

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

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 2020

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNIKAI FOODS (P.J.S.C.)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Unikai Foods (P.J.S.C.) (the “Company”) and its subsidiary (collectively referred to as the “Group”) which comprise the interim condensed consolidated statement of financial position as at 31 March 2020 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by
Ashraf Abu Sharkh
Partner
Registration No. 690

12 August 2020

Dubai, United Arab Emirates

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three-month period ended 31 March 2020 (Unaudited)

	<i>Notes</i>	<i>Three-month period ended 31 March</i>	
		<i>2020 AED '000</i>	<i>2019 AED '000</i>
Revenue from contracts with customers		53,372	66,301
Cost of sales		(36,118)	(45,645)
Gross Profit		17,254	20,656
Administrative, selling and distribution expenses	3	(20,877)	(24,286)
Impairment loss on trade receivables		-	(154)
Operating loss for the period		(3,623)	(3,784)
Finance costs, net		(2,650)	(2,375)
Loss on fair valuation of investments through profit or loss	10	(325)	(1)
Other income	4	952	1,116
Loss for the period before tax		(5,646)	(5,044)
Tax expense	16	-	(48)
Loss for the period		(5,646)	(5,092)
Loss attributable to:			
Owners of the Company		(5,646)	(5,092)
Loss per share-basic (AED)	18	(0.174)	(0.157)

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2020 (Unaudited)

	<i>Three-month period ended 31 March</i>	
	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Loss for the period	(5,646)	(5,092)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	-	-
Total comprehensive loss attributable to: Owners of the Company	(5,646)	(5,092)

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	35,338	35,498
Investment properties	6	32,700	32,700
Right-of-use assets	7	52,100	53,360
Deferred tax asset		1,612	1,612
		<u>121,750</u>	<u>123,170</u>
Current assets			
Inventories	8	34,287	29,837
Trade and other receivables	9	53,069	57,374
Investments at fair value through profit or loss	10	15,936	16,261
Due from a related party	14	141	129
Bank balances and cash	11	14,933	11,072
		<u>118,366</u>	<u>114,673</u>
TOTAL ASSETS		<u><u>240,116</u></u>	<u><u>237,843</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		32,368	32,368
Statutory reserve		2,366	2,366
Restricted reserve		792	792
Revaluation surplus		6,188	6,188
Accumulated losses		(24,775)	(19,129)
Total equity		<u>16,939</u>	<u>22,585</u>
Non-current liabilities			
Employees' end of service benefits		7,362	7,293
Lease liabilities	15	41,543	43,598
Long-term borrowings	12	27,512	29,523
		<u>76,417</u>	<u>80,414</u>
Current liabilities			
Short-term Borrowings	12	61,902	60,078
Trade and other payables	13	68,250	57,774
Due to related parties	14	659	1,380
Lease liabilities	15	14,962	14,625
Provision for income tax	16	987	987
		<u>146,760</u>	<u>134,844</u>
Total liabilities		<u>223,177</u>	<u>215,258</u>
TOTAL EQUITY AND LIABILITIES		<u><u>240,116</u></u>	<u><u>237,843</u></u>

Director

12 AUG 2020

Director

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2020 (Unaudited)

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Restricted reserve AED'000</i>	<i>Revaluation surplus AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Total AED'000</i>
Balance as at 1 January 2020	32,368	2,366	792	6,188	(19,129)	22,585
Loss for the period	-	-	-	-	(5,646)	(5,646)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(5,646)	(5,646)
Balance as at 31 March 2020	32,368	2,366	792	6,188	(24,775)	16,939

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Restricted reserve AED'000</i>	<i>Revaluation surplus AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Total AED'000</i>
Balance as at 1 January 2019	32,368	2,366	792	6,188	(19,644)	22,070
Loss for the period	-	-	-	-	(5,092)	(5,092)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(5,092)	(5,092)
Balance as at 31 March 2019	32,368	2,366	792	6,188	(24,736)	16,978

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2020 (Unaudited)

		<i>Three-month period ended 31 March</i>	
		<i>2020</i>	<i>2019</i>
		<i>AED '000</i>	<i>AED '000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Loss for the period		(5,646)	(5,092)
Adjustments for:			
Depreciation	5	1,299	1,478
Depreciation on right-of-use assets	7	2,779	2,515
Expected credit losses on trade receivables		-	154
Loss on fair valuation of investments		325	1
Gain on disposal of property, plant and equipment		-	(31)
Finance costs		2,650	2,375
Provision for employees' end of service benefits		303	243
Tax expense		-	48
Retirement of leases		(118)	-
		<u>1,592</u>	<u>1,691</u>
Working capital changes:			
Inventories		(4,450)	(244)
Trade and other receivables		4,305	(1,754)
Due from a related party		(12)	(13)
Trade and other payables		10,476	11,928
Due to related parties		(721)	(630)
		<u>11,190</u>	<u>10,978</u>
Cash generated from operations		11,190	10,978
Employees' end of service benefits paid		(234)	(288)
		<u>10,956</u>	<u>10,690</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(1,139)	(2,197)
Proceeds from disposal of property, plant and equipment		-	37
		<u>(1,139)</u>	<u>(2,160)</u>
Net cash used in investing activities		(1,139)	(2,160)
FINANCING ACTIVITIES			
Borrowings, net		(5,750)	(9,320)
Lease liabilities paid	15	(3,851)	(668)
Interest paid		(1,918)	(1,710)
Fixed deposits		(10,377)	-
		<u>(21,896)</u>	<u>(11,698)</u>
Net cash used in financing activities		(21,896)	(11,698)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,079)	(3,168)
Cash and cash equivalents at 1 January		<u>7,941</u>	<u>1,090</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	11	<u>(4,138)</u>	<u>(2,078)</u>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2020 (Unaudited)

1 ACTIVITIES

Unikai Foods (P.J.S.C.) (the “Company”) is a Public Shareholding Company, incorporated on 11 April 1977 by a Decree issued by 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 principal activity of the Subsidiary is trading in dairy, juice, ice cream and other food products.

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 two separate trade licenses with the names “Unikai International P.J.S.C.” and “Unikai International LLC”. The registered address of the Company is P.O. Box 6424, Dubai, UAE.

The interim condensed consolidated financial statements have been approved by the Board of Directors on 12 August 2020.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the three months period ended 31 March 2020 have been prepared in accordance with IAS 34 “*Interim Financial Reporting*”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2019.

In addition, results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

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 and presentation currency.

The Group incurred a loss of AED 5,646 thousand during the period ended 31 March 2020 and as of that date, it has accumulated losses of AED 24,775 thousand, which is more than 50% of its share capital, and its current liabilities exceeded its current assets by AED 28,394 thousand. Notwithstanding these facts, the interim condensed consolidated financial statements of the Group have been prepared on a going concern basis as the management of the Group believes that the future operations of the Group will generate sufficient profits. Further subsequent to period end, as required by Federal Law No.(2) of 2015, the shareholders have resolved to continue its operations in the Annual General Meeting held on 23 April 2020.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2019. The adoption of new standards with effect from 1 January 2020 has had no significant effect on the interim condensed consolidated financial statements of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2020 (Unaudited)

3 ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES

	<i>Three-month period ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Staff salaries and benefits	10,903	12,008
Advertisement and other selling expenses	113	102
Commercial vehicle expenses	2,330	3,044
Depreciation	725	719
Depreciation on right-of-use assets	2,779	2,515
Others	4,027	5,898
	20,877	24,286

Commercial vehicle expenses include operating lease rentals of AED 193 thousand (three-month period ended 31 March 2019: AED 1,212 thousand).

4 OTHER INCOME

Other income for the three-month period ended 31 March 2020 (unaudited) mainly includes rental income amounting to AED 0.88 million (three-month period ended 31 March 2019 (unaudited): AED 0.98 million).

5 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the three-month period ended 31 March 2020 (unaudited), the Group acquired assets amounting to AED 1.1 million (three-month period ended 31 March 2019 (unaudited): AED 2.1 million). The depreciation expense amounted to AED 1.3 million (unaudited) (three-month period ended 31 March 2019 (unaudited): AED 1.4 million).

6 INVESTMENT PROPERTIES

Investment properties comprise a labour accommodation and a warehouse that are leased to third parties. The fair values of investment properties as of 31 December 2019 were determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Investment method approach was used by taking into account expected market rental growth, occupancy rate, expected maintenance costs and discount rate. The fair value measurement of investment properties of AED 32.7 million has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

The management believe that there have been no significant changes in the fair value of the investment properties from 31 December 2019 to 31 March 2020, and therefore no further revaluation exercised is performed.

7 RIGHT-OF-USE ASSETS

	<i>31 March</i>	<i>31 December</i>
	<i>2020</i>	<i>2019</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At 1 January	53,360	46,330
Additions during the period	1,854	21,221
Less: depreciation for the period	(2,779)	(11,792)
Less: retirements during the period	(335)	(2,399)
At the end of the period / year	52,100	53,360

The Group has lease contracts for various items of land, buildings and motor vehicles.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2020 (Unaudited)

8 INVENTORIES

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Raw materials and packing materials	12,503	11,208
Semi-finished goods	763	1,706
Finished goods	6,493	5,960
Trading goods	3,032	3,907
Consumable stores and spare parts	6,641	6,400
	<u>29,432</u>	<u>29,181</u>
Less: Provision for slow-moving inventories	(1,267)	(1,184)
	<u>28,165</u>	<u>27,997</u>
Goods-in-transit	6,122	1,840
	<u>34,287</u>	<u>29,837</u>

9 TRADE AND OTHER RECEIVABLES

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Trade receivables	65,448	71,198
Less: allowance for expected credit losses	(22,088)	(22,088)
	<u>43,360</u>	<u>49,110</u>
Advances, deposits and prepayments	9,709	8,264
	<u>53,069</u>	<u>57,374</u>

During the period ended 31 March 2020, the Group did not write off trade receivables (for the year ended 31 December 2019: 11,460 thousand) against allowance for expected credit losses.

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Opening balance	16,261	17,300
<i>Included in profit or loss:</i>		
Change in fair value	(325)	(1,039)
Closing balance	<u>15,936</u>	<u>16,261</u>

Investments represents unquoted equity instruments of an entity operating in dairy and poultry industry.

At 31 December 2019, the fair value of the investment was determined by an external valuer. The fair value of investments was measured by using capitalization of future maintainable earnings of the investee using a market valuation multiple. Valuation multiple is based on market expectations after considering conditions including the economy in general and the business and industry of the investee in particular, using market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in valuation techniques.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2020 (Unaudited)

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

For the period ended 31 March 2020, the change in fair value of the investment was estimated by the management using comparable market data. The management has assessed the value of shares considering the impact of current global pandemic and market situation and using market observable data as far as possible.

11 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Cash in hand	627	490
Bank balances	14,306	10,582
	<u>14,933</u>	<u>11,072</u>
Less: Bank overdrafts (note 12)	(8,694)	(3,131)
Less: Fixed deposits	(10,377)	-
	<u>(4,138)</u>	<u>7,941</u>
Cash and cash equivalents	<u>(4,138)</u>	<u>7,941</u>

Bank balances include fixed deposits of AED 10,377 (31 December 2019 (audited): AED Nil) having an original maturity of one year and carry interest at normal commercial rates.

12 BORROWINGS

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Trust receipts	31,926	32,073
Term loans	48,794	54,397
Bank overdrafts (note 11)	8,694	3,131
	<u>89,414</u>	<u>89,601</u>

Disclosed in the statement of financial position as follows:

Current	61,902	60,078
Non-current	27,512	29,523
	<u>89,414</u>	<u>89,601</u>

- i) During the period ended 31 March 2020, the Group requested the respective banks for deferment of principal amount due under term loans and trust receipts between the period from March 2020 till June 2020, which was subsequently approved by the respective banks.
- ii) Bank borrowings are secured by mortgages over plant and machinery, hypothecation of inventories and assignment of receivables.
- iii) Term loan is also subject to certain financial covenants including minimum tangible networth 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2020 (Unaudited)

13 TRADE AND OTHER PAYABLES

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Trade payables	58,796	49,824
Accruals and other payables	9,198	7,640
Dividends payable	256	256
Contract liabilities - advances received from customers	-	54
	<u>68,250</u>	<u>57,774</u>

14 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

a) Significant transactions with related parties:

Significant transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>Three-month period ended 31 March</i>	
	<i>2020 AED'000 (Unaudited)</i>	<i>2019 AED'000 (Unaudited)</i>
Other related parties:		
Sales	<u>124</u>	<u>204</u>
Purchases	<u>328</u>	<u>884</u>

Compensation of key management personnel

The remuneration of directors and other key members of management during the period were as follows:

	<i>Three-month period ended 31 March</i>	
	<i>2020 AED'000 (Unaudited)</i>	<i>2019 AED'000 (Unaudited)</i>
Short-term benefits	378	886
End of service benefits	<u>12</u>	<u>17</u>
	<u>390</u>	<u>903</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2020 (Unaudited)

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Balances with related parties included in the statement of financial position are as follows:

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Due from related party – under common directorship	<u>141</u>	<u>129</u>

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Due to related parties – under common directorship	<u>659</u>	<u>1,380</u>

c) Other payables:

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Key management personnel	<u>372</u>	<u>336</u>

15 LEASE LIABILITIES

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
At 1 January	58,223	46,062
Additions during the period / year	1,854	21,221
Add: finance cost	732	2,481
Less: payments during the period / year, net of prepayments and accruals adjustment	(3,851)	(8,949)
Less: retirements during the period / year	(453)	(2,592)
	<u>56,505</u>	<u>58,223</u>

Presented on consolidated statement of financial position as follows:

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Current	14,962	14,625
Non-current	41,543	43,598
Total	<u>56,505</u>	<u>58,223</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2020 (Unaudited)

16 PROVISION FOR INCOME 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. The subsidiary incurred tax losses for the three-month period ended 31 March 2020 and therefore no tax charge is recognised for the that period. In the opinion of the management the provision for taxation of AED 987 thousand (unaudited) (31 December 2019: AED 987 thousand) as at reporting date is adequate to meet the Group's tax liabilities.

17 CONTINGENCIES AND COMMITMENTS

	<i>31 March 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
Letters of credit	<u>5,135</u>	<u>6,449</u>
Letters of guarantee	<u>4,233</u>	<u>4,058</u>

Capital commitments

The capital commitments outstanding as at 31 March 2020 amount to AED 6.2 million (31 December 2019: AED 6.5 million) representing costs to be incurred towards construction of warehouses and cooling system for the plant.

Legal cases

As at 31 March 2020, 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 31 March 2020 (31 December 2019: AED Nil).

18 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the loss for the period amounting to AED 5,646 thousand (31 March 2019: AED 5,092 thousand) by the weighted average number of shares outstanding during the period ended 31 March 2020 of 32,368,000 shares (period ended 31 March 2019: 32,368,000 shares).

The Group has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

19 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 interim 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 interim condensed consolidated 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 three-month period ended 31 March 2020, there were no customers of the Group with the revenues greater than 10% of the total revenue of the Group (three-month period ended 31 March 2019: None).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2020 (Unaudited)

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, trade and other receivables, due from a related party and investments at fair value through profit and loss. Financial liabilities consist of borrowings, trade and other payables and due to related parties.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 March 2020, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 March 2020 AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Investments at FVTPL (Unaudited)	<u>15,936</u>	<u>11</u>	<u>-</u>	<u>15,925</u>
	<i>31 December 2019 AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Investments at FVTPL (Unaudited)	<u>16,261</u>	<u>11</u>	<u>-</u>	<u>16,250</u>

21 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.

22 UNCERTAINTY RELATED TO KEY ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019, with the exception of the impact of the COVID - 19 outbreak on the Group which is detailed below:

The outbreak of a coronavirus (COVID-19) has resulted in various restrictions in all countries around the world in order to try and mitigate the spread of the virus, including the lockdown of countries, travel restrictions and closing of non-essential services. These factors have negatively affected the economies and the businesses of the regions where the Group operates. The management has assessed that there is no severe impact of COVID-19 on the operations of the Group due to nature of its products being foods and beverages.

22 UNCERTAINTY RELATED TO KEY ESTIMATES (continued)

Impact of COVID-19

However, investments have seen some volatility in market prices of investments. The management is continuously observing the developments to ensure that any direct or indirect impacts, if any (e.g. impairment of receivables, impairment of inventories and valuation of investments), are identified and addressed on timely basis. The UAE Government and regulators have taken measures and issued directives to support businesses at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity.

Measurement of ECL

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The management has assessed that, upto the date of issuance of these financial statements, the COVID-19 has no significant impact on historical observed default rates and no patterns are observed or expected requiring significant adjustment to forward looking information.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Accordingly, the actual credit losses may be significantly different than those recorded in these financial statements if actual defaults and economic conditions are significantly different than forecasted. The observed default rates and forward-looking information will be reassessed at each reporting date to consider the impact of Covid-19.

Fair values of the investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, valuation methodology based on the Direct Comparison approach or Income Capitalisation approach was used, as there is a lack of comparable market data because of the nature of the properties. The management has assessed that, upto the date of issuance of these financial statements, the COVID-19 has no significant impact on inputs used for the valuation of investments properties at 31 December 2019.

Fair value of investments

For the period ended 31 March 2020, the change in fair value of the investment was estimated by the management using comparable market data. The management has assessed the value of shares considering the impact of current global pandemic and market situation and using market observable data as far as possible.