

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

Condensed consolidated interim financial statements

*30 September 2017*

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

## **Condensed consolidated interim financial statements**

*30 September 2017*

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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 2017 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 2017;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2017;
- the condensed consolidated statement of financial position as at 30 September 2017;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2017;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2017; 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 2017 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: 04 NOV 2017

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

## Condensed consolidated income statement

for the three month and nine month periods ended 30 September 2017 (unaudited)

		Three month period ended 30 September		Nine month period ended 30 September	
	Note	2017 AED 000	2016 AED 000	2017 AED 000	2016 AED 000
<b>Revenue</b>		<b>106,803</b>	85,581	<b>283,477</b>	247,620
Cost of sales	3	(64,569)	(53,242)	(175,253)	(151,769)
<b>Gross profit</b>		<b>42,234</b>	32,339	<b>108,224</b>	95,851
Administrative and distribution expenses	4	(37,187)	(28,979)	(101,110)	(83,738)
<b>Operating profit for the period</b>		<b>5,047</b>	3,360	<b>7,114</b>	12,113
Finance costs		(1,845)	(890)	(4,684)	(2,718)
Gain on sale of available for sale investments	7	44	-	44	-
Other income	5	1,565	1,296	3,238	2,775
<b>Profit for the period before impairment and tax</b>		<b>4,811</b>	3,766	<b>5,712</b>	12,170
Impairment of assets held for sale	11	(2,784)	-	(5,294)	-
<b>Profit for the period before tax</b>		<b>2,027</b>	3,766	<b>418</b>	12,170
Tax expense		-	(57)	-	(170)
<b>Profit for the period</b>		<b>2,027</b>	3,709	<b>418</b>	12,000
<b>Profit attributable to:</b>					
Owners of the Company		2,027	3,709	418	12,000
<b>Earnings per share</b>					
Basic earnings per share (AED)	19	0.06	0.11	0.01	0.37

The notes set out on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

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

Condensed consolidated statement of profit or loss and other comprehensive income  
for the three month and nine month periods ended 30 September 2017 (unaudited)

	Three month period ended 30 September		Nine month period ended 30 September	
	2017 AED 000	2016 AED 000	2017 AED 000	2016 AED 000
<b>Profit for the period</b>	<b>2,027</b>	<b>3,709</b>	<b>418</b>	<b>12,000</b>
<b>Other comprehensive income:</b>				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Net change in fair value of available-for-sale investments	18	15	(15)	19
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<b>Other comprehensive income for the period</b>	<b>18</b>	<b>15</b>	<b>(15)</b>	<b>19</b>
	---	---	---	---
<b>Total comprehensive income for the period</b>	<b>2,045</b>	<b>3,724</b>	<b>403</b>	<b>12,019</b>
	=====	=====	=====	=====
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	2,045	3,724	403	12,019
	=====	=====	=====	=====

The notes set out on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

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

## Condensed consolidated statement of financial position as at 30 September 2017

		30 September 2017 AED 000 (Unaudited)	31 December 2016 AED 000 (Audited)	30 September 2016 AED 000 (Unaudited)
	Note			
<b>Non-current assets</b>				
Property, plant and equipment	6	38,117	26,660	25,527
Capital advances		-	4,267	-
Intangible assets		-	-	44
Available-for-sale investments	7	5,594	5,903	5,919
		<u>43,711</u>	<u>36,830</u>	<u>31,490</u>
<b>Current assets</b>				
Inventories	8	65,071	45,397	43,747
Trade and other receivables	9	77,607	43,600	52,440
Due from related parties	16	221	315	-
Cash in hand and at bank	10	13,709	9,476	8,533
Assets held for sale	11	-	12,069	12,413
		<u>156,608</u>	<u>110,857</u>	<u>117,133</u>
<b>Total assets</b>		<u>200,319</u>	<u>147,687</u>	<u>148,623</u>
<b>Equity</b>				
Share capital	12	32,368	30,250	30,250
Legal reserve		1,484	1,484	900
Restricted reserve		792	792	792
Retained earnings	12	603	6,279	8,763
Fair value reserve		(2)	57	73
		<u>35,245</u>	<u>38,862</u>	<u>40,778</u>
<b>Non-current liabilities</b>				
Employees' end-of-service benefits		6,950	6,324	6,884
Long term borrowings	13	10,307	9,726	1,875
		<u>17,257</u>	<u>16,050</u>	<u>8,759</u>
<b>Current liabilities</b>				
Short term borrowings	13	108,802	59,320	62,076
Trade and other payables	14	38,655	30,891	34,570
Due to related parties	16	-	1,965	1,774
Provision for tax	15	360	599	666
		<u>147,817</u>	<u>92,775</u>	<u>99,086</u>
<b>Total liabilities</b>		<u>165,074</u>	<u>108,825</u>	<u>107,845</u>
<b>Total equity and liabilities</b>		<u>200,319</u>	<u>147,687</u>	<u>148,623</u>

The notes set out on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements was authorized for issue on behalf of the Board of Directors on 04 NOV 2017

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 2017 (unaudited)

	30 September 2017 AED 000	30 September 2016 AED 000
<b>Cash flows from operating activities</b>		
Profit for the period before tax	418	12,170
<i>Adjustments for:</i>		
Depreciation	3,244	4,022
Amortisation of intangible assets	-	417
Dividend income	(526)	(526)
Finance costs	4,684	2,718
Impairment loss on assets held for sale	5,294	-
Gain on disposal of property, plant and equipment (net)	(25)	(627)
Gain on sale of available for sale investments	(44)	-
Provision for employee end-of-service benefit	1,125	1,156
	<u>14,170</u>	<u>19,330</u>
<i>Changes in:</i>		
- inventories	(19,674)	(6,414)
- trade and other receivables	(34,007)	(13,599)
- trade and other payables	7,297	(963)
- due to related parties	(1,965)	1,709
- due from related parties	94	-
Employees' end-of-service benefits paid	(499)	(430)
Taxes paid	(239)	(366)
Directors' fee paid	(951)	-
	<u>(35,774)</u>	<u>(733)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	71	693
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	(8,930)	(5,693)
Dividend received	526	526
	<u>(2,814)</u>	<u>(4,474)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Net movement in bank borrowings	50,604	15,444
Interest paid	(4,217)	(2,718)
Dividend paid	(3,025)	-
	<u>43,362</u>	<u>12,726</u>
<b>Net cash from financing activities</b>		
<b>Net increase in cash and cash equivalents</b>	<u>4,774</u>	<u>7,519</u>
Cash and cash equivalents at the beginning of the period	<u>5,357</u>	<u>(3,667)</u>
<b>Cash and cash equivalents at end of period</b>	<u>10,131</u>	<u>3,852</u>
<i>Cash and cash equivalents comprise:</i>		
Cash in hand and at bank (note 10)	13,709	8,533
Bank overdraft (note 13)	(3,578)	(4,681)
	<u>10,131</u>	<u>3,852</u>

The notes set out on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.



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

## Condensed consolidated statement of changes in equity for the nine month period ended 30 September 2017

	Share capital AED'000	Legal reserve AED'000	Restricted reserve AED'000	General reserve AED'000	(Accumulated losses)/ retained earnings AED'000	Fair value reserve AED'000	Total AED'000
Balance at 1 January 2016 (audited)	30,250	900	792	900	(4,137)	54	28,759
Profit for the period	-	-	-	-	12,000	-	12,000
Other comprehensive income for the period (unaudited)							
Net change in fair value of available-for-sale investments	-	-	-	-	-	19	19
Total other comprehensive income for the period (unaudited)	-	-	-	-	-	19	19
Total comprehensive income for the period (unaudited)	-	-	-	-	12,000	19	12,019
Other equity movements							
Transfer to retained earnings (refer to note 12)	-	-	-	(900)	900	-	-
Balance at 30 September 2016 (unaudited)	30,250	900	792	-	8,763	73	40,778

The notes set out on pages 9 to 19 form part of these condensed consolidated interim financial statements.

# 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 2017

	Share capital AED'000	Legal reserve AED'000	Restricted reserve AED'000	General reserve AED'000	(Accumulated losses)/ retained Earnings AED'000	Fair value reserve AED'000	Total AED'000
<b>Balance at 1 January 2017 (audited)</b>	30,250	1,484	792	-	6,279	57	38,862
Profit for the period	-	-	-	-	418	-	418
<b>Other comprehensive income for the period (unaudited)</b>							
Net change in fair value of available-for-sale investments	-	-	-	-	-	(15)	(15)
Total other comprehensive income for the period (unaudited)	-	-	-	-	-	(15)	(15)
<b>Total comprehensive income for the period (unaudited)</b>	-	-	-	-	418	(15)	403
<b>Distribution to owners</b>							
Dividends paid (note 12)	-	-	-	-	(3,025)	-	(3,025)
Bonus shares issued (note 12)	2,118	-	-	-	(2,118)	-	-
<b>Total distribution to owners</b>	2,118	-	-	-	(5,143)	-	(3,025)
<b>Other equity movements</b>							
Director's fee paid (note 12)	-	-	-	-	(951)	-	(951)
Transfer of reserve on available for sale investments sold during the period to profit or loss	-	-	-	-	-	(44)	(44)
<b>Total other equity movements (unaudited)</b>	-	-	-	-	(951)	(44)	(995)
<b>Balance at 30 September 2017 (unaudited)</b>	32,368	1,484	792	-	603	(2)	35,245

The notes set out on pages 9 to 19 form part of these condensed consolidated interim financial statements.

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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 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 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 18. The Company is listed on the Dubai Financial Market.

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”. The registered address of the Company is P.O. Box 6424, Dubai, UAE.

### 2. Basis of preparation

#### Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

#### Functional and presentation currency

The condensed consolidated interim financial statements of the Group are presented in UAE Dirhams (“AED”), which is the Company’s functional currency. The condensed consolidated interim financial statements have been prepared under historical cost, except for financial instruments classified as available-for-sale that are stated at fair value.

#### 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 and estimates 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 2016, except for the change in the useful lives of certain categories of property, plant and equipment as explained in note 6.

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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 2. Basis of preparation (continued)

#### 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 2016.

#### Financial assets and liabilities

The accounting policies, classifications and measurement principles for financial assets and liabilities applied by the Group in these 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 2016. These are disclosed in detail under notes 3 and 4 in the Group's consolidated financial statements as at and for the year ended 31 December 2016.

### 3. Cost of sales

	Three month period ended 30 September		Nine month period ended 30 September	
	2017 AED 000	2016 AED 000	2017 AED 000	2016 AED 000
<b>Manufacturing:</b>				
Raw materials, packing materials and stores and spares consumed	45,602	34,907	124,358	96,569
Utilities	3,551	3,253	8,678	7,916
Staff salaries and benefits	3,004	3,694	8,099	9,252
Depreciation	265	566	1,590	1,812
Other direct costs	1,654	1,794	4,469	4,405
	<u>54,076</u>	<u>44,214</u>	<u>147,194</u>	<u>119,954</u>
Changes in inventories of semi- finished and finished goods	(1,115)	420	(3,150)	3,006
(A)	<u>52,961</u>	<u>44,634</u>	<u>144,044</u>	<u>122,960</u>
<b>Trading:</b>				
Inventories, beginning of the period	9,493	6,972	7,559	6,618
Purchases (including direct expenses)	15,014	10,034	36,549	30,589
Inventories, end of the period	(12,899)	(8,398)	(12,899)	(8,398)
(B)	<u>11,608</u>	<u>8,608</u>	<u>31,209</u>	<u>28,809</u>
(A) + (B)	<u>64,569</u>	<u>53,242</u>	<u>175,253</u>	<u>151,769</u>

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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 4. Administrative and distribution expenses

	Three month period ended 30 September		Nine month period ended 30 September	
	2017 AED 000	2016 AED 000	2017 AED 000	2016 AED 000
Staff salaries and benefits	13,627	10,838	37,801	31,184
Advertisement and other selling expenses	8,356	5,392	20,511	17,694
Commercial vehicle expenses	6,303	5,525	17,914	14,527
Depreciation	518	737	1,654	2,210
Amortisation of intangible assets	-	139	-	417
Other expenses	8,383	6,348	23,230	17,706
	<u>37,187</u>	<u>28,979</u>	<u>101,110</u>	<u>83,738</u>

### 5. Other income

Other income for the nine month period ended 30 September 2017 mainly includes rental income amounting to AED 2.4 million (*nine month period ended 30 September 2016: AED 1.4 million*) and dividend income amounting to AED 0.5 million (*nine month period ended 30 September 2016: AED 0.5 million*).

### 6. Property, plant and equipment

#### Additions (unaudited)

During the nine month period ended 30 September 2017, the Group acquired assets amounting to AED 8.9 million (*nine month period ended 30 September 2016: AED 5.7 million*).

Also refer to note 11 for the reclassification of assets held for sale as assets held for use under property, plant and equipment during the current period.

#### Change in useful lives of assets

During the current period, the Group reassessed the estimated useful lives of property, plant and equipment and have resolved to revise the useful lives of the following assets:

Asset category	Useful lives	
	From April 2017	Until March 2017
Building	30	20
Plant and Machineries	10-20	5-10
Freezers (included under Transportation and Distribution equipment)	7	4

This change in the estimated useful life of the assets has resulted in a decrease in the depreciation charge for the nine month period ended 30 September 2017 by AED 1.53 million. This change has been accounted for as a change in accounting estimate and applied prospectively in accordance with International Accounting Standard – 8.

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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 7. Available-for-sale investments

	30 September 2017 AED 000 (Unaudited)	31 December 2016 AED 000 (Audited)	30 September 2016 AED 000 (Unaudited)
Opening balance	5,903	5,900	5,900
Change in fair value	(15)	3	19
Sale during the year	(294)	-	-
Closing balance	<u>5,594</u>	<u>5,903</u>	<u>5,919</u>

These include investments amounting to AED 5.6 million made in unquoted equity shares of Rawabi Emirates PJSC (31 December 2016: AED 5.6 million). Since the investments in Rawabi Emirates PJSC do not have a quoted market price in any active market, the fair value cannot be reliably measured and therefore the investment is stated at cost less impairment losses, if any.

### 8. Inventories

	30 September 2017 AED 000 (Unaudited)	31 December 2016 AED 000 (Audited)	30 September 2016 AED 000 (Unaudited)
Raw materials and packing materials	39,633	24,085	26,313
Semi-finished goods	1,347	992	1,760
Finished goods	6,589	10,094	9,051
Trading goods	12,899	7,559	8,398
Consumables stores and spare parts	6,488	6,471	5,702
	<u>66,956</u>	<u>49,201</u>	<u>51,224</u>
Less: Provision for slow-moving inventories	<u>(3,053)</u>	<u>(3,863)</u>	<u>(8,645)</u>
	<u>63,903</u>	<u>45,338</u>	<u>42,579</u>
Goods-in-transit	1,168	59	1,168
	<u>65,071</u>	<u>45,397</u>	<u>43,747</u>

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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 9. Trade and other receivables

	30 September 2017 AED 000 (Unaudited)	31 December 2016 AED 000 (Audited)	30 September 2016 AED 000 (Unaudited)
Trade receivables	79,129	43,577	51,853
Less: Provision for impairment of trade receivables	(7,756)	(6,795)	(6,495)
	<u>71,373</u>	<u>36,782</u>	<u>45,358</u>
Advances, deposits and prepayments	6,234	6,818	7,082
	<u>77,607</u>	<u>43,600</u>	<u>52,440</u>

### 10. Cash in hand and at bank

	30 September 2017 AED 000 (Unaudited)	31 December 2016 AED 000 (Audited)	30 September 2016 AED 000 (Unaudited)
Cash in hand	147	300	307
Bank balance			
- in current accounts	8,706	3,989	5,039
- fixed deposits (with an original maturity of 3 months or less)	4,856	5,187	3,187
	<u>13,709</u>	<u>9,476</u>	<u>8,533</u>

### 11. Assets held for sale

	30 September 2017 AED 000 (Unaudited)	31 December 2016 AED 000 (Audited)	30 September 2016 AED 000 (Unaudited)
Buildings, plant and equipment, and furniture, fixtures and office equipment (refer to note below)	-	12,069	12,413



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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 11. Assets held for sale (continued)

During 2015, the Directors approved the closure of the Group's Sohar factory in Oman and also decided to dispose off the factory assets ("disposal group"). Consequently, assets having a net book value of AED 13.45 million were reclassified from 'Property, plant and equipment' under non-current assets to 'Assets held for sale' under current assets.

During 2016, the Directors decided to use assets amounting to AED 1.38 million. Accordingly, such assets were reclassified as assets available for use as at 31 December 2016. Those assets were measured at the lower of their recoverable amount and the carrying values that would have been recognized had the asset never been reclassified as held-for-sale.

During the current period, (i) the fair value of buildings included in assets held for sale was reassessed based on agreement signed with a third party buyer and consequently an impairment loss of AED 2.5 million was recorded in profit or loss. The buildings have been disposed off in the current period and the carrying value (net of impairment losses) was fully realized. (ii) the Directors have decided to dismantle and move the remaining assets, from Oman to the UAE and use them in the Group's current production facilities. Accordingly, these assets have been reclassified as assets held for use under property, plant and equipment as at 30 September 2017. These assets have been measured at the lower of their recoverable amount and the carrying values that would have been recognized had the assets never been reclassified as held-for-sale. Accordingly, an impairment charge of AED 2.8 has been recorded in the current period, on their reclassification to assets held for use.

### 12. Retained earnings/(accumulated losses)

At the Annual General Meeting held on 23 March 2017, the shareholders approved a 10% cash dividend totaling to an amount of AED 3.03 million and the issuance of 7% bonus shares totaling to 2,117,500 shares having par value of AED 1.

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.

In the previous year, the shareholders approved to transfer general reserve amounting to AED 0.9 million to accumulated losses.

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

Notes to the condensed consolidated interim financial statements  
for the nine month period ended 30 September 2017 (unaudited)

## 13. Borrowings

	30 September 2017 AED 000 (Unaudited)	31 December 2016 AED 000 (Audited)	30 September 2016 AED 000 (Unaudited)
<b>Long term borrowings:</b>			
Term loan (refer (i) note below)	20,785	22,062	9,491
Less: short term portion of term loans	(10,478)	(12,336)	(7,616)
	<u>10,307</u>	<u>9,726</u>	<u>1,875</u>
<b>Short term borrowings:</b>			
Trust receipts	94,746	42,865	49,779
Bank overdrafts	3,578	4,119	4,681
Current portion of term loan	10,478	12,336	7,616
	<u>108,802</u>	<u>59,320</u>	<u>62,076</u>

- i) Bank borrowings are secured by mortgages over plant and machinery, hypothecation of inventories and assignment of receivables.
- ii) Bank borrowings are also subject to certain financial covenants including minimum tangible worth of AED 35 million, current ratio of 1.2:1, leverage ratio not to exceed 3:1 and Debt to EBITDA not to exceed 4.25. Testing for compliance with the above financial covenants is done annually on 31 December. As at 31 December 2016, the Group had not complied with the financial covenants as specified in the facility letters with the banks. However, based on the relationship with the creditor banks, the Group's Directors have 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.

## 14. Trade and other payables

	30 September 2017 AED 000 (Unaudited)	31 December 2016 AED 000 (Audited)	30 September 2016 AED 000 (Unaudited)
Trade payables	30,906	24,107	24,121
Accruals and others payables	7,264	6,180	9,962
Advance received from customers	485	346	487
Dividend payable	-	258	-
	<u>38,655</u>	<u>30,891</u>	<u>34,570</u>

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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 15. Provision for taxation

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 0.36 million (31 December 2016: AED 0.6 million) as at reporting date is adequate to meet the Group's tax liabilities.

### 16. 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	
	2017	2016	2017	2016
	AED 000	AED 000	AED 000	AED 000
Purchases from related parties*	1,074	1,847	3,980	3,260
Sales to related parties	208	-	208	-
Commission income *	-	-	-	73
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>

#### Compensation to key management personnel is as follows:

Staff salaries and benefits (including end-of-service benefits)	442	442	1,701	1,326
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>

\* In the previous period, the Group entered into distributorship agreement with Emirates Refreshment Company PJSC for a one-year term, renewable upon consent of both parties. In order to manage conflict of interests for the finalization of this transaction, a board member who had a conflict, was not involved in the pre-approval process in relation to this transaction. The Group has decided not to renew the agreement upon expiry of this agreement.

	30 September 2017	31 December 2016	30 September 2016
	AED 000	AED 000	AED 000
	(Unaudited)	(Audited)	(Unaudited)
<b>Due to related parties</b>			
- United Cans Company LLC	-	203	271
- Emirates Refreshment Company PJSC	-	1,762	1,503
	<u>      </u>	<u>      </u>	<u>      </u>
	-	1,965	1,774
	<u>      </u>	<u>      </u>	<u>      </u>
<b>Due from related parties</b>			
- Abjar Group	221	143	-
- United Foods PJSC	-	172	-
	<u>      </u>	<u>      </u>	<u>      </u>
	221	315	-
	<u>      </u>	<u>      </u>	<u>      </u>
<b>Other payables</b>			
- Key management personnel	132	330	255
	<u>      </u>	<u>      </u>	<u>      </u>

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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 17. Contingent liabilities

	30 September 2017 AED 000 (Unaudited)	31 December 2016 AED 000 (Audited)	30 September 2016 AED 000 (Unaudited)
Letters of guarantee	4,058	4,058	4,080
Letters of credit	4,548	16,438	15,995

### Legal cases

As at 30 September 2017, 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 2017 (31 December 2016: Nil).

### Commitments

The capital commitments outstanding as at 30 September 2017 amount to AED 5.5 million (31 December 2016: AED 5.7 million).

### 18. 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.

### 19. Basic earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2017	2016	2017	2016
Net profit attributable to owners of the Company (AED'000)	2,027	3,709	418	12,000
Weighted average number of shares outstanding ('000)	32,368	32,368	32,368	32,368
Basic earnings per share in AED	0.06	0.11	0.01	0.37

Weighted average number of shares outstanding for the three month and nine month periods ended 30 September 2016 have been retrospectively adjusted to include the 7% bonus shares approved in the shareholders' Annual General Meeting (AGM) held on 23 March 2017.

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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 20. Segmental reporting

The Group operates in the single reporting segment of dairy, 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 2017, 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 2016: Nil*)

### 21. 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 2016.

Financial assets consist of cash and cash equivalents, due from related parties, trade and other receivables and available-for-sale investments. 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.

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.

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

## Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (unaudited)

### 21. Financial instruments (continued)

#### Valuation of financial instruments (continued)

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 2017	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Available-for-sale investments	<u>16</u>	<u>-</u>	<u>5,578</u>	<u>5,594</u>
31 December 2016	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Available-for-sale investments	<u>326</u>	<u>-</u>	<u>5,577</u>	<u>5,903</u>

During the period ended 30 September 2017 and year ended 31 December 2016, there were no transfers between the various levels of fair value measurements.

### 22. 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.

### 23. Comparatives

Certain reclassifications were made to prior period numbers in these condensed consolidated interim financial statements to conform with the current period presentation.