revaluation surplus AED 000	Fair value reserve AED 000	Retained earnings AED 000	Total AED 000
Balance at 1 January 2017	30,250	1,484	792	-	57	6,279	38,862
Profit for the period	-	-	-	-	-	418	418
Net change in fair value of available-for-sale investments	-	-	-	-	(15)	-	(15)
Total comprehensive income for the period	-	-	-	-	(15)	418	403
Distribution to owners							
Dividend paid (refer to note 14)	-	-	-	-	-	(3,025)	(3,025)
Bonus shares issued (refer to note 14)	2,118	-	-	-	-	(2,118)	-
Total distribution to owners	2,118	-	-	-	-	(5,143)	(3,025)
Other equity movements							
Directors' fee paid (refer to note 14)	-	-	-	-	-	(951)	(951)
Transfer of reserve on available for sale investments sold during the period to profit or loss	-	-	-	-	(44)	-	(44)
Total other equity movements	-	-	-	-	(44)	(951)	(995)
Balance at 30 September 2017	**32,368**	**1,484**	**792**	-	**(2)**	**603**	**35,245**

Unikai Foods (P.J.S.C.) and its subsidiary

Condensed consolidated statement of changes in equity *(continued)*

for the nine month period ended 30 September 2018

	Share capital AED 000	Legal reserve AED 000	Restricted reserve AED 000	Revaluation surplus AED 000	Fair value reserve AED 000	Retained earnings/ (accumulated losses) AED 000	Total AED 000
Balance at 1 January 2018 – as previously reported*	32,368	2,366	792	-	(1)	1,659	37,184
Adjustment on initial application of IFRS 9 (refer to note 4b)							
Recognition of expected credit losses	-	-	-	-	-	(7,598)	(7,598)
Change in fair value of investments	-	-	-	-	1	8,291	8,292
Total adjustment on initial application of IFRS 9	-	-	-	-	**1**	**693**	**694**
Adjusted balance at 1 January 2018	**32,368**	**2,366**	**792**	-	-	**2,352**	**37,878**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(14,154)	(14,154)
Other comprehensive income	-	-	-	6,188	-	-	6,188
Total comprehensive income for the period	-	-	-	6,188	-	(14,154)	(7,966)
Distribution to owners							
Dividend paid (refer to note 14)	-	-	-	-	-	(1,457)	(1,457)
Total distribution to owners	-	-	-	-	-	(1,457)	(1,457)
Other equity movements							
Directors' fee paid (refer to note 14)	-	-	-	-	-	(147)	(147)
Total other equity movements	-	-	-	-	-	(147)	(147)
Balance at 30 September 2018	**32,368**	**2,366**	**792**	**6,188**	-	**(13,406)**	**28,308**

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 4.

The notes set out on pages 9 to 26 form part of these condensed consolidated interim financial statements.

1. Reporting entity

Unikai Foods (P.J.S.C.) ("the Company") is a Public Shareholding Company incorporated on 11 April 1977 by a Decree from His Highness, The Ruler of Dubai. The Company's equity securities are listed on Dubai Financial Market. The Company holds 100% equity in Unikai and Company LLC ("the Subsidiary"), registered as a limited liability company in the Sultanate of Oman under Commercial Register No. 3/74. The Company and its subsidiary are collectively referred to as "the Group". The legal status of the Subsidiary is set out in note 20.

The Group is engaged in the manufacturing of dairy, juice and ice cream products and import of various kinds of food products for distribution throughout the Gulf and other countries. The trading activities of the Group are carried on in the name of "Unikai International" for which the Company holds a separate trade license with the name "Unikai International P.J.S.C.". The registered address of the Company is P.O. Box 6424, Dubai, UAE.

2. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017. These do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since 31 December 2017.

Basis of measurement

These condensed consolidated interim financial statements have been presented on the historical cost basis except for investment property, available for sale investments and investments carried at fair value through profit or loss ("FVTPL"), which are measured at fair value.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in United Arab Emirates Dirham ("AED"), rounded to nearest thousand except when otherwise indicated, which is the Company's functional currency.

Accounting estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those that were applied in preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in note 4.

3. Significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017, except for adoption of a new accounting policy on investment properties (refer below) and changes in accounting policies due to the first time application of IFRS 15 and IFRS 9, which are described in note 4.

Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property and carried at fair value, subsequently. On the day of the transfer, any resulting fair valuation gain is carried as revaluation surplus under equity. Subsequent changes in the fair value are recorded in profit or loss. The revaluation surplus is transferred to retained earnings upon disposal/sale of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Financial assets and liabilities

The accounting policies, classifications and measurement principles for financial assets and liabilities applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017. These are disclosed in detail under note 3 in the Group's consolidated financial statements as at and for the year ended 31 December 2017, except for changes in accounting policies related to the application of IFRS 15 and IFRS 9 during the current period, which are described in note 4.

4. Changes in significant accounting policies

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* (refer note 4a) and IFRS 9 *Financial Instruments* (refer note 4b) from 1 January 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

4 Changes in significant accounting policies *(continued)*

4a IFRS 15 Revenue from Contracts with Customers

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.

Revenue from sale of goods

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.

The Group recognises revenue from sale of goods based on a five step model as set out in IFRS 15:

Step 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.

Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer goods to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

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

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Based on the management's assessment, the application of IFRS 15 has no significant impact on the condensed consolidated interim financial statements of the Group as revenue recognition under the revised accounting policy is similar to the revenue being recognized previously.

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments*.

The details of new significant accounting policies and the nature and effect of the changes to previous policies are set out below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVTOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured 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 on the principal amount outstanding.

A debt investment is measured at FVTOCI 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 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 solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial Instruments *(continued)*

***Classification and measurement of financial assets and financial liabilities** (continued)*

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI, as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at 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.

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.

Equity investments at FVTOCI

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 reclassified to profit or loss.

Debt investments at 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 following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial Instruments *(continued)*

Classification and measurement of financial assets and financial liabilities *(continued)*

In AED 000	*Note*	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying value under IAS 39**	**New carrying value under IFRS9**
Financial assets					
Equity securities	*a*	Available for sale	FVTPL	5,595	13,887
Trade and other receivables (excluding advances and prepayments)	*b*	Loans and receivables	Amortised cost	80,959	73,361
Cash balances with banks	*b*	Loans and receivables	Amortised cost	7,314	7,314
Due from related parties	*b*	Loans and receivables	Amortised cost	184	184
Total financial assets				**94,052**	**94,746**

a) Under IAS 39, these equity securities were designated as available for sale because these were held for the long term for strategic purposes. On transition to IFRS 9, the Group has reclassified these equity investments from available for sale under IAS 39 to investments carried at FVTPL under IFRS 9. Fair valuation gain amounting to AED 8.3 million related to those investments has been recorded in retained earnings as at the date of the transfer i.e. 1 January 2018. The fair value of these investments was measured by an external expert engaged by management and was based on the capitalization of future maintainable earnings method of valuation.

   Previously these investments were carried at cost. As a result a fair value gain of AED 8.3 million was recorded in retained earnings.

b) Trade and other receivables, cash and cash equivalents and due from related parties that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of AED 7.6 million in the allowance for impairment over trade receivables was recognized in opening retained earnings at 1 January 2018 on transition to IFRS 9. Also, refer to note 12.

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial Instruments *(continued)*

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade and other receivables, due from related parties and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower 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 365 days past due.

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.

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial Instruments *(continued)*

Impairment of financial assets *(continued)*

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is 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.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, due from related parties and cash and cash equivalents are presented separately in the income statement. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the income statement.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows:

	AED 000
Loss allowance at 31 December 2017 Under IAS 39	**8,746**
Additional impairment recognised at 1 January 2018 on trade receivables	7,598
Loss allowance at 1 January 2018 under IFRS 9	**16,344**

The ECLs were calculated based on actual credit loss experience over the recent years.

Impact of adopting IFRS 9 on opening balance of equity

The Group management has decided not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 has been recognized in equity as at 1 January 2018.

The following table summarises the impact, of transition to IFRS 9 on the opening balance of fair value reserves and retained earnings as at 1 January 2018:

	AED 000
Retained earnings and reserves	
Recognition of expected credit losses under IFRS 9	(7,598)
Changes in fair value of investments	8,292
Impact at 1 January 2018	**694**

5. Cost of sales

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	**2018**	2017
	AED 000	AED 000	**AED 000**	AED 000
Manufacturing:				
Raw materials, packing materials and stores and spares consumed	**37,759**	45,602	**126,631**	124,358
Utilities	**3,220**	3,551	**8,861**	8,678
Staff salaries and benefits	**3,247**	3,004	**8,773**	8,099
Depreciation	**534**	265	**1,557**	1,590
Other direct costs	**1,152**	1,654	**4,226**	4,469
	45,912	54,076	**150,048**	147,194
Changes in inventories of semi-finished and finished goods	**(709)**	(1,115)	**176**	(3,150)
(A)	**45,203**	52,961	**150,224**	144,044
Trading:				
Inventories, beginning of the period	**9,276**	9,493	**11,579**	7,559
Purchases (including direct expenses)	**16,449**	15,014	**39,251**	36,549
Inventories, end of the period	**(7,462)**	(12,899)	**(7,462)**	(12,899)
(B)	**18,263**	11,608	**43,368**	31,209
(A) + (B)	**63,466**	64,569	**193,592**	175,253

6. Administrative, selling and distribution expenses

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	**2018**	2017
	AED 000	AED 000	**AED 000**	AED 000
Staff salaries and benefits	**13,819**	13,627	**41,591**	37,801
Advertisement and other selling expenses	**229**	1,390	**1,616**	2,524
Commercial vehicle expenses	**7,935**	6,303	**23,408**	17,914
Depreciation	**720**	518	**2,207**	1,654
Other expenses	**5,687**	7,822	**17,385**	22,269
	28,390	29,660	**86,207**	82,162

7. Other income

Other income for the nine month period ended 30 September 2018 mainly includes rental income amounting to AED 2.1 million *(nine month period ended 30 September 2017: AED 2.4 million).*

8. Property, plant and equipment

Additions (unaudited)

During the nine month period ended 30 September 2018, the Group acquired assets amounting to AED 9.6 million (*nine month period ended 30 September 2017: AED 8.9 million*).

Transfer to investment property (unaudited)

During the period, the Group has reclassified a labor accommodation building from property, plant and equipment to investment property as a result of change in the use of the property. The property has been let to a third party. As at the date of transfer, the fair value of the property was measured and the resulting gain of AED 6.2 million was recognised in other comprehensive income. This has been presented as the revaluation surplus under equity in the statement of financial position.

9. Investment property

	30 September 2018 AED 000 (Unaudited)	31 December 2017 AED 000 (Audited)	30 September 2017 AED 000 (Unaudited)
Investment property	**14,300**	-	-

Refer to note 8 for transfer of an earlier owner-occupied property to investment property.

The fair value of the investment property was determined by an external, independent property valuer as at 30 September 2018, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Income capitalization approach was used by taking into account expected market rental growth, occupancy rate and expected maintenance costs. As at 30 September 2018, the Group has recorded a fair value gain of AED 1.8 million in the profit or loss for the period. The fair value as at the date of transfer from property, plant and equipment was AED 12.5 million which has increased to AED 14.3 million during the nine month period ended 30 September 2018.

10. Investments

	Nine month period ended	
	30 September 2018 AED 000 (Unaudited)	30 September 2017 AED 000 (Unaudited)
Opening balance	**5,595**	5,903
Adjustment on initial application of IFRS 9 recorded in equity		
Change in fair value (refer to note 4)	**8,292**	-
Included in profit or loss		
Change in fair value	**(1)**	-
Included in other comprehensive income		
Change in fair value	-	(15)
Sale during the period	-	(294)
Closing balance	**13,886**	5,594

Disclosed in the statement of financial position as follows:

	30 September 2018 AED 000 (Unaudited)	31 December 2017 AED 000 (Audited)	30 September 2017 AED 000 (Unaudited)
Available for sale investments – Non current	-	5,595	5,594
Investments at fair value through profit or loss – current (refer to note 4)	**13,886**	-	-

When measuring the fair value of investments, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation techniques. Refer to note 23 for disclosure on fair value hierarchy of investments.

11. Inventories

	30 September 2018 AED 000 (Unaudited)	31 December 2017 AED 000 (Audited)	30 September 2017 AED 000 (Unaudited)
Raw materials and packing materials	**23,042**	29,371	39,633
Semi-finished goods	**1,706**	1,348	1,347
Finished goods	**7,224**	7,406	6,589
Trading goods	**7,462**	11,579	12,899
Consumables stores and spare parts	**6,700**	6,717	6,488
	46,134	56,421	66,956
Less: Provision for slow-moving inventories	**(1,288)**	(2,008)	(3,053)
	44,846	54,413	63,903
Goods-in-transit	**2,494**	9,335	1,168
	47,340	63,748	65,071

12. Trade and other receivables

	30 September 2018 AED 000 (Unaudited)	31 December 2017 AED 000 (Audited)	30 September 2017 AED 000 (Unaudited)
Trade receivables	**96,507**	89,133	79,129
Less: Provision for impairment of trade receivables (refer below)	**(17,944)**	(8,746)	(7,756)
	78,563	80,387	71,373
Advances, deposits and prepayments	**7,816**	7,644	6,234
	86,379	88,031	77,607

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	Nine month period ended	
	30 September 2018 AED 000 (Unaudited)	30 September 2017 AED 000 (Unaudited)
Opening balance	**8,746**	6,795
Adjustment to opening balance on initial application of IFRS 9 (refer to note 4)	**7,598**	-
Impairment loss recorded in profit or loss	**1,600**	961
Closing balance	**17,944**	7,756

13. Cash in hand and at bank

	30 September 2018 AED 000 (Unaudited)	31 December 2017 AED 000 (Audited)	30 September 2017 AED 000 (Unaudited)
Cash in hand	**304**	302	147
Bank balances			
- in current accounts	**2,530**	2,089	8,706
- fixed deposits *	**10,081**	10,081	4,856
	12,915	12,472	13,709

* Fixed deposits include deposits amounting to AED 4.9 million (*31 December 2017: AED 4.9 million)* which are under lien with the banks against banking facilities availed.

14. (Accumulated losses)/retained earnings

Dividend
At the Annual General Meeting held on 22 March 2018, the shareholders approved a 4.5% cash dividend totaling to an amount of AED 1.5 million. The dividend was paid during the period.

At the Annual General Meeting held on 23 March 2017, the shareholders approved a 10% cash dividend totaling to an amount of AED 3 million and the issuance of 7% bonus shares to 2,117,500 shares having par value of AED 1.

Directors' fee
At the Annual General Meeting held on 22 March 2018, the shareholders also approved the directors' fee amounting to AED 0.15 million for the year ended 31 December 2017. The director's fee was paid during the period.

At the Annual General Meeting held on 23 March 2017, the shareholders also approved the directors' fee amounting to AED 0.9 million for the year ended 31 December 2016. The director's fee was paid during the period.

15. Borrowings

	30 September 2018 AED 000 (Unaudited)	31 December 2017 AED 000 (Audited)	30 September 2017 AED 000 (Unaudited)
Long term borrowings:			
Term loan	**63,157**	17,465	20,785
Less: short term portion of term loans	**(56,902)**	(17,465)	(10,478)
Long term portion of term loans	**6,255**	-	10,307
Short term borrowings:			
Trust receipts	**51,831**	89,446	94,746
Bank overdrafts	**16,059**	6,259	3,578
Current portion of term loans	**56,902**	17,465	10,478
	124,792	113,170	108,802

15. Borrowings *(continued)*

i) Bank borrowings are secured by mortgages over plant and machinery, hypothecation of inventories, assignment of receivables and a lien over certain fixed deposits.

ii) Bank borrowings are also subject to certain financial covenants including minimum tangible worth of AED 35 million, current ratio of 1.25, leverage ratio not to exceed 3:5, debt to EBITDA not to exceed 4.25 and debt to equity of 3.5. Testing for compliance with the above financial covenants is done annually on 31 December. As at 31 December 2017, the Group had not complied with the financial covenants as specified in the facility letters with the banks. Based on the relationship with the creditor banks, the Group's management has confirmed that the non-compliance is not likely to affect the continuation of the Group's bank facilities and hence will not have a significant impact on the operations.

16. Trade and other payables

	30 September 2018 AED 000 (Unaudited)	31 December 2017 AED 000 (Audited)	30 September 2017 AED 000 (Unaudited)
Trade payables	**37,679**	46,715	30,906
Accruals and others payables	**8,152**	5,470	7,264
Dividend payable	**-**	258	-
Advance received from customers	**429**	647	485
	46,260	53,090	38,655

17. Provision for tax

The provision for taxation is in respect of the Group's operations carried out by a subsidiary in the Sultanate of Oman ("Oman"). The Subsidiary is liable to income tax in accordance with the income tax laws of the Oman depending on the level of its taxable profit. In the opinion of the management the provision for taxation of AED 0.7 million *(31 December 2017: AED 0.29 million)* as at reporting date is adequate to meet the Group's tax liabilities.

18. Related party transactions and balances

Related parties comprise directors, key management personnel and other related parties.

Significant related party transactions during the period were as follows:

	Three month period ended 30 September		**Nine month period ended 30 September**	
	2018	2017	**2018**	2017
	AED 000	AED 000	**AED 000**	AED 000
Purchases from related parties	**809**	1,074	**3,764**	3,980
Sales to related parties	**194**	208	**649**	208
Compensation to key management personnel is as follows:				
Short term benefits	**537**	433	**2,060**	1,299
Provision towards staff terminal benefits	**17**	9	**52**	27

	30 September 2018	31 December 2017	30 September 2017
	AED 000	AED 000	AED 000
	(Unaudited)	(Audited)	(Unaudited)
Due from a related party			
- Abjar Group	**148**	184	221

	30 September 2018	31 December 2017	30 September 2017
	AED 000	AED 000	AED 000
	(Unaudited)	(Audited)	(Unaudited)
Due to related parties			
- United Cans Company LLC	-	23	-
- United Foods PJSC	**124**	190	-
- Innovation Direct Employment Services	**1,423**	-	-
	1,547	213	-
Other payables			
- Key management personnel	**304**	119	132

19. Contingent liabilities

	30 September 2018 AED 000 (Unaudited)	31 December 2017 AED 000 (Audited)	30 September 2017 AED 000 (Unaudited)
Letters of guarantee	**4,058**	4,058	4,058
Letters of credit	**6,833**	3,945	4,548

Legal cases

As at 30 September 2018, the Group has few outstanding legal cases. All these cases are pending before the Court for the hearings and final decisions. The management has reviewed the status of all of these legal cases and believes that no additional provision is required as at 30 September 2018 *(31 December 2017: Nil).*

Commitments

The capital commitments outstanding as at 30 September 2018 amount to AED 9.9 million *(31 December 2017: AED 11 million)* representing costs to be incurred towards construction of warehouses and cooling system for the plant.

20. Subsidiary

The Company holds 100% of the shares (2% held by Directors for beneficial interest of the Company) of the Subsidiary, registered as a limited liability company in the Sultanate of Oman under the Oman Commercial Register Law No. 3/74. Principal activity of the Subsidiary is trading in dairy, juice, ice cream and other food products.

21. Basic earnings per share

	Three month period ended 30 September		**Nine month period ended 30 September**	
	2018	2017	**2018**	2017
Net (loss)/profit attributable to owners of the Company (AED 000)	**28**	2,027	**(14,154)**	418
Weighted average number of shares outstanding (including bonus shares('000))	**32,368**	32,368	**32,368**	32,368
(Loss)/profit per share - basic (AED)	**0.00**	0.06	**(0.44)**	0.01

22. Segmental reporting

The Group operates in the single reporting segment of diary, juice, ice cream, and other food products. All the relevant information relating to this reporting/operating segment is disclosed in the condensed consolidated statement of financial position, condensed consolidated income statement, condensed consolidated statement of profit or loss and other comprehensive income and notes to the condensed consolidated interim financial statements.

IFRS also requires an entity to report its segment assets and revenue along geographical regions. All significant activities of the Group are performed on an integrated basis in the Gulf region and the Directors consider an analysis by individual country would not be meaningful.

Additional information required by IFRS 8, "Segment reporting", is disclosed below:

Major customers
During the nine-month period ended 30 September 2018, there were no customers of the Group with the revenues greater than 10% of the total revenue of the Group *(nine-month period ended 30 September 2017: Nil)*

23. Financial instruments

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2017.

Financial assets consist of cash and cash equivalents, due from related parties, trade and other receivables and investment carried at FVTPL. Financial liabilities consist of short term borrowings, long term borrowings, due to related parties and trade and other payables.

The fair values of financial instruments are not materially different from their carrying values.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market price (unadjusted) in an active market for identical instruments.

23. Financial instruments *(continued)*

Valuation of financial instruments *(continued)*

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

30 September 2018	**Level 1 AED 000**	**Level 2 AED 000**	**Level 3 AED 000**	**Total AED 000**
Investments at FVTPL	**13**	**-**	**13,873**	**13,886**

31 December 2017	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Available-for-sale investments	18	-	5,577	5,595

During the period ended 30 September 2018 and year ended 31 December 2017, there were no transfers between the various levels of fair value measurements.

24. Seasonality

Due to seasonal nature of the business of the Group, the results of operations of certain quarters, which fall in off peak periods may be substantially different from other quarters, which fall in the peak seasons (i.e. during summer season). Therefore, revenue from operations may not be evenly distributed over the four quarters of the same year and thus the results of operations of each quarter may not be comparable to other quarters of the same year.

25. Other information

As at 30 September 2018, the Group has no exposure to Abraaj Holdings, or any of its subsidiaries, or any of its funds.