

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

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 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 30 September 2020 and the related condensed interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and statement of changes in equity and cashflows for the nine-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

10 November 2020

Dubai, United Arab Emirates

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the Three-month and Nine-month periods ended 30 September 2020 (Unaudited)

	<i>Notes</i>	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2020 AED 000</i>	<i>2019 AED 000</i>	<i>2020 AED 000</i>	<i>2019 AED 000</i>
Revenue		60,998	86,434	182,896	243,675
Cost of sales		(37,355)	(54,795)	(116,203)	(159,008)
Gross profit		23,643	31,639	66,693	84,667
Administrative, selling and distribution expenses	3	(18,895)	(24,525)	(59,902)	(73,184)
Impairment (loss)/reversal on trade receivables		(110)	-	(447)	1,593
Operating profit for the period		4,638	7,114	6,344	13,076
Finance costs, net		(2,155)	(3,038)	(7,284)	(8,633)
Loss on fair valuation of investments		(100)	(2)	(743)	(3)
Other income	4	1,232	1,079	3,114	3,332
Profit for the period before tax		3,615	5,153	1,431	7,772
Tax credit/(expense)	15	400	(95)	400	(285)
Profit for the period		4,015	5,058	1,831	7,487
Profit attributable to:					
Owners of the Company		4,015	5,058	1,831	7,487
Earnings per share					
Earnings per share-basic (AED)	19	0.12	0.16	0.06	0.23

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the Three-month and Nine-month periods ended 30 September 2020 (Unaudited)

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2020 AED 000</i>	<i>2019 AED 000</i>	<i>2020 AED 000</i>	<i>2019 AED 000</i>
Profit for the period	4,015	5,058	1,831	7,487
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	4,015	5,058	1,831	7,487
Total comprehensive profit attributable to: Owners of the Company	4,015	5,058	1,831	7,487

The attached notes 1 to 23 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 30 September 2020

	Notes	30 September 2020 AED 000 (Unaudited)	31 December 2019 AED 000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	34,570	35,498
Investment properties	6	32,700	32,700
Right-of-use assets	7	44,590	53,360
Deferred tax asset	15	1,275	1,612
		<u>113,135</u>	<u>123,170</u>
Current assets			
Inventories	8	29,786	29,837
Trade and other receivables	9	49,422	57,374
Investments at fair value through profit or loss	10	15,518	16,261
Due from a related party	17	138	129
Cash in hand and at bank	11	14,769	11,072
		<u>109,633</u>	<u>114,673</u>
TOTAL ASSETS		<u>222,768</u>	<u>237,843</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		(17,298)	(19,129)
Total equity		<u>24,416</u>	<u>22,585</u>
Non-current liabilities			
Employees' end of service benefits		7,506	7,293
Lease liabilities	16	36,061	43,598
Long-term borrowings	13	23,486	29,523
		<u>67,053</u>	<u>80,414</u>
Current liabilities			
Borrowings	13	67,614	60,078
Trade and other payables	14	50,438	57,774
Due to related parties	17	507	1,380
Lease liabilities	16	12,490	14,625
Provision for Income tax	15	250	987
		<u>131,299</u>	<u>134,844</u>
Total Liabilities		<u>198,352</u>	<u>215,258</u>
TOTAL EQUITY AND LIABILITIES		<u>222,768</u>	<u>237,843</u>



Director

10 NOV 2020



Director

The attached notes 1 to 23 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 Nine-month period ended 30 September 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
Profit for the period	-	-	-	-	1,831	1,831
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,831	1,831
Balance as at 30 September 2020	32,368	2,366	792	6,188	(17,298)	24,416

The attached notes 1 to 23 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 (continued)

For the Nine-month period ended 30 September 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 2019	32,368	2,366	792	6,188	(19,644)	22,070
Profit for the period	-	-	-	-	7,487	7,487
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	7,487	7,487
Balance as at 30 September 2019	<u>32,368</u>	<u>2,366</u>	<u>792</u>	<u>6,188</u>	<u>(12,157)</u>	<u>29,557</u>

The attached notes 1 to 23 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 Nine-month period ended 30 September 2020 (Unaudited)

	Notes	<i>Nine-month period ended 30 September</i>	
		<i>2020 AED '000</i>	<i>2019 AED '000</i>
OPERATING ACTIVITIES			
Profit for the period before tax		1,431	7,772
Adjustments for:			
Depreciation	5	3,900	5,294
Depreciation on right to use assets	7	8,099	8,554
Impairment loss / (reversal) on trade receivables		447	(1,593)
Loss on fair valuation of investments		743	3
Gain on disposal of property, plant and equipment		(31)	(48)
Finance costs, net		7,284	8,633
Provision for employees' end of service benefits		944	846
Retirement of leases		(248)	-
		22,569	29,461
Working capital changes:			
Inventories		51	(2,170)
Trade and other receivables		7,505	(4,497)
Due from a related party		(9)	119
Trade and other payables		(7,336)	12,743
Due to related parties		(873)	43
		21,907	35,699
Employees' end-of-service benefits paid		(731)	(800)
Net cash generated from operating activities		21,176	34,899
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(2,978)	(4,560)
Placement of fixed deposit	11	(10,377)	-
Proceeds from disposal of property, plant and equipment		37	54
Net cash used in investing activities		(13,318)	(4,506)
FINANCING ACTIVITIES			
Borrowings, net		(1,136)	(4,673)
Finance cost paid		(5,298)	(6,567)
Lease liabilities paid		(10,739)	(6,466)
Net cash used in financing activities		(17,173)	(17,706)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(9,315)	12,687
Cash and cash equivalents at 1 January		7,941	1,090
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	11	(1,374)	13,777

The attached notes 1 to 23 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

At 30 September 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 10 November 2020.

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

Basis of preparation

The interim condensed consolidated financial statements for the nine-month period ended 30 September 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 consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019.

In addition, results for the nine-month period ended 30 September 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 Dirhams (“AED”), rounded to nearest thousand except when otherwise indicated, which is the Group’s functional and presentation currency.

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 consolidated financial statements for the year ended 31 December 2019. Except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of following new standards, with effect from 1 January 2020 or after, has had no significant effect on the interim condensed consolidated financial statements of the Group:

- Definitions of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Definition of Material – Amendments to IAS 1 and IAS 8
- The Conceptual Framework for Financial Reporting
- Covid-19- Related Rent Concessions – Amendments to IFRS 16

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

3 ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES

	<i>Three-month period ended 30 September (Unaudited)</i>		<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2020 AED 000</i>	<i>2019 AED 000</i>	<i>2020 AED 000</i>	<i>2019 AED 000</i>
Staff salaries and benefits	9,738	12,335	30,824	36,706
Advertisement and other selling expenses	100	123	334	372
Commercial vehicle expenses	2,082	3,384	6,781	10,913
Depreciation	742	710	2,203	2,151
Depreciation on right of use assets (Note 7)	2,521	3,120	8,099	8,554
Other expenses	3,712	4,853	11,661	14,488
	18,895	24,525	59,902	73,184

4 OTHER INCOME (Unaudited)

Other income for the nine-month period ended 30 September 2020 mainly include rental income amounting to AED 2.7 million (Nine-month period ended 30 September 2019: AED 2.7 million) and three-month period ended 30 September 2020 mainly include rental income amounting to AED 0.90 million (Three-month period ended 30 September 2019: AED 0.88 million)

5 PROPERTY, PLANT AND EQUIPMENT

Additions (unaudited)

During the nine-month period ended 30 September 2020, the Group acquired assets amounting to AED 3 million (Nine-month period ended 30 September 2019: AED 4.6 million). The depreciation expense amounted to AED 3.9 million (Nine-month period ended 30 September 2019: AED 5.3 million) out of which AED 1.7 million is allocated to cost of sales (Nine-month period ended 30 September 2019: AED 3.1 million) and AED 2.2 million to administrative, selling and distribution expenses (Nine-month period ended 30 September 2019: AED 2.2 million) (Note 3).

6 INVESTMENT PROPERTIES

Investment properties comprise a labor 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 recognized professional qualifications and recent experience in the location and category of properties 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 30 September 2020, and therefore no further revaluation exercised is performed.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

7 RIGHT-OF-USE ASSETS

	<i>30 September 2020 AED 000 (Unaudited)</i>	<i>31 December 2019 AED 000 (Audited)</i>
At 1 January	53,360	46,330
Additions during the period/year	3,598	21,221
Less: depreciation for the period/year	(8,099)	(11,792)
Less: retirement during the period/year	(4,269)	(2,399)
	<u>44,590</u>	<u>53,360</u>
At the end of the period/year	<u><u>44,590</u></u>	<u><u>53,360</u></u>

The Group has lease contracts for various items of land, buildings and motor vehicles. The retirement during the period/year mainly pertained to release of trucks and vehicles based on distribution plans to meet current requirements.

8 INVENTORIES

	<i>30 September 2020 AED 000 (Unaudited)</i>	<i>31 December 2019 AED 000 (Audited)</i>
Raw materials and packing materials	10,556	11,208
Semi-finished goods	793	1,706
Finished goods	5,505	5,960
Trading goods	4,696	3,907
Consumables stores and spare parts	6,407	6,400
	<u>27,957</u>	<u>29,181</u>
Less: Provision for slow-moving inventories	(1,267)	(1,184)
	<u>26,690</u>	<u>27,997</u>
Goods-in-transit	3,096	1,840
	<u><u>29,786</u></u>	<u><u>29,837</u></u>

9 TRADE AND OTHER RECEIVABLES

	<i>30 September 2020 AED 000 (Unaudited)</i>	<i>31 December 2019 AED 000 (Audited)</i>
Trade receivables	62,222	71,198
Less: Provision for expected credit losses	(22,535)	(22,088)
	<u>39,687</u>	<u>49,110</u>
Advances, deposits and prepayments	9,735	8,264
	<u><u>49,422</u></u>	<u><u>57,374</u></u>

During the period ended 30 September 2020, the Group did not write off any trade receivables (for the year ended 31 December 2019: 11,460 thousand) against allowance for expected credit losses.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>30 September 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	(743)	(1,039)
Closing balance	<u>15,518</u>	<u>16,261</u>

When measuring the fair value of investments, the Group uses 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. Refer to note 21 for disclosure on fair value hierarchy of investments.

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>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Cash in hand	3,189	490
Bank balances	11,580	10,582
	<u>14,769</u>	<u>11,072</u>
Less: Bank overdrafts (note 13)	(5,766)	(3,131)
Less: Fixed deposits	(10,377)	-
Cash and cash equivalents	<u>(1,374)</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 DIVIDEND AND DIRECTORS' FEE

Dividend declared

At the Annual General Meeting held on 24 April 2019, no dividend was approved for the year ended 31 December 2018. At the Annual General Meeting held on 23 April 2020, no dividend was approved for the year ended 31 December 2019.

Directors' fee

At the Annual General Meeting held on 24 April 2019, no director's fee was approved for the year ended 31 December 2018. At the Annual General Meeting held on 23 April 2020, no director's fee was approved for the year ended 31 December 2019.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

13 BORROWINGS

	<i>30 September 2020 AED 000 (Unaudited)</i>	<i>31 December 2019 AED 000 (Audited)</i>
Long term borrowings:		
Term loan	44,140	54,397
Less: short term portion of term loans	<u>(20,654)</u>	<u>(24,874)</u>
Long term portion of term loans	<u>23,486</u>	<u>29,523</u>
Short term borrowings:		
Trust receipts	41,194	32,073
Bank overdrafts	5,766	3,131
Current portion of term loans	<u>20,654</u>	<u>24,874</u>
	<u>67,614</u>	<u>60,078</u>

- i) During the period ended 30 September 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 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.

14 TRADE AND OTHER PAYABLES

	<i>30 September 2020 AED 000 (Unaudited)</i>	<i>31 December 2019 AED 000 (Audited)</i>
Trade payables	41,039	49,824
Accruals and other payables	9,143	7,640
Dividend payable	256	256
Contract liabilities - advance received from customers	-	54
	<u>50,438</u>	<u>57,774</u>

15 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

15 INCOME TAX (continued)

	<i>Three-month period ended 30 September (Unaudited)</i>		<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2020 AED 000</i>	<i>2019 AED 000</i>	<i>2020 AED 000</i>	<i>2019 AED 000</i>
<i>Income taxes</i>				
Current income tax credit/(expense)	740	(95)	740	(285)
Deferred income tax expense relating to origination and reversal of temporary differences	(340)	-	(340)	-
Tax credit/(expense)	400	(95)	400	(285)

The management had a provision for tax of AED 0.74 thousand (Unaudited) relating to open assessments for the tax periods from 2014 to 2017, for which final assessment have been issued during this the three-month period ended 30 September 2020, without any additional liability. Accordingly, the management has reversed such provision of AED 0.74 million (Unaudited) during the three-month period ended 30 September 2020 (Three-month period ended 30 September 2019: Nil (Unaudited)).

In the opinion of the management the remaining provision for taxation of AED 0.25 million (Unaudited) (31 December 2019: AED 0.98 million (Audited)) as at reporting date is adequate to meet the Group's tax liabilities for tax periods of 2018 and 2019 which are subject to final assessment.

16 LEASE LIABILITIES

	<i>30 September 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	3,597	21,221
Add: finance cost	1,986	2,481
Less: payments during the period / year, net of prepayments and accruals adjustment	(10,739)	(8,949)
Less: retirements during the period / year	(4,516)	(2,592)
	48,551	58,223

Presented on interim condensed consolidated statement of financial position as follows:

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Current	12,490	14,625
Non-current	36,061	43,598
Total	48,551	58,223

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, 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 30 September (Unaudited)</i>		<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2020 AED'000</i>	<i>2019 AED'000</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Other related parties:				
Sales	<u>437</u>	<u>87</u>	<u>561</u>	<u>450</u>
Purchases	<u>334</u>	<u>2,240</u>	<u>1,135</u>	<u>3,786</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 30 September (Unaudited)</i>		<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2020 AED'000</i>	<i>2019 AED'000</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Short term benefits	<u>352</u>	<u>547</u>	<u>1,273</u>	<u>2,120</u>
Provision towards staff terminal benefits	<u>16</u>	<u>12</u>	<u>40</u>	<u>46</u>
	<u>368</u>	<u>559</u>	<u>1,313</u>	<u>2,166</u>

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

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Due from related party – under common directorship	<u>138</u>	<u>129</u>
Due to related parties – under common directorship	<u>507</u>	<u>1,380</u>

c) Other payables:

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Key management personnel	<u>452</u>	<u>336</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

18 CONTINGENCIES AND COMMITMENTS

	30 September 2020 AED 000 (Unaudited)	31 December 2019 AED 000 (Audited)
Letters of guarantee	2,365	4,058
Letters of credit	6,753	6,449
	9,118	10,507

Legal cases

As at 30 September 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 30 September 2020 (Unaudited) (31 December 2019: NIL (Audited)).

Capital Commitments

The capital commitments outstanding as at 30 September 2020 amount to AED 5,638 million (Unaudited) (31 December 2019: AED 6,487 million (Audited)) representing costs to be incurred towards construction of warehouses and cooling system for the plant.

19 BASIC EARNINGS PER SHARE

	Three-month period ended 30 September (Unaudited)		Nine-month period ended 30 September (Unaudited)	
	2020 AED 000	2019 AED 000	2020 AED 000	2019 AED 000
Net profit attributable to owners of the Company (AED '000)	4,015	5,058	1,831	7,487
Weighted average number of shares outstanding (including bonus shares ('000))	32,368	32,368	32,368	32,368
Profit per share - basic (AED)	0.12	0.16	0.06	0.23

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

20 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 (Unaudited)

During the Nine-month period ended 30 September 2020 and three-month period ended 30 September 2020, 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 2019 and Three-month period ended 30 September 2019: Nil)

21 FAIR VALUES OF FINANCIAL INSTRUMENTS**Financial risk management**

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 30 September 2020, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>30 September 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)	15,518	9	-	15,509
Investment properties (Unaudited)	32,700	-	-	32,700
	<u>48,218</u>	<u>9</u>	<u>-</u>	<u>48,209</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 (Audited)	16,261	9	-	16,261
Investment properties (Audited)	32,700	-	-	32,700
	<u>48,961</u>	<u>9</u>	<u>-</u>	<u>48,961</u>

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 UNCERTAINTY RELATED TO KEY ESTIMATES

The preparation of interim condensed consolidated 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 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 and spread of a coronavirus (COVID-19) continue to result in various level of 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 significantly affected the economies and the businesses of the regions where the Group operates. The management continue to assess the impact of COVID-19 and concluded 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, except as follows:

Impact of COVID-19

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 interim condensed consolidated 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 at fair value through profit or loss

For the period ended 30 September 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.

Going concern assessment

As of 30 September 2020, the Group has accumulated losses of AED 17,298 thousand (unaudited), which is more than 50% of its share capital, and its current liabilities exceeded its current assets by AED 21,666 thousand (unaudited). 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 and positive cashflows. Further, as required by Federal Law No. (2) of 2015, the shareholders had resolved to continue its operations in the Annual General Meeting held on 26 April 2020.