

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

Consolidated financial statements  
*31 December 2016*

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

## Consolidated financial statements

31 December 2016

<i>Contents</i>	<i>Pages</i>
Directors' report	1 – 3
Independent auditors' report	4 - 10
Consolidated income statement	11
Consolidated statement of profit or loss and other comprehensive income	12
Consolidated statement of financial position	13
Consolidated statement of cash flows	14
Consolidated statement of changes in equity	15
Notes to the consolidated financial statements	16 - 45



## UNIKAI FOODS P.J.S.C. (شركة مساهمة عامة) يونيكاي للأغذية

Dear Shareholders,

On Behalf of the Board of Directors, I am pleased to present the Annual Report of your Company together with the audited consolidated financial statements for the year ended December 31, 2016.

### BUSINESS ENVIRONMENT

Year 2016 was challenging yet an encouraging and a significant year for us. Despite of challenges we faced, we continued on our journey to bring unprecedented changes and are treading ahead with our vision to be a leading food and beverage lifestyle company in the region. The regional economic climate of 2016 brought with it a blend of challenges, rewards and opportunities. During the year, we remained resilient and dedicated by continuing to invest in our business and through empowering transformation; we are equipping ourselves with the agility and scalability to meet future demands. I remain extremely positive and confident about the future of this great Company.

### FINANCIAL PERFORMANCE

During the year 2016, we have been able to deliver an organic growth of almost %4 in our overall revenue as compared to previous year. The net operating profit also showed an increase of 1% over previous year. While our Net Profit has declined versus the previous financial year we have endured and still remained profitable in what has been a challenging year for most other businesses in our industry in 2016

AED'000

	2016	2015
Revenue	315,452	304,208
Net Operating Profit	10,212	10,155
Net Profit	10,100	13,471

As we conclude this financial year, I realized how quickly these past three years have passed and the existing board of Unikai comes to the end of their term. During the last three years, we have had many rewarding moments, as well as some challenges and through this period of transition, we have made solid progress on many fronts, including building on strategic platforms, while establishing exciting new ones. As you may be aware, the last time we paid dividends to our shareholders was in May 2011 and true to our commitment to add value to all our stakeholders, I am delighted to announce that the board has proposed a dividend payout of 17 % of our share capital where 10% will be paid as cash dividends and %7 as bonus shares.



## يونيكاي للأغذية (شركة مساهمة عامة) UNIKAI FOODS P.J.S.C.

On that note and on behalf of the board, I am pleased to share with you a highlighted summary of our key accomplishments in the last three years of our tenure:

### **Financial Stability:**

Increased our bank facilities and successfully registered two consecutive years of profit (after successive losses for four years), in addition to rekindling our relationships with our partners, suppliers and customers by honoring our contracts and commercial terms.

### **Operational Efficiencies:**

Rationalized and Optimized our sales routes and distribution system and Improved our margins by focusing on premium products. Outsourced non-core activities and focused on value added products.

### **Infrastructure Development :**

Invested heavily in the infrastructure of the company's factory and commissioned a new state of the art Central Lab. Revamped our Unikai distribution centers in Muscat, Salalah, Ibri, Abu Dhabi and Dubai in addition to increasing our route capacity and freezer placements across UAE and Oman

### **Innovation & Brand building**

Launched 13 new products in 2016 and revamped our existing portfolio with consumer centric packaging. Successfully, participated in Gulfood 2016 and went live across key online platforms – social and a new corporate website with robust PR support to magnify our key initiatives.

### **Organizational Structure:**

Embedded right culture throughout the company and built a dynamic and talented team, through the recruitment of key manpower.

### **OUR COMMITMENT TO YOU IN 2017**

True to our continued commitment, It will always be our motto to endeavor and guarantee that Unikai proceeds with a balanced approach of creating shareholder value in conjunction with making our products readily and easily available to our consumers. Growth and profitability will remain to be our single minded focus in the years ahead.

The world is changing. We are in the midst of a global paradigm shift depicting how we, as communities and individuals enjoy our portofolio of products. As a food and beverage lifetysle company, we are at the epicentre of this change and we are excited and invigorated by the potential of the future and our role in shaping it. We aim to ensure our strategy and operations are flexible and rapidly evolving so that we make the most of our consumers changing demands and the opportunities this offers us.





يونيكاي للأغذية (شركة مساهمة عامة) UNIKAI FOODS P.J.S.C.

I am also very grateful to have the ongoing advice and support of our Board. I would like to thank the members for their time and effort over the last three years, and for helping direct the company along a path of growth and profitability. My gratitude extends also to our customers, suppliers, business partners, bankers and the employees who always commit and contribute to the success of our company

Sincerely,  
Mana Mohammed Saeed Al Mulla  
Chairman

18 FEB 2017



KPMG Lower Gulf Limited  
Level 12, IT Plaza  
Dubai Silicon Oasis, Dubai, UAE  
Tel. +971 (4) 356 9500, Fax +971 (4) 326 3788

## **Independent auditors' report**

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

### **Report on the audit of the consolidated financial statements**

#### ***Opinion***

We have audited the consolidated financial statements of Unikai Foods (P.J.S.C) ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income (comprising a separate consolidated income statement and a consolidated statement of profit or loss and other comprehensive income), changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
-------------------------	---

**Valuation of inventories**

*Refer to note 13 to the consolidated financial statements*

Inventories represent 31% of the Group's total assets and a sizeable part of the inventories have a relatively short shelf life. As described in the accounting policies in note 3 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. As a result, management applies judgment in determining the appropriate provisions for obsolete and slow moving stock based upon a detailed analysis of old inventory and estimation of net realisable value.

We assessed reasonableness of the management assumptions applied in the valuation of inventories and related provision by:

- testing the effectiveness of key controls operating over inventories; including observing the process of management year end inventory count.
- verifying for a sample of individual products that related costs have been appropriately recorded.
- comparing on a sample basis the net realisable value to the cost of inventories at reporting date to assess the reasonableness of the associated provision.
- testing on a sample basis the movements in provision for obsolete and slow moving inventories by verifying supporting documentation.
- assessing the reasonableness of the provision for obsolete and slow moving inventories by reviewing the age profile of inventories and discussing usability of inventories with management.



**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
-------------------------	---

**Credit risk and impairment of trade receivables**

*Refer to notes 14 and 28 to the consolidated financial statements*

Impairment is a subjective area due to the level of judgment applied by management in determining the impairment allowance. Due to the significance of trade receivables (representing 25% of total assets) and the related estimation uncertainty, this is considered a key audit matter.

Judgment is applied by management to determine appropriate parameters and assumptions used to calculate impairment.

- Our audit procedures included testing the Group's credit control procedures, including the controls around credit terms, and reviewing the payment history.
- We analysed significant overdue receivable balances at year end and understood the basis applied by management to arrive at the yearend provision.
- We circularized a sample of outstanding receivable balances at year end for obtaining balance confirmations. In case of receivable balances where no confirmation were received, performed alternative procedures to verify accuracy and completeness of the outstanding balances.
- We inspected arrangements and / or correspondences with external parties to assess the recoverability of significant outstanding receivables.
- We assessed the adequacy of the Group's disclosure in these respects.





**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
-------------------------	---

<b>Assets held for sale</b>	
-----------------------------	--

*Refer to note 16 to the consolidated financial statements*

In May 2015, the Directors approved the permanent closure of the Group's Sohar factory in Oman and decided to dispose off the factory assets. Consequently, assets with 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. There is a risk that these assets held for sale may not have been valued at lower of carrying value or fair value less costs to sell in accordance with International Financial Reporting Standards.

We focused on this area because of the inherent judgment involved in determining key assumptions which will impact the classification and valuation of these assets.

- Assessed management's conclusion that assets classified as held for sale meet the classification criteria as assets held for sale under IFRS 5.
- The Group has obtained a valuation of the assets held for sale from independent third party valuers. Our audit procedures included assessment of the competence, independence and integrity of the external valuers to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work. We understood and assessed the appropriateness of the valuation methodology used by the valuers for the different assets.
- We assessed the adequacy of the Group's disclosure for these assets.



### *Other information*

Management is responsible for the other information. The other information comprises the Group's Annual Report for 2016 but does not include the consolidated financial statements and our auditors' report thereon. We obtained the report of the Group's Board of Directors prior to the date of our auditors' report and we expect to obtain the remaining sections of the Group's Annual Report for 2016 after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the Group's Annual Report for 2016, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

### *Responsibilities of management and those charged with governance for the consolidated financial statements*

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements



*Auditor's responsibilities for the audit of the consolidated financial statements*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



*Auditor's responsibilities for the audit of the consolidated financial statements  
(continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- v) as disclosed in note 12 to consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2016;
- vi) note 23 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2016.

On behalf of KPMG Lower Gulf Limited

Fawzi AbuRass  
Registration No. 968  
Dubai, United Arab Emirates  
Date: 20 FEB 2017

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

## Consolidated income statement for the year ended 31 December 2016

	<i>Note</i>	<b>2016</b> <b>AED 000</b>	<b>2015</b> <b>AED 000</b>
<b>Revenue</b>		<b>315,452</b>	<b>304,208</b>
Cost of sales	5	(194,324)	(194,596)
<b>Gross profit</b>		<b>121,128</b>	<b>109,612</b>
Administrative and distribution expense	6	(110,916)	(99,457)
<b>Operating profit for the period</b>		<b>10,212</b>	<b>10,155</b>
Finance costs	7	(4,067)	(2,641)
Other income	8	4,058	6,185
<b>Profit before tax</b>		<b>10,203</b>	<b>13,699</b>
Tax expense		(103)	(228)
<b>Profit for the year</b>		<b>10,100</b>	<b>13,471</b>
<b>Profit attributable to:</b>			
Owners of the Company		<b>10,100</b>	<b>13,471</b>
<b>Earnings per share</b>			
Basic earnings per share (AED)	26	<b>0.334</b>	<b>0.445</b>

The notes set out on pages 16 to 45 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 10.

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

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	<i>Note</i>	<b>2016</b> <b>AED 000</b>	<b>2015</b> <b>AED 000</b>
<b>Profit for the year</b>		<b>10,100</b>	<b>13,471</b>
<b>Other comprehensive income/(expense) for the year:</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	12	3	(195)
		---	----
<b>Total other comprehensive income/(expense) for the year</b>		<b>3</b>	<b>(195)</b>
		---	----
<b>Total comprehensive income for the year</b>		<b>10,103</b>	<b>13,276</b>
		=====	=====
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>10,103</b>	<b>13,276</b>
		=====	=====

The notes set out on pages 16 to 45 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 10.



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

## Consolidated statement of financial position

as at 31 December 2016

	Note	2016 AED 000	2015 AED 000
<b>Non-current assets</b>			
Property, plant and equipment	9	26,660	22,886
Capital advances	10	4,267	-
Intangible assets	11	-	461
Available-for-sale investments	12	5,903	5,900
		<u>36,830</u>	<u>29,247</u>
<b>Current assets</b>			
Inventories	13	45,397	37,333
Trade and other receivables	14	43,600	38,841
Due from related parties	23	315	-
Cash in hand and at bank	15	9,476	1,188
Assets held for sale	16	12,069	13,449
		<u>110,857</u>	<u>90,811</u>
<b>Total assets</b>		<u><u>147,687</u></u>	<u><u>120,058</u></u>
<b>Equity</b>			
Share capital	17	30,250	30,250
Legal reserve	18	1,484	900
Restricted reserve	18	792	792
General reserve	18	-	900
Retained earnings/(accumulated losses)	18	6,279	(4,137)
Fair value reserve		57	54
		<u>38,862</u>	<u>28,759</u>
<b>Non-current liabilities</b>			
Staff terminal benefits	19	6,324	6,158
Long term borrowings	20	9,726	-
		<u>16,050</u>	<u>6,158</u>
<b>Current liabilities</b>			
Short-term borrowings	20	59,320	48,681
Trade and other payables	21	30,891	35,533
Due to related parties	23	1,965	65
Provision for tax	22	599	862
		<u>92,775</u>	<u>85,141</u>
<b>Total liabilities</b>		<u><u>108,825</u></u>	<u><u>91,299</u></u>
<b>Total equity and liabilities</b>		<u><u>147,687</u></u>	<u><u>120,058</u></u>

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on

Director

Director

The notes set out on pages 16 to 45 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 10.

18 FEB 2017

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

## Consolidated statement of cash flows

for the year ended 31 December 2016

	2016 AED 000	2015 AED 000
<b>Cash flows from operating activities</b>		
Profit for the year before tax	10,203	13,699
<i>Adjustments for:</i>		
Depreciation	6,014	6,049
Amortization of intangible assets	461	550
Finance costs	4,067	2,641
Dividend income	(538)	(328)
Provision/(reversal) for impairment of trade receivables	300	(1,092)
Provision for staff terminal benefits	707	188
Gain on disposal of property, plant and equipment (net)	(695)	(3,475)
Gain on disposal of assets held for sale	-	(467)
	<u>20,519</u>	<u>17,765</u>
<i>Changes in:</i>		
• inventories	(8,064)	(2,665)
• trade and other receivables	(5,059)	(7,865)
• due from related parties	(315)	-
• trade and other payables	(4,642)	(8,517)
• due to related parties	1,900	-
Staff terminal benefits paid	(541)	(1,859)
Taxes paid	(366)	(101)
	<u>3,432</u>	<u>(3,242)</u>
<b>Net cash from/( used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	815	8,874
Proceeds from disposal of assets held for sale	-	2,187
Acquisition of property, plant and equipment	(8,528)	(6,727)
Capital advances paid	(4,267)	-
Dividend received	538	328
	<u>(11,442)</u>	<u>4,662</u>
<b>Net cash (used in)/from/investing activities</b>		
<b>Cash flows from financing activities</b>		
Net movement in bank borrowings	21,101	15,378
Interest paid	(4,067)	(2,641)
	<u>17,034</u>	<u>12,737</u>
<b>Net cash from financing activities</b>		
<b>Net increase in cash and cash equivalents</b>	<u>9,024</u>	<u>14,157</u>
Cash and cash equivalents at the beginning of the year	(3,667)	(17,824)
<b>Cash and cash equivalents at end of year</b>	<u>5,357</u>	<u>(3,667)</u>
<i>Cash and cash equivalents comprise:</i>		
Cash in hand and at bank (note 15)	9,476	1,188
Bank overdraft (note 20)	(4,119)	(4,855)
	<u>5,357</u>	<u>(3,667)</u>

The notes set out on pages 16 to 45 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 10.

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

## Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital AED 000	Legal reserve AED 000	Restricted reserve AED 000	General reserve AED 000	Fixed assets replacement reserve AED 000	(Accumulated losses)/retained earnings AED 000	Fair value reserve AED 000	Total AED 000
<b>At 1 January 2015</b>	30,250	13,965	576	83,300	15,000	(127,857)	249	15,483
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	13,471	-	13,471
Net change in fair value of available for sale investments	-	-	-	-	-	-	(195)	(195)
<b>Total comprehensive income for the year</b>								
Transfers to accumulated losses (refer note 18)	-	(13,965)	-	(83,300)	(15,000)	112,265	-	-
Transfer to reserves	-	900	216	900	-	(2,016)	-	-
<b>At 31 December 2015</b>	30,250	900	792	900	-	(4,137)	54	28,759
<b>At 1 January 2016</b>	30,250	900	792	900	-	(4,137)	54	28,759
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	10,100	-	10,100
Net change in fair value of available for sale investments	-	-	-	-	-	-	3	3
<b>Total comprehensive income for the year</b>								
Transfers to retained earnings (refer note 18)	-	-	-	-	-	10,100	3	10,103
Transfer to reserves	-	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	30,250	1,484	792	-	-	6,279	57	38,862

The notes set out on pages 16 to 45 are an integral part of these consolidated financial statements.

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

## Notes to the consolidated financial statements for the year ended 31 December 2016

### 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 25. 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.

At the Extra Ordinary General Meeting held on 25 March 2015, the shareholders approved the change in the name of the Company from its existing name “United Kaipara Dairies Company P.S.C.” to “Unikai Foods P.J.S.C”.

### 2. Basis of preparation

#### *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and comply with the relevant Articles of the Company and the UAE Federal Law No. (2) of 2015.

UAE Federal Law No (2) of 2015 being the Commercial Companies Law (“UAE Companies Law of 2015”) was issued on 1 April 2015 and has come into force on 1 July 2015 repealing the old UAE Federal Law No. 8 of 1984 (as amended). Companies are mandated to comply with the UAE Companies Law of 2015 by 30 June 2017.

#### *Basis of measurement*

These consolidated financial statements have been prepared under the historical cost, except for financial instruments classified as available-for-sale that are stated at fair value.

#### *Functional and presentation currency*

These consolidated financial statements are presented in United Arab Emirate Dirham (“AED”), which is the Company’s functional currency. All financial information presented in AED has been rounded to the nearest thousand, unless otherwise indicated.

#### *Use of estimates and judgments*

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of the Group’s accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

## Notes *(continued)*

### 2. Basis of preparation *(continued)*

#### *Use of estimates and judgments (continued)*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are discussed in note 29.

#### *Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The management have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The management regularly reviews significant unobservable inputs and valuation adjustment. If third party information, such as broker quotes or pricing services, are used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirement of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, 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 the valuation techniques as follows:

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

If inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 12 – available-for-sale investments;  
Note 28 – financial instruments; and  
Note 16 – assets held for sale.

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

## Notes *(continued)*

### 3. Significant accounting policies

The accounting policies set out below, which comply with IFRSs, have been applied consistently to all periods presented in these consolidated financial statements.

#### **Basis of consolidation**

These consolidated financial statements comprise the consolidated statement of financial position and the consolidated results of operations of the Company and its subsidiary (collectively referred to as “the Group”) on a line by line basis.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that on which control commences until the date on which control ceases.

#### *Transactions eliminated on consolidation*

Material intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in full in preparing these consolidated financial statements.

#### **Revenue**

Revenue is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

#### **Dividend income**

Dividend income is accounted when the Group’s right to receive dividend is established.

#### **Rental income**

Rental income on operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.



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

Notes *(continued)*

## 3. Significant accounting policies *(continued)*

### Property, plant and equipment and depreciation

#### *Recognition and measurement*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- capitalised borrowing costs.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### *Subsequent expenditure*

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

#### *Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the leased term.

The estimated useful lives for current and comparative years of significant items of property, plant and equipment are as follows:

• Buildings	20 years
• Plant and equipment	5-10 years
• Transportation and distribution equipment	3-6 years
• Furniture, fixtures and office equipment	4 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

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

### Capital work in progress

Capital work in progress is stated at cost less any impairment losses and not depreciated until such time the assets are ready for intended use and transferred to the respective category under property, plant and equipment.

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

## Notes (continued)

### 3. Significant accounting policies (continued)

#### Intangible assets

Intangible assets represent computer software, are stated at cost less accumulated amortisation, and impairment losses, if any and are amortised over four years on a straight line basis from the date that they are available for use.

An assessment of amortisation method and useful lives are undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the amortisation charge.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in profit or loss as incurred.

#### Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

##### *Raw materials, packaging materials, trading stocks, consumable stocks and, spare parts*

The cost includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Cost is determined on a weighted average basis.

##### *Finished goods and semi-finished goods*

The cost of finished goods is arrived at on a weighted average cost basis and includes cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity. Semi-finished goods are stated at cost of the materials and directly attributable overheads.

#### Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories and financial assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in the profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated.

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

## Notes (continued)

### 3. Significant accounting policies (continued)

#### Financial instruments

The Group classifies non-derivative financial assets into following categories: loans and receivables and available for sale financial assets.

#### *(i) Non-derivative financial assets and liabilities – recognition and derecognition*

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the asset. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

#### *(ii) Non-derivative financial assets – measurement*

##### *Loans and receivables*

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and amounts due from related parties.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances including fixed deposits with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### *Available-for-sale financial assets*

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in other comprehensive income and accumulated in the fair value reserves. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

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

## Notes *(continued)*

### 3. Significant accounting policies *(continued)*

#### Financial instruments *(continued)*

##### *(iii) Non-derivative financial liabilities - measurement*

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities comprise trade and other payables, bank borrowings and amount due to related parties.

##### *(iv) Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

#### Impairment

##### *(i) Non-derivative financial assets*

Financial asset not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, the disappearance of active market for a security or observable data indicating that there is measureable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

##### *Financial assets measured at amortized cost*

The Group considers evidence of impairment for these assets at an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historic trends.

An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of assets, the relevant amounts are written off. If the amount of impairment loss subsequently decrease and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

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

## Notes (continued)

### 3. Significant accounting policies (continued)

#### Impairment (continued)

##### *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss recognized previously in profit or loss. If the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

##### *(ii) Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than inventories, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of an asset or cash generated unit exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **Staff terminal benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the year in which they arise.

#### **Provisions**

Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

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

## Notes *(continued)*

### 3. Significant accounting policies *(continued)*

#### **Leases**

##### *Operating lease*

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases.

Payments made/receipts under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received/allowed are recognized in profit or loss as an integral part of the total lease payments made/receipts obtained.

#### **Foreign currency**

##### *Foreign currency transactions*

Foreign currency transactions are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss on a net basis as either finance income or finance cost.

##### *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to AED at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to AED at the average exchange rates for current year. Foreign exchange differences arising on translation are recognized in other comprehensive income and presented in the foreign currency translation reserve in equity.

#### **Finance income and finance cost**

Finance expenses comprise interest expense on bank borrowings and bank charges and commission.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.



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

## Notes *(continued)*

### 3. Significant accounting policies *(continued)*

#### **Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax calculated in accordance with the income tax laws applicable to the overseas subsidiary of the Group. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in comprehensive income or in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent it is probable that the future taxable profits will be available against which the deferred tax asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **Earnings per share**

The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (if any).

#### **Government grants**

Government grants are recognized at nominal value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

#### **Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

## Notes (continued)

### 3. Significant accounting policies (continued)

#### Fair value (continued)

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets at a bid price and liabilities at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

#### New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning on 1 January 2016 and earlier application is permitted, however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

- *IFRS 9 Financial instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

- *IFRS 15 Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

- *IFRS 16 Leases*

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

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

## Notes *(continued)*

### 3. Significant accounting policies *(continued)*

#### New standards and interpretations not yet effective *(continued)*

- *IFRS 16 Leases (continued)*

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

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

Management is currently in the process of assessing the impact of these new standards to the accounting, disclosures and presentation requirement in the consolidated financial statements.

### 4. Financial risk management

#### Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management framework is a combination of formally documented policies in certain areas and informal approach to risk management in others. The Group's senior management is responsible for developing and monitoring the Group's approach to risk management. The Group's senior management reports to the Board of Directors on its activities.

The Group's approach to risk management is established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and principally from the Group's receivables from customers and cash with banks.

#### Trade receivables

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Group's credit risk management, where it is considered necessary, such receivables are covered by post dated cheques.

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

## Notes *(continued)*

### 4. Financial risk management *(continued)*

#### Credit risk *(continued)*

##### *Cash at banks*

The Group's cash is placed with banks of repute.

##### *Due from related parties*

Balance due from related parties is considered fully recoverable by the management.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Group.

Liquidity risk mainly relates to trade and other payables and bank borrowing. Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

#### Market risks

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

##### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily United State Dollar ("USD") and Euro. The Group does not face any foreign currency risk on transactions denominated in USD as AED is currently pegged to USD.

##### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities that are subject to fair value interest risk are the ones with fixed interest rate. Financial assets and liabilities that are subject to cash flow interest rate risk are the ones with floating interest rate.

#### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earnings. The Board of Directors monitors the return on capital as well as level of dividend to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

## Notes (continued)

### 5. Cost of sales

	2016 AED 000	2015 AED 000
<b>Manufacturing:</b>		
Raw material, packing materials and stores and spares consumed	127,298	129,828
Staff costs	13,070	10,592
Utilities	10,615	9,748
Depreciation (refer note 9)	2,583	2,507
Other direct costs	5,338	7,091
	<u>158,904</u>	<u>159,766</u>
Changes in inventories of semi-finished and finished goods	3,281	688
	<u>162,185</u>	<u>160,454</u>
<b>Trading:</b>		
Inventories, beginning of the year	6,618	7,872
Purchases (including direct expenses)	33,080	32,888
Inventories, end of the year (refer note 13)	(7,559)	(6,618)
	<u>32,139</u>	<u>34,142</u>
	<u>194,324</u>	<u>194,596</u>

### 6. Administrative and distribution expenses

	2016 AED 000	2015 AED 000
Staff costs	40,987	39,904
Advertisement and other selling expenses	24,460	18,954
Depreciation (refer note 9)	3,431	3,542
Commercial vehicle expenses	20,244	15,308
Utilities	732	832
Amortisation of intangible assets (refer note 11)	461	550
Provision for/(reversal of) impairment of trade receivables	300	(1,092)
Other expenses	20,301	21,459
	<u>110,916</u>	<u>99,457</u>

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

## Notes (continued)

### 7. Finance cost

	2016 AED 000	2015 AED 000
On bank loans and overdrafts	<u>4,067</u>	<u>2,641</u>

### 8. Other income

	2016 AED 000	2015 AED 000
Rental income (refer note below)	2,150	1,000
Gain on disposal of property plant and equipment	695	3,942
Dividend income	538	328
Sale of scrap	270	254
Net exchange gains	233	380
Miscellaneous income	172	281
	<u>4,058</u>	<u>6,185</u>

Rental income is earned from leasing of labour accommodation to third parties.



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

## Notes (continued)

### 9. Property, plant and equipment

	Land and buildings AED 000	Plant and equipment AED 000	Transportation and distribution equipment AED 000	Furniture, fixtures and office equipment AED 000	Capital work-in- progress AED 000	Total AE000
<b>Cost</b>						
At 1 January 2015	59,181	88,307	47,828	10,745	-	206,061
Additions	-	653	5,842	232	-	6,727
Disposals	-	(11,714)	(26,816)	(35)	-	(38,565)
Reclassification to assets held for sale (refer note 16)	(12,409)	(19,401)	-	(2,879)	-	(34,689)
At 31 December 2015	46,772	57,845	26,854	8,063	-	139,534
At 1 January 2016	46,772	57,845	26,854	8,063	-	139,534
Additions	243	4,610	2,325	705	645	8,528
Disposals	-	(2,690)	(11,380)	(1,894)	-	(15,964)
Transfer from assets held for sale (refer note 16)	-	-	-	-	1,380	1,380
At 31 December 2016	47,015	59,765	17,799	6,874	2,025	133,478
<b>Depreciation and impairment</b>						
At 1 January 2015	39,255	71,753	45,768	8,229	-	165,005
Charge for the year	1,317	2,515	1,051	1,166	-	6,049
On disposals	-	(11,511)	(21,625)	(30)	-	(33,166)
Reclassification to assets held for sale (refer note 16)	(6,048)	(12,633)	-	(2,559)	-	(21,240)
At 31 December 2015	34,524	50,124	25,194	6,806	-	116,648
At 1 January 2016	34,524	50,124	25,194	6,806	-	116,648
Charge for the year	1,235	2,661	795	1,323	-	6,014
On disposals	-	(2,577)	(11,380)	(1,887)	-	(15,844)
At 31 December 2016	35,759	50,208	14,609	6,242	-	106,818
<b>Net book value</b>						
At 31 December 2016	11,256	9,557	3,190	632	2,025	26,660
At 31 December 2015	12,248	7,721	1,660	1,257	-	22,886

(a) Depreciation has been allocated as follows:

	2016 AED 000	2015 AED 000
Cost of sales (refer note 5)	2,583	2,507
Administrative and distribution expenses (refer note 6)	3,431	3,542
	<u>6,014</u>	<u>6,049</u>

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

## Notes (continued)

### 9. Property, plant and equipment (continued)

- (b) The Government of Dubai has granted a land to the Group for setting up manufacturing facilities that has been recorded at a nominal value.
- (c) Land and buildings comprise of certain buildings constructed on land leased to the Group. The lease is renewable every year and management believes that the lease would be available to the Group on an on-going basis in the foreseeable future.
- (d) During the previous year, the Directors approved the permanent closure of the Group's Sohar factory in Oman and decided to dispose off the factory assets. Consequently, assets with 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 the current period, the Directors have decided to use assets amounting to AED 1.38 million. Accordingly, these assets have been reclassified as assets available for use as at 31 December 2016. These assets have been measured at the lower of its recoverable amount and the carrying amount that would have been recognized had the asset never been reclassified as held-for-sale.

The efforts to sell the remaining assets are ongoing and the sale is expected to be completed in the near future.

- (e) Plant and equipment are mortgaged against bank facilities (note 20).

### 10. Capital advances

	2016 AED 000	2015 AED 000
Capital advances	4,267 =====	- =====

Advances represent payments made to various third party suppliers towards acquisition of plant and machineries.

### 11. Intangible assets

	AED 000
<b>Cost</b>	
At 31 December 2016 and 2015	2,205 -----
<b>Amortization</b>	
As at 1 January 2015	1,194
Charge for the year	550 -----
At 31 December 2015	1,744 -----
As at 1 January 2016	1,744
Charge for the year	461 -----
At 31 December 2016	2,205 -----
<b>Net book value</b>	
At 31 December 2016	- =====
At 31 December 2015	461 =====

Intangible assets include rights to use software.

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

## Notes (continued)

### 12. Available-for-sale investments

	2016 AED 000	2015 AED 000
Opening balance	5,900	6,095
Change in fair value	3	(195)
	-----	-----
Closing balance	<u>5,903</u>	<u>5,900</u>

These include investments amounting to AED 5.6 million made in unquoted equity shares of Rawabi Emirates PJSC and Emirates Poultry Company (31 December 2015: AED 5.6 million). Since the investments in Rawabi Emirates PJSC and Emirates Poultry Company do not have a quoted market price in any active market, the fair value cannot be reliably measured and are stated at cost less impairment losses, if any.

The Group has not purchased any shares during the year.

### 13. Inventories

	2016 AED 000	2015 AED 000
Raw materials and packing materials	24,085	26,263
Semi-finished goods	992	705
Finished goods	10,094	7,100
Trading stocks	7,559	6,618
Consumable stores and spare parts	6,471	6,601
	-----	-----
	49,201	47,287
Less: Provision for slow moving inventories	(3,863)	(10,355)
	-----	-----
	45,338	36,932
Goods-in-transit	59	401
	-----	-----
	<u>45,397</u>	<u>37,333</u>

A reconciliation of the movements in the provision for slow moving inventories is as follows:

	2016 AED 000	2015 AED 000
At 1 January	10,355	17,515
Reversal made during the year recorded under cost of sales	(4,371)	(3,419)
Inventory written off	(2,121)	(3,741)
	-----	-----
At 31 December	<u>3,863</u>	<u>10,355</u>

Inventories have been hypothecated with bank for security against bank borrowings (note 20).

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

Notes (continued)

## 14. Trade and other receivables

	2016 AED 000	2015 AED 000
Trade receivables	43,577	37,407
Less: provision for impairment of trade receivables	(6,795)	(6,495)
	<u>36,782</u>	<u>30,912</u>
Advances, deposits and prepayments	6,818	7,929
	<u>43,600</u>	<u>38,841</u>

The trade receivables are assigned as security against bank borrowings (note 20).

## 15. Cash in hand and at bank

	2016 AED 000	2015 AED 000
Cash in hand	300	501
Cash at bank - current	3,989	687
Cash at bank - fixed deposits	5,187	-
	<u>9,476</u>	<u>1,188</u>

Fixed deposits are having an original maturity of less than three months and carrying interest at normal commercial rates

## 16. Assets held for sale

	2016 AED 000	2015 AED 000
Buildings, plant and equipment, and furniture, fixtures and office equipment (refer to (i) note below)	12,069	13,449
	<u>12,069</u>	<u>13,449</u>

- i) In the previous year, 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 the current period, the Directors have decided to use assets amounting to AED 1.38 million. Accordingly, these assets have been reclassified as assets available for use as at 31 December 2016. These assets have been measured at the lower of its recoverable amount and the carrying amount that would have been recognized had the asset never been reclassified as held-for-sale.

The efforts to sell the remaining assets are ongoing and the sale is expected to be completed in the near future. Also refer note 9.

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

## Notes (continued)

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

#### *Measurement of fair value*

The valuation of buildings and plant and equipment was carried out by independent registered valuers in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors based on sales comparison approach and depreciation replacement cost approach, respectively. Significant unobservable inputs considered for valuation purposes include quoted prices for similar assets and adjustment for physical deterioration as well as functional economic obsolescence.

The non-recurring fair value measurement for the disposal group has been categorized as a Level 3 fair value as inputs used for determining fair values are not based on observable market data.

### 17. Share capital

	2016 AED 000	2015 AED 000
<i>Issued and fully paid up:</i>		
30.25 million ordinary shares of AED 1 each	30,250 =====	30,250 =====

At the Extra Ordinary General Meeting held on 25 March 2015, the shareholders approved the split of nominal value of share from AED 100 per share to AED 1 per share. Share split has become effective from 1 April 2015.

### 18. Retained earnings/(accumulated losses) and reserves

#### *Accumulated losses*

At the Extra Ordinary General Meeting held on 25 March 2015, the shareholders approved to transfer the general reserve and fixed assets replacement reserve amounting to AED 83.3 million and AED 15 million, respectively, to retained earnings/(accumulated losses). Furthermore, the shareholders have also approved the transfer of legal reserve amounting to AED 14 million to retained earnings/(accumulated losses).

#### *Legal reserve*

In accordance with the Articles of Association of entities within the Group and Article 103 of the UAE Federal Law No. (2) of 2015, a minimum of 10% of the net profit of the individual entities, to which law is applicable, is allocated every year to a non-distributable legal reserve. Such transfer may be discontinued when the legal reserve equals 50% of the paid up share capital of the respective individual entities. This reserve is non-distributable except in certain circumstances as mentioned in the above-mentioned law. During the current year AED 0.6 million (2015:0.9 million) has been transferred to legal reserve.

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

## Notes (continued)

### 18. Retained earnings/ (accumulated losses) and reserves (continued)

#### *Restricted reserve*

In accordance with the Law of the country where the subsidiary company is registered, during the current year, no amount (2015:0.2 million) has been transferred to restricted reserve as the balance has already reached one third of the share capital of the subsidiary. This reserve is non-distributable except in certain circumstances as mentioned in the relevant law.

#### *Proposed dividend*

During the Board of Directors meeting held on 18th February 2017, the directors proposed a 10% cash dividend totaling to an amount of AED 3,025,000 and 7 % bonus shares totaling to 2,117,500 shares having par value of AED 1 subject to approval by the shareholders in the Annual General Meeting.

#### *Proposed directors' fees*

During the Board of Directors meeting held on 18th February 2017, the directors proposed a 10% appropriation for Directors' fees totaling to an amount of AED 951,600 subject to approval by the shareholders in the Annual General Meeting.

### 19. Provision for staff terminal benefits

	2016 AED 000	2015 AED 000
Balance at 1 January	6,158	7,829
Provision made during the year	707	188
Payments made during the year	(541)	(1,859)
	-----	-----
Balance at 31 December	<u>6,324</u>	<u>6,158</u>

### 20. Borrowings

	2016 AED 000	2015 AED 000
<b>Long term borrowing:</b>		
Term loan (refer (i) note below)	22,062	15,000
Less: short term portion of term loan	(12,336)	(15,000)
	-----	-----
Long term portion of term loan	<u>9,726</u>	<u>-</u>
<b>Short term borrowing:</b>		
Trust receipts	42,865	28,826
Bank overdraft	4,119	4,855
Current portion of term loan	12,336	15,000
	-----	-----
	<u>59,320</u>	<u>48,681</u>

- i) In the previous year, the Group negotiated with a bank to convert an amount of AED 15 million of their outstanding overdraft balances to a long term loan facility which carries interest at normal commercial terms. Term loan is repayable in 24 equal monthly installments commencing from 15 January 2016. Due to non-compliance with a banking covenant, the loan was reclassified as short term at 31 December 2015.
- ii) Bank borrowings are mainly secured by mortgages over plant and machinery, hypothecation of inventories and assignment of receivables.

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

Notes (continued)

## 20. Borrowings (continued)

iii) 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. As at the reporting date, the Group has not complied with one of the financial covenants as specified in the facility letters with one of the banks. However, based on the relationship with the creditor banks, the Group's Directors have confirmed that the above mentioned 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.

## 21. Trade and other payables

	2016 AED 000	2015 AED 000
Trade payables	24,107	20,885
Accruals and other payables	6,180	14,390
Dividends payable	258	258
Advance received from customers	346	-
	<u>30,891</u>	<u>35,533</u>

## 22. Provision for tax

	2016 AED 000	2015 AED 000
At 1 January	862	735
Provision made during the year	103	228
Payment made during the year	(366)	(101)
	<u>599</u>	<u>862</u>

The provision for tax is in respect of Oman operations. The Subsidiary is liable to income tax in accordance with the income tax laws of the Sultanate of Oman depending on the level of its taxable profit. In the opinion of the management the provision for AED 0.6 million (31 December 2015: AED 0.9 million) as at reporting date is adequate to meet the Group's tax liabilities.



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

## Notes (continued)

### 23. Related party transactions and balances

The Group, in the normal course of business carries out transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard 24. Related party transactions are entered at mutually agreed terms.

The significant transactions entered into by the Group with related parties other than those disclosed elsewhere in the consolidated financial statements are as follows:

	2016 AED 000	2015 AED 000
Purchases *	7,785	182
Sales	858	-
Commission income*	73	-
	<u>      </u>	<u>      </u>

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

Short term benefits	2,250	2,064
Provision towards staff terminal benefits	20	48
	<u>      </u>	<u>      </u>

- \* During the current period the Group has entered into distributorship agreement with Emirates Refreshment Company PJSC with 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 has a conflict, was not involved in the pre-approval process in relation to this transaction.

At the reporting date the balances with related parties were as below:

	2016 AED 000	2015 AED 000
<b>Due from related parties</b>		
- Abjar Group	143	-
- United Foods PJSC	172	-
	<u>      </u>	<u>      </u>
	315	-
	<u>      </u>	<u>      </u>

	2016 AED 000	2015 AED 000
<b>Due to related parties</b>		
- Emirates Refreshments Company PJSC	1,762	-
- United Cans Company LLC	203	65
	<u>      </u>	<u>      </u>
	1,965	65
	<u>      </u>	<u>      </u>

#### Other payables

- Key management personnel	330	349
	<u>      </u>	<u>      </u>

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

Notes (continued)

## 24. Contingent liabilities and commitments

	2016 AED 000	2015 AED 000
Letter of credit	4,058	4,080
Unutilized balances of commercial letters of credit	<u>16,438</u>	<u>11,483</u>

### Legal cases

As at 31 December 2016, the Group has certain legal cases outstanding. All these cases are now pending before the Court for its hearings and final decisions. The management has reviewed the status of all of these legal cases and believes that no further provision is required as at 31 December 2016.

### Commitments

#### Capital commitments

	2016 AED 000	2015 AED 000
Capital commitments	<u>5,771</u>	<u>-</u>

#### Operating lease commitments

Future minimum lease payments under operating leases are as follows:

	2016 AED'000	2015 AED'000
Less than one year	7,458	11,154
Between one and five years	16,934	29,428
More than five years	-	914
	<u>24,932</u>	<u>41,496</u>

The Group leases distribution vehicles, land and office premised under operating leases.

## 25. Subsidiary

The Company holds beneficial shareholding interest in 100% of the shares 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.

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

## Notes (continued)

### 26. Basic earnings per share

	2016	2015
Net profit attributable to owners of the Company (AED 000)	10,100	13,471
Weighted average number of shares outstanding ('000)	30,250	30,250
Basic earnings per share in AED	0.334	0.445
	=====	=====

At the Extra Ordinary General Meeting held on 25 March 2015, the shareholders approved the split of nominal value of share from AED 100 per share to AED 1 per share. Share split has become effective from 1 April 2015. Accordingly, weighted average number of shares outstanding has been retrospectively adjusted to include share split approved, for the purpose of calculation of earnings per share.

### 27. Segment reporting

The Group operates in a 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 consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and notes to the 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 do not consider an analysis by individual country would be meaningful.

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

#### *Major customers*

During the year ended 31 December 2016, there were no customers of the Group with the revenues greater than 10% of the total revenue of the Group (2015: Nil).

### 28. Financial instruments

#### a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 AED 000	2015 AED 000
Trade and other receivables	36,782	30,912
Cash in bank - fixed deposits	5,187	-
Cash in bank - current	3,989	687
Due from related parties	315	-
	=====	=====
	46,273	31,599
	=====	=====

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

## Notes (continued)

### 28. Financial instruments (continued)

#### a) Credit risk (continued)

Trade and other receivables are stated net of the allowance for doubtful recoveries. At the reporting date the Group's maximum exposure to credit risk from such receivables situated outside the UAE is as follows:

	2016 AED 000	2015 AED 000
Oman	<u>13,812</u>	<u>11,732</u>

The age of trade receivables at the reporting date was:

	2016 Gross AED 000	2016 Impairment AED 000	2015 Gross AED 000	2015 Impairment AED 000
0-30 days from invoice date	10,442	-	6,503	-
31-60 days from invoice date	10,356	-	10,586	-
61-90 days from invoice date	8,620	-	8,631	-
Over 90 days from invoice date	14,159	6,795	11,687	6,495
	<u>43,577</u>	<u>6,795</u>	<u>37,407</u>	<u>6,495</u>

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

	2016 AED 000	2015 AED 000
Balance at 1 January	6,495	7,587
Provision/ (reversal) made during the year	300	(1,092)
Balance at 31 December	<u>6,795</u>	<u>6,495</u>

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

Notes (continued)

## 28. Financial instruments (continued)

### b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2016	Carrying amount AED 000	Contractual cash flows AED 000	Less than 1 year AED 000	Between 1 to 2 years AED 000	More than 2 years AED 000
<b>Non-derivative financial liabilities</b>					
Borrowings	69,046	71,133	61,407	4,809	4,917
Trade and other payables	30,545	30,545	30,545	-	-
Due to related parties	1,965	1,965	1,965	-	-
	<u>101,556</u>	<u>103,643</u>	<u>93,917</u>	<u>4,809</u>	<u>4,917</u>
<b>31 December 2015</b>	<b>Carrying amount AED 000</b>	<b>Contractual cash flows AED 000</b>	<b>Less than 1 year AED 000</b>	<b>Between 1 to 2 years AED 000</b>	<b>More than 2 years AED 000</b>
<b>Non-derivative financial liabilities</b>					
Short-term borrowings	48,681	50,047	50,047	-	-
Trade and other payables	35,533	35,533	35,533	-	-
Due to related parties	65	65	65	-	-
	<u>84,279</u>	<u>85,645</u>	<u>85,645</u>	<u>-</u>	<u>-</u>

The Group does not have any derivative financial liabilities at the end of the current year and previous year.

### c) Market risk

#### Interest rate risk

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount	
	2016 AED 000	2015 AED 000
<b>Fixed rate instrument</b>		
Cash in bank – fixed deposit	<u>5,187</u>	<u>-</u>
	Carrying amount	
	2016 AED 000	2015 AED 000
<b>Variable rate instruments</b>		
Financial liabilities	<u>69,046</u>	<u>48,681</u>

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

Notes (continued)

## 28. Financial instruments (continued)

### c) Market risk (continued)

#### Interest rate risk (continued)

##### Fair value sensitivity analysis for fixed interest rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

##### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Profit or loss	
	100 bp increase AED 000	100 bp decrease AED 000
31 December 2016	(690)	690
31 December 2015	(487)	487

### d) Fair values

The Group's management believes that fair value of its financial assets and liabilities are not materially different from the carrying amount at the reporting date.

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

#### 31 December 2016

	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Available for sale investments	326	-	5,577	5,903

#### 31 December 2015

	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Available for sale investments	323	-	5,577	5,900

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

## Notes (continued)

### 28. Financial instruments (continued)

#### d) Fair values (continued)

Reasonably possible changes to share prices of investments in quoted equity shares at the reporting date are unlikely to have had a significant impact on profit or equity.

During the year ended 31 December 2016 and year ended 31 December 2015, there were no transfers between the various levels of fair value measurements.

### 29. Significant accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are as follows.

#### *Estimating useful lives of property, plant and equipment*

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and on the historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

#### *Provision for inventory*

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the past movement of the inventory.

#### *Impairment losses on receivables*

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

Notes *(continued)*

## 29. Significant accounting estimates and judgments *(continued)*

### *Impairment losses on available for sale financial assets*

The Group reviews its available for sale financial assets to assess impairment at least on an annual basis. In determining whether impairment losses should be reported in profit or loss, the Group makes judgments as to determine whether there is any significant and prolonged decline in the fair value of available for sale financial assets. If the decline in the fair value of any available for sale financial asset is considered by management as significant and prolonged, an impairment loss is recorded in profit or loss.

### *Impairment losses on property, plant and equipment*

The Group reviews its property, plant and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognized in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment.

### *Classification and measurement of assets held for sale*

The Group reviews classification and measurement of assets held for sale at each reporting date. In determining classification for assets held for sale, the Group makes judgment to determine whether carrying value of such assets will be recovered principally through a sale transaction or not. External independent valuers, having the appropriate recognized professional qualification have valued assets held for sale. Should the key assumptions change, the fair value of the assets held for sale may significantly change.

## 30. Comparative information

Certain comparative figures have been reclassified/ regrouped, whenever necessary to conform to the presentation adopted in these consolidated financial statements.