Annual Report
2018

UNIKAI FOODS P.J.S.C.

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Sheikh Khalifa Bin Zayed Al Nahyan
President of The UAE

H.H.
Sheikh Maktoum Bin Mohammed
Bin Rashid Al Maktoum
Deputy Ruler of Dubai

H.H.
Sheikh Hamdan
Bin Rashid Al Maktoum
Deputy Ruler of Dubai
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Mr. Khalaf Mohamed Saeed al Mulla
Chairman

Mr. Mana Mohamed Saeed al Mulla
Executive Vice Chairman

Mr. Abdulla al Zaabi
Director

Mr. Majed Julfar
Director

Mr. Osama Seddiqi
Director

Mr. Abdulla al Owais
Director

Mr. Mish'al Musa
Director


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Dear Shareholders,

On behalf of the Board, I am pleased to present the Directors report for the year 2018 for your review.

Brief History and Achievements:

Since 2015, Unikai has under gone a period of turnaround and transformation. The Company took several initiatives to vastly improve the operational and financial performance of the company. Various initiatives taken by the Board, for the last 3 to 4 years, have resulted in enhancing the brand value for Unikai products and have increased the presence and market share of Unikai across Modern Trade and Traditional Trade channels in the region. Your Board has made the above achievements and supported the growth of the business organically and through internal resources of Unikai and without seeking any funding or cash-flow requirements from the shareholders.

Below are broad highlights of the achievements:-

a) Delivered three consecutive profitable years 2015 – 2017;
b) Paid dividends in 2016-2017 to the shareholders for the first time since 2011;
c) Won Sheikh Khalifa Excellence Award Silver Category in manufacturing segment;
d) Launched new products, Improved Quality and Packaging of existing products
e) Increased customer Universe by 5,000 customers, including flag ship customers such as Emirates Airlines, EKFC, Etihad Airlines, Biman Airlines. Adnoc, Emarat, LULU and Carrefour ;
f) Entered 14 new markets like Bahrain, Pakistan and African countries.

2018 an unprecedented challenging year:

Year 2018, has unfolded to be an unprecedented challenging year for the FMCG industry and Unikai as well. The regional economic slowdown, geo political risks, unpredictable impact of new taxation legislations i.e. VAT and Excise, created uncertainty and weak market sentiments. Due to precarious regional political situation, major GCC based FMCG competitors started dumping their products in UAE at un-profitable prices. Hence, the limited shelf space resulted in fierce market competition to secure the existing shelf space and protect market share. To achieve this objective the competitors offered major trade discounts and launched unprofitable promotions across Key accounts, Modern Trade, traditional trade and HORECA trade channels. The consumer preferences sharply shifted to more affordable and economical purchasing patterns. However Unikai remained determined to protect and grow market share and in order to achieve this, Unikai had to match the trade discounts offered by its competitors. These discounts, together with overall slow business during the year, casted a negative impact on Unikai's revenue and net margins. Hence, Unikai suffered a net loss of AED 20.3 million. However, Unikai has successfully been able to retain its market share and avoided a de-growth in Gross revenue and market share.

Profitability Revitalization measures:

The management of Unikai has reacted swiftly and in a timely manner to address the market adversities by clearly devising an effective business strategy and a detailed profitability enhancement plan for Years 2019 to 2022.

We have prioritized our preferences and focus on following fundamental strategic objectives:-

1. Deliver sustainable revenue stream, compatible with evolving market dynamics
2. Generate continuous healthy net profits derived from sustainable revenue stream

We have aligned our resources in enhancing sales of categories which yielded higher profit margins. The specific focus on improving the sales contribution margin mix and cost reduction measures shall deliver better results in the coming future.

We have taken following strategic steps which will ensure sustainable revenues and profit margins in 2019 and for the coming years (2019 to 2022):-

i. Selling Price adjustment of our products and deliver profitable sales volume growth by selling high margin category wise products ,rationalizing trade discounts, overheads, selling, distribution and admin costs;
ii. Rationalization of sales routes to achieve route profitability;
iii. Production capacity enhancement;
iv. Reducing operations cost and Inventory optimization, Upgrading the manufacturing infrastructure to garner efficiencies;
v. Retirement of bank loans through company's Cash flows and efficient utilization of Financing lines, Improving liquidity by increasing debts collection and strengthening Working Capital;
vi. Assessing and revaluing the true potential of assets in compliance with IFRS, Improving distribution capabilities by establishing new warehousing facilities in RAK and Oman.
vii. Establishing a cost effective HR function ensuring development and rationalization of human capital
viii. Upgrading IT Infrastructure including business application, hardware and software upgrade.

Above strategic measures will result in sales growth ,reduction in selling and distribution cost, achieve incremental profits due to selling price increases, increase in customer universe, enhanced production capacity and reduction in labor costs.

Conclusion:

We are confident with the adoption and delivery of above mentioned strategic plan for 2019 to 2022; we will achieve sustainable, consistent and realistic sales growth and return to healthy net profits in 2019. We shall continue to sublimate our efforts in growing market share, enhancing goodwill of UNIKAI brand value in the region and attain the status of preferred and adored life style food and beverage manufacturing and distribution company among consumers.

Sincerely,

Khalaf Mohamed Saeed alMulla

Chairman of the Board

يونيكاي للأغذية (مساهمة عامة) UNIKAI P.O.Box: 6424 Dubai - U.A.E. Tel.: +971 4 5076800 Fax: +971 4 5076987 UNIKAI FOODS P.J.S.C.

Corporate Governance Report 2018

Unikai Foods (P.J.S.C) is a public shareholding company incorporated on 11th April, 1977 by a Decreed from his Highness the ruler of Dubai. Unikai is committed in its performance to the high standards of governance focusing on transparency, fair business deals and compliance with laws & regulations issued by Securities & Commodities Authority in which:

1) Application of the principles stated in the Chairman of Authority's board of directors resolution No. (7 R.M) of 2016 concerning the standards of institutional discipline and governance of public shareholding companies:

a) Unikai conducted the following procedures in implementation of the Chairman of Authority's board of director's resolution no. (7 R.M) of 2016 in respect of governance control :

- Amend the company's Article of Association to comply with the governance rules.
- Appointing of independent Board members.
- Appointing audit committee by the board.
- Appointing Remuneration & Nomination committee.
- Appointing internal control department & compliance officer.

b) Unikai has become compliant with the standards & procedures as set out by the resolution No. (7 R.M) of 2016.

The company will continue to comply with Securities & Commodities requirements particularly the new requirements which have been approved by the new commercial companies' law no. 2 of 2015.

2) Statement of dealing carried out by directors and their first degree relatives in Company's securities during 2018:-

During the year 2018, there was a transfer of shares from Mr. Rahma Abdulla Rahma Al Owais to six family members one of whom is the Board of Director; the nature of transfer of shares being inheritance by law.

Name of the Shareholder	2018	2017	Remarks
Abdulla Rahma Abdulla AlOwais	342,937	-	Unikai Board Member
Mohammad Rahma Abdulla Rahma AlOwais	342,937	-	First degree relative
Ali Rahma Abdulla AlOwais	342,937	-	First degree relative
Maryam Rahma Abdulla AlOwais AlShamsi	171,468	-	First degree relative
Fatima Abdulla Saif AlShamsi	220,465	-	First degree relative
Sultan Rahma Abdulla Alowais AlShamsi	342,937	-	First degree relative
TOTAL	**1,763,681**	-	First degree relative

No other dealings were carried out by any director including their first degree relatives in Company's securities during the year 2018.

The directors of Unikai are committed to disclose the dealings in the shares of the company on annual basis.

3) Formation of the Board of Directors:

The board of directors consists of 7 members who have significant experience in different fields and areas which will help the board in taking the right decisions at the right time for the best interest of the company's business & activities.

A. **Directors details:**

Name	Position	Category	Qualifications/ membership in any company or government position	Member since
Mr. Khalaf Mohammed Saeed AlMulla	Board Chairman	Non-independent/ Non-Executive	Diploma Hotel & Restaurant Management from Newbury College- Boston – USA BBA, Business Administration, a recognized figure in business market across ME. Expert in strategic planning and implementation – Guiding and directing an enterprise through substantial change management utilizing strong and effective strategic leadership.	23/03/2017
Mr. Mana Mohammed Saeed AlMulla	Executive Vice Chairman	Non-independent/ Executive	BA in Business Administration from Suffolk University USA, a recognized figure in business market across ME, currently is the Chief Group Support Services Officer of ETIHAD Airways, in addition to board membership with other companies: Abjar Hotels LLC, Member of Executive Committee of Mohammed & Obaid Al Mulla LLC	05/06/2014
Mr. Osama Ibrahim Ahmad Seddiqi	Director	Independent/ Non-Executive	BA in Business Administration – USA, currently a CFO at SEDDIQI HOLDING LLC (Holding Company for Ahmed Seddiqi & Sons LLC, Seddiqi & Sons Investment LLC, Al Manara International Jewellery, Seddiqi Properties, Swiss Watch Services LLC and Dubai Watch Week)	23/03/2017
Mr. Abdulla Essa Mohamed Al Zaabi	Director	Independent/ Non-Executive	BA American University, currently Business Development Manager at Al Futtaim Enterprises.	05/06/2014
Mr. Majed AbdulKarim Mohammad Julfar	Director	Independent/ Non-Executive	BA Computer Engineering, South Kent University-UK, currently Head of Corporate and Investment Banking coverage - Deutsche Bank.	05/06/2014
Abdulla Rahma Abdulla Al Owais	Director	Non-independent/ Non-Executive	LLB (Lawyer), Al Safa Investment Board Chairman, member of Al Matrooshi Advocates & Legal Consultants, board member of Modern Bakery, board member of United Foods Co PJSC.	05/06/2014
Mr. Mish'al Mohamed Abdullah Moosa	Director	Independent/ Non-executive	BA in business administration Bradford University - ACCA (Association of Chartered Certified Accountants) from FTC Kaplan , Leeds, UK , currently Managing Director at Zain Property Developments LLC	23/03/2017

B. Directors Responsibilities

Board of directors' role is to represent the shareholders and act in their interests and is ultimately responsible to them. It is incumbent on the Board to add value and enhance the Company's position thorough utilizing the effective governance practices and their skills in all of the Company's work. The Board publishes the governance report annually so as to apprise the Shareholders of the Company's work in each financial year. Such report is produced so as to advise of the statement of practices and processes followed by the Board for achieving its tasks and activities; inform of what matters the Board keeps for consideration and the frequency of such meetings,

Furthermore, the Board is tasked with and assumes the following roles and responsibilities:

- Designing and revising the corporate strategic orientation and approving the annual operation budget and work plans.
- Taking decisions in relation to capital structure as well as the corporate benefit distribution policy.
- Revising, accrediting and monitoring main corporate strategic and investment connections.
- Auditing and approving annual and seasonal financial data.
- Complying with applicable laws and regulations as well as all effective accounting criteria.
- Developing an appropriate risk management framework for defining, assessing and reducing risks.
- Developing appropriate policies and authorities for effective corporate governance.

C. Female participation in Company Board activities for the year 2018:-

The current Board of directors does not have any women representation as no female application was received during the last elections.

Discrimination between male and female is strictly prohibited as per Unikai's policies and procedures and therefore; there are no constraints which prevent women from candidacy and receiving any administrative or professional or leading positions or membership of the board.

The Company adopted the right procedure in publishing an invitation to participate in Board elections in the newspapers which was open for all without discrimination, but No female application was received during the last elections.

D. Statement of Directors Remunerations

1. The total remuneration that was paid to the Board of Directors during 2017: AED 147,429.
2. No remuneration will be paid to the directors during 2018.
3. The allowances paid to the directors expenses and fees for the board members who work in any committee, during financial year 2018 are as below. These fees are paid for attending committee meetings only:

S. No.	Name of the Member	Directors Allowance
1	Mr. Abdulla Essa Mohamed al Zaabi	AED 55,000
2	Mr. Majed Abdulkarim Mohammad Julfar	AED 75,000
3	Mr. Osama Ibrahim Ahmad Seddiqi	AED 60,000
4	Mr. Abdulla Rahma Abdulla Al Owais	AED 7,500
TOTAL		**AED 197,500**

An amount of AED 197,500 was paid for the committees members during the year 2018.

E. Unikai Foods Board held Four (4) meetings during 2018, as per the following details:-

Board Meetings	Attendees of Current Board Members						
	Khalaf Al Mulla	Mana Al Mulla	Osama Seddiqi	Majed Julfar	Abdullah Al Owais	Abdullah Al Zaabi	Mish'al A. Moosa
1st 22/02/2018	✗	✓	✗	✓	✓	✓	✓
2nd 10/05/2018	✓	✓	✓	✓	✗	✓	✓
3rd 06/08/2018 By Circulation	✓	✓	✓	✓	✓	✓	✓
4th 11/11/2018	✓	✓	✗	✓	✓	✓	✓

F. Tasks & responsibilities of the executive management:

- The CEO of the company executes all works and objectives set by the board of directors along with making sure that all work units are effectively managed in terms of main sources and profitability.
- The CEO is mainly concerned with achieving visions, tasks, strategic plans, annual plans and extending considerable contributions in the general objective; with a view to improving visions of the Company in all activities.
- The CEO is also responsible for all corporate processes, profitability, sustained growth, developing the operation plans and work plan as well as directing the Company towards executing its objectives.
- According to articles of association of Unikai Foods (PJSC), CEO is authorized to sign all documents, execute all contracts in support of Company interest and carry out all actions according to authorization provided thereby by the Board.
- During the year 2018 the Board has not delegated any additional roles or responsibilities to the CEO.

G. Relationship with Related Parties

Company deals with related parties, in sale and purchase transaction, in reasonable and competitive prices, that could be obtained from any other dealer. Terms of any such dealings match ordinary common commercial transactions, during which each party works independently in support of its own interest, without any force or pressure from other party. Related parties are parties under common control, or managed by any director.

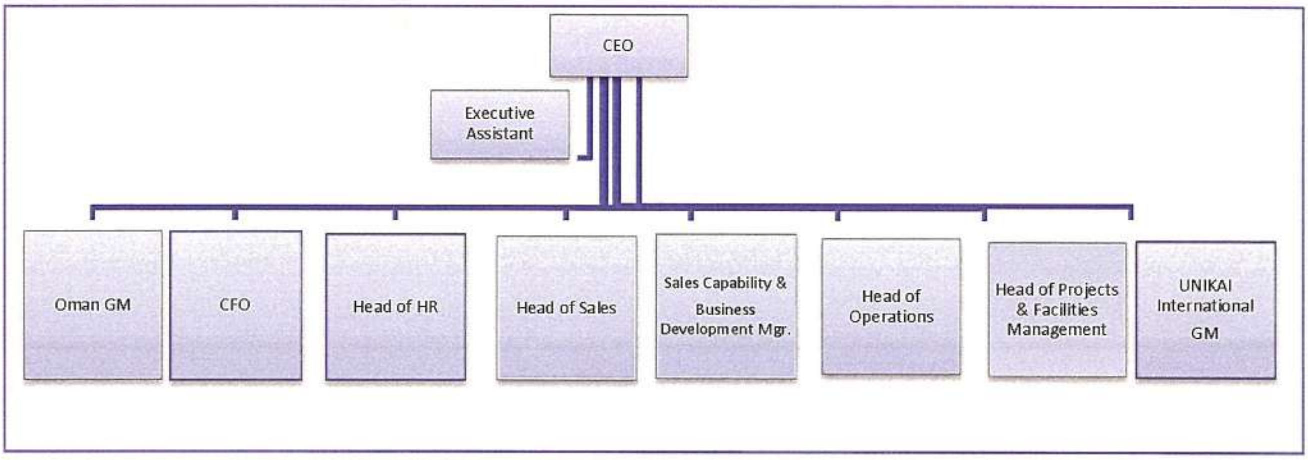
Following are details of major transactions with related parties during 2018:- (Unikai took a pre-approval from the shareholders during the Annual General Meeting held on 22nd March 2018 for the expected business with the companies that qualify as related parties).

Sl.	Transactions with Related Party	Transactions Value	Nature of Transactions
1	**United Foods Company PJSC** (Common Shareholders)	AED 2,097,889	Supplier of Margarine
2	**Innovation Direct Employment Services** (Mr. Majed Abdulkarim Mohammad Julfar is Independent Director in Unikai and Partner in Innovation)	AED 4,034,361	Supplier of manpower.
3	**Abjar Hotels** (Common shareholders and Board of Directors)	AED 889,495	Customer of company's products

These transactions are evaluated and verified by the external auditors of the company and has been disclosed in the financial statements for the year 2018.

H. Organization Chart

The company is managed by the CEO in accordance with the company's policies & procedures, where all head of departments are reported directly to him.



I. Statement of Company Senior Management -:

All amounts are in AED

Sl.	Name	Job	Date of Joining	Total benefits - 2018	Other benefits	Any Cash / Non Cash Benefits paid during 2018 or will pay in the future
1.	Mana Al Mulla	Executive Vice Chairman	23rd March 2017	1,200,000	N / A	N / A
2.	Neeraj Vohra	CEO	1st August 2015	1,376,556	N/A	N/A
3.	Franklin Isacc	Head of Operations	8th November 2016	634,255	N / A	N/A
4.	Abdul Munim Qureshi	CFO	12th October 2017	732,340	N / A	N/A
5.	Kaushal Chhabra	Oman General Manager	1st September 2013	693,639	N / A	N / A
6.	Mohamed Sherif Mohamed Rizk (last working day was 12th April 2018)	Head of Sales	25th October 2017	140,000	N / A	25,000
7.	Asif Siddique	Head of Sales	1st April 2018	338,642	N/A	6,000
8.	Georgios Tsolakis	Head of HR	6th December 2017	396,000	N / A	N / A
9.	Adam Ragab (last working day was 16th Oct 2018)	Sales Capability Manager	1st November 2017	222,708	65,633 (End of Service Benefits)	23,600
10.	Krishnakumar Menon (last working day was 14th May 2018)	Unikai Internationa l GM	2nd February 2017	120,000	46,000 (End of Service Benefits)	N / A
11.	Ahmed Bedier	Projects & FM Head	5th January 2016	330,000	N / A	N / A

4) Summary of External Auditor

In 2018, the general assembly of Unikai appointed KPMG Company as an external auditor based upon a recommendation extended by the Board; for the purpose of conducting the financial auditing, in accordance with international standards of auditing, those standards require compliance with ethical requirements and plan, perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The general assembly estimated KPMG Company's fees at AED 240,000.

KPMG is deemed one of the pioneering auditing companies all over the world. This company was established in the United Arab Emirates in 1973. Further, the company hires seven hundred employees and possesses branches in Abu Dhabi, Dubai, Sharjah, Fujairah and Ras Al Khaimah as well as 145 branches around the world.

Details of external account auditor are highlighted below:

Sl.	Auditor	No. of years as auditor	Service Type	Total remuneration 2018
1-	KPMG	One year	Audit	AED 280,111
2-	KPMG	-	IFRS Implementation and Review of Valuation Reports	AED 107,745

During 2018 Unikai didn't assign any other audit firm to perform the external audit other than the above mentioned company which has been assigned by the ordinary general assembly.
The company paid AED 40,111 for the outlays and overrun expenses. Also, there were no any others services except mentioned above during the year 2018. The auditors are retiring by rotation in 2018.

5) Audit Committee

- **Audit Committee duties & responsibilities as assigned by the Board**

1. Develop and apply necessary policy to engage external and internal auditor, present necessary reports to the Board highlighting certain steps to be followed, with Committee recommendations regarding steps to be taken.
2. Follow up and control external and internal auditors' duties, discuss any issues related to duties assigned thereby, scope of audit process, and its effectiveness according to approved audit standards.
3. Monitor the contents of Company financial statements and reports (annual, quarterly), review reports, particularly:
   - Any changes in account policies or practices.
   - Highlight points for board's consideration.

- Any major amendments observed during audit process
- Assumption of company's business continuation on going concern basis.
- Compliance with accounting standards proposed by SCA.
- Follow up listing & disclosure rules and other legal requirements regarding financial statements preparation.

4. Coordinate with directors, senior management, regarding Company's duties, provided that Committee shall meet Company's auditors annually at least once.
5. Discuss any extraordinary and important points to be highlighted by reports & statements, to be presented to senior management.
6. Review financial control, internal control and risk management systems.
7. Discuss internal control with management, ensure fulfillment of necessary obligations regarding the establishment of an effective internal control system.
8. Discuss independent auditor mission, business plan; respond to any major inquiries presented by auditor particularly regarding account records, financial accounts, or control systems.
9. Ensure board's timely response to any inquiries or questions regarding any major issues offered by independent auditor.
10. Provide support & assistance to the board in order for the board to fulfill its responsibilities.
11. Review the compliance with the disclosure requirements of the Dubai Financial Market and SCA.

Audit Committee Formation -Audit Committee is formed as follows:

Sl.	Name	Capacity
1	Mr. Osama Ibrahim Seddiqi	Audit Committee Chairman
2	Mr. Abdullah Essa Al Zaabi	Member
3	Mr. Majed Abdul Karim Julfar	Member

- **Audit Committee Meetings during 2018 :**

Audit Committee held 4 meetings during 2018 as follows:

Audit Committee Meetings	Mr. Osama Seddiqi	Mr. Abdulla Al Zaabi	Mr. Majid Julfar
14 Feb, 2018	✗	✓	✓
10 May, 2018	✓	✓	✓
31 July, 2018	✓	✓	✓
08 Nov, 2018	✓	✗	✓

6) **Nomination & Remuneration Committee:**

- **Nomination & Remuneration Committee duties and responsibilities assigned by the Board:**

The tasks of the nomination and remuneration committee are as follows:

1- regularly make sure that members are independent;
2- prepare policy of reward, benefits, incentives and salaries of the Board members and personnel and thereafter annually review and if necessary revise it;
3- to make sure that rewards and benefits granted to the higher corporate executive management are reasonable and in conformity with the performance of the Company;
4- To define the corporate needs of efficiencies on the higher executive management level and personnel as well as reasons of selection,
5- To prepare policy of human resources and training and monitor its application and review the same annually.
6- Regulate and follow up procedures of nomination for the board membership in accordance with the applicable and effective laws and systems.

Nomination & Remuneration Committee Formation

Nomination & Remuneration Committee is formed as follows:

Sl.	Name	Capacity
1	Mr. Abdullah Essa Al Zaabi	REMCO Chairman
2	Mr. Abdullah Al Owais	Member
3	Mr. Majed Abdul Karim Julfar	Member

Nomination & Remuneration Committee:

Nomination & Remuneration Committee held 1 meeting during 2018 as follows:

REMCO Committee Meetings	Mr. Abdulla Al Zaabi	Mr. Abdulla Al Owais	Mr. Majid Julfar
17 Feb, 2018	✓	✓	✓

Participation Fees paid for Committees			
Name	Committee Name	Fees	No of Meetings
Mr. Osama Ibrahim Seddiqi	Audit Committee	60,000	3
Mr. Abdullah Essa Al Zaabi	Audit Committee	47,500	3
	Remco	7,500	1
Mr. Majed Abdul Karim Julfar	Audit Committee	67,500	4
	Remco	7,500	1
Mr. Abdullah Al Owais	Remco	7,500	1
TOTAL		**197,500**	

Follow up and Supervision Committee on the transactions of the authorized persons as per rule imposed by virtue of the decree of the chairman of Securities & Commodities Authority passed under no. &7/R.M/2016): The Follow up and Supervision Committee was formed during 2017.
Formation of the committee:

a. Chairman of the committee: Mr. Abdul Munim Qureshi – CFO.
b. Committee member: Mr. Franklin Isacc – Head of Operations & Supply Chain.
c. Committee member: Ms. Fatima Mohammed – HR Executive.

The main function of this committee: Responsible for the management, Follow up, and supervision of insider's trading and their ownerships, maintain the register and submit periodic statements and reports to the market. A meeting was held on 12th July 2018 in which all the transactions were reviewed by the committee. One transaction was identified during the review wherein the shares of Mr. Rahma Abdulla Rahma al Owais got transferred to six family members one of whom is the Board of Director; Mr. Abdulla Rahma Abdulla al Owais (342,937 shares transferred to Mr. Abdulla). The nature of transfer of shares is inheritance by law.

7) Internal Control System

a. The Board acknowledges the role of the internal control management and its responsibility for the implementation and running of the corporate internal control system, its revision and effectiveness thereof.
b. The key mechanism of the corporate internal control system is to manage the corporate risks, to appropriately apply the governance rules pursuant to the applicable laws and to be in conformity with the Dubai Financial Market and the Securities & Commodities Authority's requirements.
c. Submit reports to management and Audit Committee;
d. Prepare reports (as required) to be submitted to SCA;
e. Notify Company management regarding any violation to business regulations expected to affect Company's positions, or any violation to SCA laws & regulations.
f. The company appointed Mr. Rahul Sharma with effect from 4th April, 2018 in the board meeting held on 10th May, 2018 to assume the responsibilities of the internal control management:
g. Internal Control Department Manager Qualifications
Mr. Rahul Sharma, Company Internal Control Department manager, is holding a professional degree in accountancy and wide experience in auditing & accountant fields. He joined the Company on 06th June 2015.
h. Internal Control Department dealing with major issues
Company management reviews (Establishment risk management) processes to highlight any potential risks regarding business affairs on internal control or external control views, to highlight actions required to limit risks that may affect work progress. Major Risks Company is exposed to didn't, change from previous year, including credit risks, liquidity risks and market risks.
Mr. Rahul Sharma acts as compliance officer and has been appointed by the Board of directors on 4th April, 2018 in the board meeting held on 10th May, 2018.

8) **Details of Violations committed during Financial Year.**

No material violations were committed by Company during 2018. Company honored, followed and implemented all laws, and regulations applicable in the country, and complied with all laws, regulations, and circulars regarding Companies Law and related Ministerial Resolutions, with SCA & DFM regulations & procedures.

9) Company contribution to local community development and environment protection during the year 2018

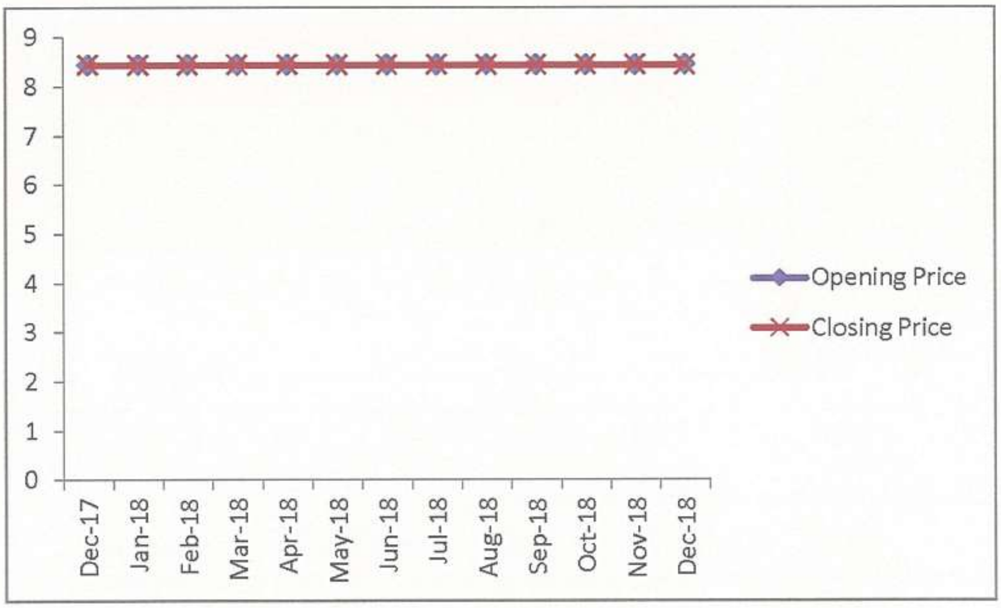
Company is aware of the necessity to contribute to the local community development, safety and environment policy, environmental objectives, including continuous improvements to combat pollution across all areas within the scope of the company's activities. The company participated in various platforms like cultural festivities, labor camps, and National celebrations.

10) General Information

A. **Statement of Company highest/lowest share price by 2018 end :(AED)**

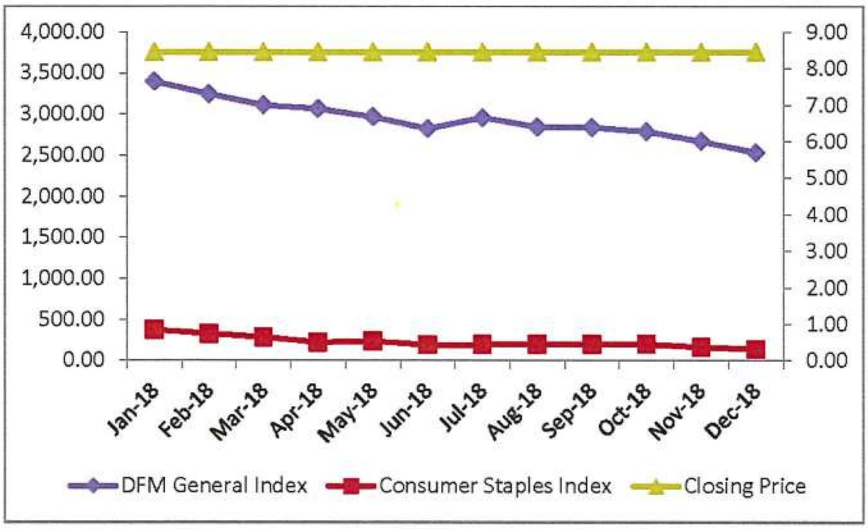
Month	Opening Price	Highest Price	Lowest Price	Closing Price	No of Shares
Dec-17	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Jan-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Feb-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Mar-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Apr-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
May-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Jun-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Jul-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Aug-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Sep-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Oct-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Nov-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares
Dec-18	8.44	No Trade	No Trade	8.44	32,367,500 Shares

According to the information provided by Dubai Financial Market, there were no transactions during 2018.



Details of Company share performance, compared to Market index and sector index:

Month	DFM General Index	Consumer Staples Index	Closing Price
Jan-18	3,394.36	372.21	8.44
Feb-18	3,244.12	324.75	8.44
Mar-18	3,108.53	283.53	8.44
Apr-18	3,065.96	219.52	8.44
May-18	2,964.13	236.57	8.44
Jun-18	2,821.00	191.1	8.44
Jul-18	2,955.95	193.68	8.44
Aug-18	2,840.16	198.85	8.44
Sep-18	2,834.95	199.37	8.44
Oct-18	2,784.60	201.43	8.44
Nov-18	2,668.66	162.16	8.44
Dec-18	2,529.75	140.46	8.44



Details of shareholding distribution as on 31/12/2018

Owner capacity	Owner nationality	Shareholding
Individuals	**Local**	**50.32**
Companies	**Local**	**49.68**

B. Statement of shareholders holding 5% or more of Company capital:

Mohamed & Obaid Al Mulla LLC	29.06 %
Mohamed Saeed Al Mulla & Sons LLC	11.62 %
Heirs of Mr. Humaid Ali Abdullah Al Owais	8.17 %
Emirates Investment Bank PJSC	8.04 %
Mrs. Moza Suwaidan Saeed Al Ajtabi	5.45 %

C. Statement of shareholding distribution according to size as on 31/12/2018, as highlighted below:

Sl.	Shares ownership	Shareholders no.	No of shares	Percentage to capital
1.	Less than 50,000	73	911,470	2.82%
2.	50,000 to less than 500,000	24	4,665,049	14.41%
3.	500,000 to less than 5,000,000	9	17,384,932	53.71%
4.	More than 5,000,000	1	9,406,049	29.06%
	TOTAL	**107**	**32,367,500**	**100.00%**

D. **Investor relations:**

a. The company appointed Mr. Abdul Munim to assume the responsibilities of the Investor Relation Manager, who joint the Company on 12th October 2017 and is holding a professional degree in accountancy (FCCA UK, FCMA UK, CPA Australia, CGMA USA & CA UAE) and wide experience in auditing & accountant fields, and his contact details as follows :

P.O Box: 6424, Dubai, Tel: +971 4 5076909 Fax: +971 4 5076987 Mob: +971 501891880

E-mail: Abdul.Munim@unikai.com

b. For investor relations matters please visit us at: http://www.unikai.com/investor-relations.

c. Investor relations controls aim at promoting the implementation of the best practices in investor relations management so that investors can access these companies' material information and statements.

d. Investor relations controls are intended to upgrade quality and consistency in responding to inquiries from investors and analysts, promote international investment relations, and increase stakeholders' knowledge and understanding of performance statements through using the best means of communication, improving the brief reports submitted, and developing a sophisticated and more efficient structure for the interaction of the senior/executive management with market.

e. The Following Information's are available at the Company's Website :

1. Notifications of Board Members meetings.
2. Company's Financial Statements.
3. Results of Board meetings.
4. Notifications of the AGM Meetings and their special resolutions.

E. The General Assembly held its meeting for the year 2018 on 22nd March, 2018 at the Head office of the company located in al Quoz, Dubai. Below a special resolution was proposed and approved during the general assembly meeting:

Review and approve the initial estimates of the transactions with the related parties for the year 2018:

- United Foods PJSC as one of the company's suppliers with business value of AED 3 Million.
- Abjar Hotels with annual business value of AED 1 Million.

F. The Board of Directors has also appointed the Board administrator Ms. Samah Za'ab since her appointment in the company on 27th February 2016.

G. As at the end of 2018, the percentage of Emiratization within administrative positions was 0.003%. The company aims to promote the policy of employing the national youth to contribute to the management of the company.

H. List of the projects and innovative initiatives undertaken by the company or under development in 2018:

1 Construction of high-quality warehouses in Ras Al Khaimah free zone at a total cost of AED 5.6 million and is expected to be completed in May 2019.

2 Launch of soft drinks products in March 2018 under the brand name "U" at the highest quality standards in the UAE and Oman markets at competitive prices.

3 Renovation of UNIKAI distribution centers in Muscat, Salalah, Barka, Ibri, Abu Dhabi and Dubai.

4 Launch and develop new products such as Royal Treat, Delite Nuts, Delite Spreadable Cheese, Long life laban, Areej UHT Drink 180 ml and Delite Vegetable Oil.

I. Statement of major events witnessed by the Company during 2018:

- The company won the silver award of Sheikh Khalifa Excellence Award – SKEA.
- Won EKFC, Emirates Airlines & Etihad Airlines contract for 1 Liter UHT Juice.

- Successfully completed the construction of Warehouse in Al Quoz.
- Unikai participated in Khareef Festival in Oman sharing the exhibition stall to reconnect with our consumers and customers.
- Unikai participated in Gulfood and Oman Agro Exhibition to reconnect with our consumers and customers.
- Paying dividends – Unikai paid dividends of AED 1.457 million to the shareholders pertaining to 2017.

Khalaf Mohammed Saeed Al Mulla

Chairman of the Board of Directors

يونيكاي للأغذية (مساهمة عامة) UNIKAI P.O.Box: 6424 Dubai - U.A.E. Tel.: +971 4 5076800 Fax: +971 4 5076987 UNIKAI FOODS P.J.S.C.

KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

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 2018, the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity 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 2018, 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)

Key audit matter	How our audit addressed the key audit matte:
Valuation of inventories	
Refer to note 13 of the consolidated financial statements	
Valuation of inventories is a key audit matter due to: • The size of the balance (being 17% of the total assets of the Group). • A significant portion of the inventories has a relatively short shelf life and is exposed to expiration. • The level of judgment required by us in evaluating management's assessment of provision for obsolete and slow moving inventories. Inventories are carried at the lower of cost and net realisable value. As a result, management applies judgment in determining the appropriate provision for obsolete and slow moving inventory items and estimating the net realisable value.	Our audit procedures included: • Testing the effectiveness of key controls operating over inventories; including observing the process of year end inventory count by management. • Verifying for a sample of inventory items that related costs have been appropriately recorded. • Testing on a sample basis the net realisable value by comparing the cost of inventories recorded in the books to the recent selling prices and assessing the reasonableness of any resultant write down of inventory items. • Assessing the reasonableness of the provision for obsolete and slow-moving inventories by reviewing the age profile/expected expiries of inventories and evaluating management's basis of determining the usability of inventories. • Assessing the reasonableness of estimates used by management in computing provision for slow-moving and obsolete inventories by comparing these with historical trends.

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matte**
Expected credit losses on trade receivables	
Refer to notes 3b, 14 and 29 of the consolidated financial statements	
Expected credit losses on trade receivables is a key audit matter du to: • The size of the balance of trade receivables (being 30% of the total assets of the Group), which includes overdue balances. • IFRS 9 "Financial Instruments" (IFRS 9) was adopted by the Group on 1 January 2018 and has resulted in a change in the accounting for impairment from an incurred loss model to a forward looking expected credit loss ("ECL") model. • Inherently judgemental nature of determining ECL and this being the first year of its application. Management applies judgment to determine the appropriate parameters for using as inputs in the expected credit loss (ECL) model under IFRS 9.	Our audit procedures included: • Obtaining an understanding of the Group's process for estimating ECL and assessing the appropriateness of the ECL methodology and the application of the new accounting policy in respect of the requirements of IFRS 9. • Identifying and testing of key controls over the ECL model. • Assessment of the reasonableness of management's key assumptions and judgments made in determining the ECL allowance including the selection of ECL model, segmentation of receivables and data sources. • Testing of key inputs in the model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed the reasonableness of forward looking factors used by the Group by corroborating with publicly available information. • Testing of the opening balance adjustment as at 1 January 2018 due to application of impairment requirements of IFRS 9.

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matte**
Expected credit losses on trade receivables *(continued)*	
On adoption, the Group has applied the requirement of IFRS 9 retrospectively, without restating the comparatives. The difference between previously reported carrying amounts as of 31 December 2017 and revised carrying amounts as of 1 January 2018, mainly arising from impairment, has been recognized in opening retained earnings as at 1 January 2018.	• Inspection of arrangements and / or correspondences with external parties to assess the recoverability of significant overdue outstanding receivables. • Assessing the appropriateness of the disclosures in the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matte

Valuation of investments in unquoted equity securities classified as investment at fair value through profit or loss

Refer to notes 3b and 12 of the consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
Valuation of investments at fair value through profit or loss is a key audit matter due to: • The higher sensitivity of the valuation results on profit or loss for the year. • The use of complex valuation technique and lack of availability of market-observable data. • The level of judgment required in evaluating management's assessment of the valuation. Significant management judgement is involved in selecting the appropriate valuation methodology and inputs used in the valuation model. The valuation model is subject to estimation uncertainty. On adoption, the Group has applied the requirements of IFRS 9 retrospectively, without restating comparatives and has classified investments as carried at fair value through profit or loss.	Our audit procedures included: • Involving our valuation specialists to assess the reasonableness of the valuation of investments performed by an expert appointed by management, including challenging the valuation methodology used. • Corroborating the inputs used in the valuation by an analysis of the historical performance of the underlying investee entity. • Assessing independence, objectivity, skills and experience of the expert used by management in determining the valuation. • Assessing the adequacy of the disclosures in the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to note 11 of the consolidated financial statements	
Valuation of investment properties is a key audit matter due to: • The higher sensitivity of the valuation results on profit or loss for the year. • The use of complex valuation techniques and lack of availability of market-observable data. • The level of judgment required by us in evaluating management's assessment of the valuation. Significant management judgement involved in selecting appropriate valuation methodology and inputs used in the valuation model and the presence of estimation uncertainty.	Our audit procedures included: • Involving our valuation specialists to assess the reasonableness of the valuation of investment properties performed by an expert appointed by management. • Comparing the inputs against independent sources and externally available market data to evaluate compliance with IFRS 13. • Corroborating the inputs used in the valuation by inspection of underlying supporting evidences e.g. lease agreements. • Assessing independence, objectivity, skills and experience of the expert used by management in determining the valuation. • Assessing the adequacy of the disclosures in the consolidated financial statements.

Other information

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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 auditors' 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.

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 management.

- Conclude on the appropriateness of management's use of the 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 auditors' 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 auditors' 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.

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 auditors' 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 31 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2018;

KPMG

Report on Other Legal and Regulatory Requirements *(continued)*

vi) note 22 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 2018 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 2018.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 10 MAR 2019

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

Consolidated income statement
for the year ended 31 December 2018

	Note	2018 AED 000	*2017 AED 000
Revenue		**342,108**	355,408
Cost of sales	*6*	**(244,919)**	(232,598)
Gross profit		**97,189**	122,810
Administrative, selling and distribution expense	*7*	**(113,984)**	(111,086)
Impairment loss on trade receivables	*29*	**(12,090)**	(1,951)
Operating (loss)/profit for the period		**(28,885)**	9,773
Finance costs	*8*	**(9,090)**	(6,451)
Impairment of assets held for sale	*23*	-	(5,294)
Gain on sale of available for sale investments	*12*	-	44
Gain on fair valuation of investment properties	*11*	**10,934**	-
Gain on fair valuation of investments	*12*	**3,413**	-
Other income	*9*	**3,651**	4,212
(Loss)/profit for the year before tax		**(19,977)**	2,284
Tax (expense)/income		**(415)**	72
(Loss)/profit for the year		**(20,392)**	2,356
(Loss)/profit attributable to:			
Owners of the Company		**(20,392)**	2,356
Earnings per share			
(Loss)/earnings per share – basic and diluted (AED)	*27*	**(0.630)**	0.073

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 3.

The notes set out on pages 20 to 59 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 13.

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 2018

	Note	**2018** **AED 000**	*2017 AED 000
(Loss)/profit for the year		**(20,392)**	2,356
Other comprehensive income for the year:			
Items that will not be reclassified to profit or loss			
Revaluation of a building	*10(b)*	**6,188**	-
Items that are or may be reclassified subsequently to profit or loss			
Available-for-sale investments – net change in fair value	*12*	-	(14)
Transfer of reserve on available for sale investments sold during the year to profit or loss	*12*	-	(44)
		-	(58)
Total other comprehensive income/(loss) for the year		**6,188**	(58)
Total comprehensive (loss)/income for the year		**(14,204)**	2,298
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(14,204)**	2,298

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 3.

The notes set out on pages 20 to 59 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 13.

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

Consolidated statement of financial position

as at 31 December 2018

	Note	2018 AED 000	*2017 AED 000
Non-current assets			
Property, plant and equipment	*10*	**35,590**	41,322
Investment properties	*11*	**30,600**	-
Available-for-sale investments	*12*	-	5,595
		66,190	46,917
Current assets			
Inventories	*13*	**34,170**	63,748
Trade and other receivables	*14*	**64,716**	88,031
Investments at fair value through profit or loss	*12*	**17,300**	-
Due from a related party	*22*	**198**	184
Cash in hand and at bank	*15*	**16,673**	12,472
		133,057	164,435
Total assets		**199,247**	211,352
Equity			
Share capital	*16*	**32,368**	32,368
Legal reserve	*17*	**2,366**	2,366
Restricted reserve	*17*	**792**	792
Revaluation surplus	*17*	**6,188**	-
(Accumulated loss)/retained earnings	*17*	**(19,644)**	1,659
Fair value reserve		-	(1)
		22,070	37,184
Non-current liabilities			
Provision for staff terminal benefits	*18*	**7,527**	7,408
Current liabilities			
Short-term bank borrowings	*19*	**118,176**	113,170
Trade and other payables	*20*	**49,196**	53,090
Due to related parties	*22*	**1,576**	213
Provision for income tax	*21*	**702**	287
		169,650	166,760
Total liabilities		**177,177**	174,168
Total equity and liabilities		**199,247**	211,352

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 3.

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 10 MAR

Director

Director

The notes set out on pages 20 to 59 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 13.

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

Consolidated statement of cash flows

for the year ended 31 December 2018

	Note	2018 AED 000	*2017 AED 000
Cash flows from operating activities			
(Loss)/profit for the year		(20,392)	2,356
Adjustments for:			
Depreciation	10	5,100	4,610
Impairment loss on assets held for sale	23	-	5,294
Interest expense	8	9,090	6,451
Dividend income	9	(329)	(526)
Provision for impairment of trade receivables	29	12,090	1,951
Provision for staff terminal benefits	18	1,198	1,583
Gain on fair valuation of investments	12	(3,413)	-
Gain on fair valuation of investment properties	11	(10,934)	-
Gain on disposal of property, plant and equipment (net)	9	(103)	(6)
Gain on sale of available for sale investments	12	-	(44)
Tax expense/(income)	21	415	(72)
		(7,278)	21,597
Changes in:			
• Inventories	13	29,578	(18,351)
• trade and other receivables	14	3,627	(46,382)
• due from related parties	22	(14)	131
• trade and other payables	20	(3,947)	21,569
• due to related parties	22	1,363	(1,752)
Staff terminal benefits paid	18	(1,079)	(499)
Income taxes paid	21	-	(240)
Directors' fee paid	17	(147)	(951)
Net cash from/(used in) operating activities		22,103	(24,878)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		165	175
Proceeds from disposal of assets held for sale		-	5,225
Proceeds from sale of available for sale investments	12	-	294
Acquisition of property, plant and equipment	10	(5,742)	(13,624)
Costs of construction of an investment property	11	(7,166)	-
Dividend received	9	329	526
Net cash used in investing activities		(12,414)	(7,404)
Cash flows from financing activities			
Net movement in bank borrowings	19	(4,318)	41,984
Dividend paid	17	(1,457)	(3,025)
Interest paid		(9,037)	(5,821)
Net cash (used in)/from financing activities		(14,812)	33,138
Net (decrease)/increase in cash and cash equivalents		(5,123)	856
Cash and cash equivalents at the beginning of the year		6,213	5,357
Cash and cash equivalents at end of year		1,090	6,213
Cash and cash equivalents comprise:			
Cash in hand and at bank	15	16,673	12,472
Bank overdraft	19	(15,583)	(6,259)
		1,090	6,213

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 3.

The notes set out on pages 20 to 59 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 13.

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

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital AED 000	Legal reserve AED 000	Restricted reserve AED 000	Revaluation surplus AED 000	Fair value reserve AED 000	Retained earnings AED 000	Total AED 000
Balance at 1 January 2017	30,250	1,484	792	-	57	6,279	38,862
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	2,356	2,356
Net change in fair value of available-for-sale investments	-	-	-	-	(58)	-	(58)
Total comprehensive income for the year	-	-	-	-	(58)	2,356	2,298
Transactions with owners of the Company							
Contributions and distributions to owners							
Dividend paid (refer to note 17)	-	-	-	-	-	(3,025)	(3,025)
Bonus shares issued (refer to note 17)	2,118	-	-	-	-	(2,118)	-
Total distribution to owners	2,118	-	-	-	-	(5,143)	(3,025)
Other equity movements							
Directors' fee paid (refer to note 17)	-	-	-	-	-	(951)	(951)
Transfer to legal reserve	-	882	-	-	-	(882)	-
Total other equity movements	-	882	-	-	-	(1,833)	(951)
Balance at 31 December 2017	32,368	2,366	792	-	(1)	1,659	37,184

The notes set out on pages 20 to 59 are an integral part of these consolidated financial statements

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

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital AED 000	Legal reserve AED 000	Restricted reserve AED 000	Revaluation surplus AED 000	Fair value reserve AED 000	Retained earnings/ (accumulated losses) AED 000	Total AED 000
Balance at 1 January 2018 – as previously reported*	32,368	2,366	792	-	(1)	1,659	37,184
Adjustment on initial application of IFRS 9 (refer to note 3b)							
Recognition of expected credit losses	-	-	-	-	-	(7,598)	(7,598)
Change in fair value of investments	-	-	-	-	1	8,291	8,292
Total adjustment on initial application of IFRS 9	-	-	-	-	**1**	**693**	**694**
Adjusted balance at 1 January 2018	**32,368**	**2,366**	**792**	-	-	**2,352**	**37,878**
Total comprehensive income for the year							
Loss for the period	-	-	-	-	-	(20,392)	(20,392)
Other comprehensive income	-	-	-	6,188	-	-	6,188
Total comprehensive income for the year	-	-	-	6,188	-	(20,392)	(14,204)
Distribution to owners							
Dividend paid (refer to note 17)	-	-	-	-	-	(1,457)	(1,457)
Total distribution to owners	-	-	-	-	-	(1,457)	(1,457)
Other equity movements							
Directors' fee paid (refer to note 17)	-	-	-	-	-	(147)	(147)
Total other equity movements	-	-	-	-	-	(147)	(147)
Balance at 31 December 2018	**32,368**	**2,366**	**792**	**6,188**	-	**(19,644)**	**22,070**

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Refer to note 3.

The notes set out on pages 20 to 59 are an integral part of these consolidated financial statements

1. Reporting entity

Unikai Foods (P.J.S.C.) ("the Company") is a Public Shareholding Company incorporated on 11 April 1977 by a Decree from His Highness, The Ruler of Dubai. The Company's equity securities are listed on Dubai Financial Market. The Company holds 100% equity in Unikai and Company LLC ("the Subsidiary"), registered as a limited liability company in the Sultanate of Oman under Commercial Register No. 3/74. The Company and its subsidiary are collectively referred to as "the Group". The legal status of the Subsidiary is set out in note 26.

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

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.

This is the first set of the Group's annual consolidated financial statements in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in note 3.

Article 302 of the UAE Federal Law No. (2) of 2015

As at 31 December 2018, the Group's accumulated losses exceed 50% of the share capital of the Company. To comply with the requirements of article 302 of the UAE Federal Law No. (2) of 2015, the Company's directors have resolved in their meeting as at 10 March 2019 to recommend to the general meeting of the shareholders of the Company to take a special decision to continue operations of the Company.

Basis of measurement

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

Functional and presentation currency

These 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.

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 30.

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 11 – investment properties;
Note 12 – investments; and
Note 29 – financial instruments.

3. Changes in significant accounting policies

The Group has initially applied IFRS 15 *Revenue from Contracts with Customers* (refer note 3a) and IFRS 9 *Financial Instruments* (refer note 3b) from 1 January 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards, except for fair valuation of certain investments and separately presenting impairment loss on trade receivables (refer note 3b).

3a IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

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

3b IFRS 9 Financial Instruments

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

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the consolidated income statement. Previously, the Group's approach was to include the impairment of trade receivables in administrative, selling and distribution expenses. Consequently, the Group reclassified impairment losses amounting to AED 1.95 million, recognised under IAS 39, from 'administrative, selling and distribution expenses' to 'impairment loss on trade receivables' in the consolidated income statement for the year ended 31 December 2017.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

3. Changes in significant accounting policies *(continued)*

3b IFRS 9 Financial Instruments *(continued)*

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

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

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, refer note 4: Significant accounting policies – Financial instruments.

3. Changes in significant accounting policies *(continued)*

3b IFRS 9 Financial Instruments *(continued)*

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

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

The effect of adopting IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 relates to the new impairment requirements and the remeasurement of investments in equity securities.

In AED 000	*Note*	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying value under IAS 39**	**New carrying value under IFRS 9**
Financial assets					
Equity securities	*a*	Available for sale	FVTPL	5,595	13,887
Trade and other receivables (excluding advances and prepayments)	*b*	Loans and receivables	Amortised cost	80,959	73,361
Cash in hand and at banks	*b*	Loans and receivables	Amortised cost	7,314	7,314
Due from related parties	*b*	Loans and receivables	Amortised cost	184	184
Total financial assets				**94,052**	**94,746**
Financial liabilities					
Bank borrowings		Other financial liabilities	Other financial liabilities	113,170	113,170
Trade and other payables		Other financial liabilities	Other financial liabilities	52,443	52,443
Due to related parties		Other financial liabilities	Other financial liabilities	213	213
Total financial liabilities				**165,826**	**165,826**

3. Changes in significant accounting policies *(continued)*

3b IFRS 9 Financial Instruments *(continued)*

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

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

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

ii. Trade and other receivables, cash and cash equivalents and due from related parties that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of AED 7.6 million in the allowance for impairment over trade receivables was recognized in opening retained earnings at 1 January 2018 on transition to IFRS 9. Also, refer to note 14.

Impairment of financial assets

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

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

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

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

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

3. Changes in significant accounting policies *(continued)*

3b IFRS 9 Financial Instruments *(continued)*

Transition *(continued)*

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets as measured at FVTPL.

4. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (refer also note 3).

Certain comparative amounts in the consolidated income statement have been re-presented, as a result of changes in accounting policies (refer note 3).

Basis of consolidation

These consolidated financial statements comprise the consolidated financial position and the consolidated results of operations of the Group 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.

4. Significant accounting policies *(continued)*

Revenue

***Revenue recognition under IFRS 15** – Policy applicable from 1 January 2018*

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

***Revenue recognition under IAS 18** – Policy applicable before 1 January 2018*

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

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, then 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.

4. Significant accounting policies *(continued)*

Property, plant and equipment and depreciation *(continued)*

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:

	Years
Buildings	30
Plant and equipment	10 – 20
Transportation and distribution equipment	3 – 6
Furniture, fixture and office equipment	7

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 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.

Investment properties

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

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

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

4. Significant accounting policies *(continued)*

Investment properties *(continued)*

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

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

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.

4. Significant accounting policies *(continued)*

Financial instruments

Recognition and initial measurement

Investments, trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement

Financial assets – *Policy applicable from 1 January 2018*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets – *Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

4. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *– Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018 (continued)*

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets *– Subsequent measurement and gains and losses: Policy applicable from 1 January 2018*

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets *– Subsequent measurement and gains and losses: Policy applicable before 1 January 2018*

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

Loans and receivables were measured at amortised cost using the effective interest method.

Financial liabilities *– Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

4. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

Non-derivative financial assets – *Policy applicable from 1 January 2018*

Financial instruments and contract assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances and other debt securities for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 270 days past due.

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

- the borrower is unlikely to pay its credit obligations to the Group in full; or
- the financial asset is more than 270 days past due.

4. Significant accounting policies *(continued)*

Impairment *(continued)*

Financial instruments and contract assets

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 270 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For its customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4. Significant accounting policies *(continued)*

Impairment *(continued)*

Non-derivative financial assets – *Policy applicable before 1 January 2018*

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included 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 would enter bankruptcy or economic conditions that correlated with defaults.

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

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

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

Impairment losses on available-for-sale financial assets were recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was 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 had increased and the increase could be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss was reversed through profit or loss; otherwise, it was reversed through other comprehensive income.

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).

4. Significant accounting policies *(continued)*

Impairment *(continued)*

Non-financial assets *(continued)*

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

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

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.

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.

4. Significant accounting policies *(continued)*

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 expenses

Finance expenses represent interest on bank borrowings charged at normal commercial rates. Interest expense is recognised in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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.

4. Significant accounting policies *(continued)*

Taxation *(continued)*

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.

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.

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.

4. Significant accounting policies *(continued)*

New standards and interpretations not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalised the testing and assessment of controls over its IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease 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 recognition 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.

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*.

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of distribution vehicles, warehouses and office premises (refer note 25). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities for an amount ranging from AED 38 million to AED 43 million as at 1 January 2019. Management assumes that the leases of land would be renewed on an on-going basis during the useful lives of assets constructed or developed on the respective land. Also refer to note 10(d).

ii. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

5. 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 (including related party 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring of outstanding receivables. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by nature of customers' operations and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast and industry outlook.

5. Financial risk management *(continued)*

Credit risk *(continued)*

Cash at banks

Cash held in bank accounts amounts to AED 16.1 million at 31 December 2018 (*2017: AED 12.2 million*). Cash is held with banks, which are rated A1 to Baa3, based on Moody's Corporation ratings. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that cash balances with banks has a low credit risk based on the external credit ratings of the counterparties and accordingly, the expected credit loss is negligible.

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 borrowings. 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.

As at 31 December 2018, the Group's current liabilities exceed its current assets by AED 36.6 million *(2017: AED 2.3 million)*. The Group management is of the view that the favourable factors noted below are adequate to resolve the current liquidity problems and the Group will have sufficient funds available to meet its obligation when the payment will be required.

- The Group management has prepared a four years business plan which shows positive cash flows from operations resulting from ongoing management efforts to optimize costs, increase in selling prices of products and launching of new products.

- The Group management is currently negotiating with its lender banks, a restructuring plan related to its bank borrowings which will result in (i) conversion of certain short term borrowings into long term; (ii) limiting the exposure to only few banks through buyout of certain existing bank loans by the other banks whom the Group will continue business in future; (iii) increase in the credit limits by conversion of unused facility lines into those which are used most often; and (iv) the deferment of the repayment of existing overdue loans. Management believes that ongoing negotiations for the restructuring plan is currently at an advanced stage and will be formally signed off shortly.

- Net current liabilities as at 31 December 2018 include a long term portion of the bank borrowings amounting to AED 5 million which has been classified as short term because of breach of certain financial covenants. Based on the relationship with the creditor banks, the Group management believes that the repayment will occur as per the payment schedules agreed with the lender banks. Also refer to note 19.

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.

5. Financial risk management *(continued)*

Market risks *(continued)*

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. As at 31 December 2018, the Group's accumulated losses exceed 50% of the share capital of the Company. Also refer to note 2, which explains that the Company's directors are required to convene a general meeting of the shareholders of the Company under Article 302 of the UAE Federal Law No. (2) of 2015.

6. Cost of sales

		2018 **AED 000**	2017 AED 000
Manufacturing:			
Raw material, packing materials and stores and spares consumed		**163,345**	160,936
Staff costs		**11,500**	10,979
Utilities		**11,021**	11,679
Depreciation (refer to note 10(a))		**2,129**	2,071
Other direct costs		**5,002**	6,385
		192,997	192,050
Changes in inventories of semi-finished and finished goods		**277**	2,332
	(A)	**193,274**	194,382
Trading:			
Inventories, beginning of the year		**11,579**	7,559
Purchases (including direct expenses)		**45,232**	42,236
Inventories, end of the year (refer to note 13)		**(5,166)**	(11,579)
	(B)	**51,645**	38,216
	(A) + (B)	**244,919**	232,598

7. Administrative, selling and distribution expenses

	2018 AED 000	2017 AED 000
Staff costs	**55,340**	51,380
Advertisement and other selling expenses	**747**	3,639
Depreciation (refer to note 10(a))	**2,971**	2,539
Commercial vehicle expenses	**30,913**	24,172
Utilities	**1,835**	823
Other expenses	**22,178**	28,533
	113,984	111,086

8. Finance costs

	2018 AED 000	2017 AED 000
Interest on bank borrowings	**9,090**	6,451

9. Other income

	2018 AED 000	2017 AED 000
Rental income (refer to note below)	**2,520**	2,400
Gain on disposal of property plant and equipment	**103**	6
Dividend income	**329**	526
Sale of scrap	**591**	404
Net exchange gains	**73**	30
Miscellaneous income	**35**	846
	3,651	4,212

Rental income is earned from lease of investment properties to third parties.

10. Property, plant and equipment

	Land and buildings AED 000	Plant and equipment AED 000	Transportation and distribution equipment AED 000	Furniture, fixture and office equipment AED 000	Capital work-in-progress AED 000	Total AED000
Cost						
At 1 January 2017	47,015	59,765	17,799	6,874	2,025	133,478
Additions	163	5,452	5,908	1,758	343	13,624
Transfer from capital advances	-	-	-	-	4,267	4,267
Disposals	-	(756)	(2,480)	(8)	-	(3,244)
Transfer from capital work in progress	-	507	95	-	(602)	-
Transfer from assets held for sale (refer to note 16)	-	6,534	-	-	1,550	8,084
At 31 December 2017	47,178	71,502	21,322	8,624	7,583	156,209
At 1 January 2018	47,178	71,502	21,322	8,624	7,583	156,209
Additions	192	2,500	1,159	585	1,306	5,742
Disposals	(8)	(849)	(1,030)	(76)	-	(1,963)
Transfer from capital work in progress	50	1,924	79	91	(2,144)	-
Transfer to investment properties (refer notes 10(b) and 11)	(9,435)	-	-	-	-	(9,435)
At 31 December 2018	37,977	75,077	21,530	9,224	6,745	150,553
Depreciation and impairment						
At 1 January 2017	35,759	50,208	14,609	6,242	-	106,818
Charge for the year	534	2,107	1,167	802	-	4,610
On disposals	-	(639)	(2,430)	(6)	-	(3,075)
Transfer from assets held for sale (refer to note 16)	-	6,534	-	-	-	6,534
At 31 December 2017	36,293	58,210	13,346	7,038	-	114,887
At 1 January 2018	36,293	58,210	13,346	7,038	-	114,887
Charge for the year	388	2,189	1,727	796	-	5,100
On disposals	(8)	(795)	(1,022)	(76)	-	(1,901)
Transfer to investment properties (refer notes 10(b) and 11)	(3,123)	-	-	-	-	(3,123)
At 31 December 2018	33,550	59,604	14,051	7,758	-	114,963
Net book value						
At 31 December 2018	**4,427**	**15,473**	**7,479**	**1,466**	**6,745**	**35,590**
At 31 December 2017	10,885	13,292	7,976	1,586	7,583	41,322

(a) Depreciation has been allocated as follows:

	2018 AED 000	2017 AED 000
Cost of sales (refer to note 6)	**2,129**	2,071
Administrative, selling and distribution expenses (refer to note 7)	**2,971**	2,539
	5,100	4,610

10. Property, plant and equipment *(continued)*

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

c) The Government of Dubai has granted land to the Group for setting up manufacturing facilities that has been recorded at a nominal value.

d) Buildings include 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.

e) Capital work in progress represents costs incurred towards construction of warehouses and cooling system for the plant.

f) Plant and equipment are mortgaged against bank facilities (refer to note 19).

11. Investment properties

Investment properties comprise a labour accommodation and a warehouse that are leased to third parties under operating leases.

i. Reconciliation of carrying amount

	Warehouse AED 000	Labour accomodation AED 000	Total AED 000
Balance as at 1 January 2018	-	-	-
Cost of development/construction	7,166	-	**7,166**
Reclassification from property, plant and equipment (refer note 10 (b))	-	6,312	**6,312**
Net change in fair value			
- recognised in other comprehensive income (refer note 10 (b))	-	6,188	**6,188**
- recognised in profit or loss	4,234	6,700	**10,934**
Balance as at 31 December 2018	**11,400**	**19,200**	**30,600**

ii. Measurement of fair value

Fair value hierarchy

The fair value of investment properties was determined by an external, independent property valuer as at 31 December 2018, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Related lease terms range from one year to five years renewable at mutually agreed terms.

The fair value measurement for both of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

11. Investment properties *(continued)*

ii. Measurement of fair value (continued)

Valuation technique and significant unobservable inputs

Labour accommodation
Income capitalization approach was used to determine the fair value of labour accommodation. This valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate and expected maintenance costs. The expected net cash flows are discounted using a risk adjusted discount rate. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease term.

Significant unobservable inputs used in the income capitalization technique include:

- Expected market rental growth - Nil
- Void periods – 12% of market rent
- Expected maintenance costs 20% of market rent
- Risk-adjusted discount rates 12% for the first year and 13% for the remaining period

Warehouse building
The fair value of the warehouse building was determined using market comparison approach. This valuation model estimates the fair value by looking at comparables, such as recent property sales, similar in size and features, located in close proximity to the property being valued.

The estimated fair value would increase/decrease as a result of changes to the unobservable inputs discussed above.

12. Investments

	31 December 2018 AED 000	31 December 2017 AED 000
Opening balance	**5,595**	5,903
Adjustment on initial application of IFRS 9 recorded in equity		
Change in fair value (refer to note 3(b))	**8,292**	-
Included in profit or loss		
Change in fair value	**3,413**	-
Included in other comprehensive income		
Change in fair value	-	(14)
Sale during the period*	-	(294)
Closing balance	**17,300**	5,595

* During the previous year, investments having a fair value of AED 0.3 million were sold and the related fair value reserve of AED 0.04 million was transferred to profit or loss.

12. Investments *(continued)*

Disclosed in the consolidated statement of financial position as follows:

	31 December 2018 AED 000	31 December 2017 AED 000
Available for sale investments – Non current	-	5,595
Investments at fair value through profit or loss – current (refer to note 3(b))	**17,300**	-

Measurement of fair values

Investments as at the reporting date represent the Group's investment in unquoted equity security of a group operating in dairy and poultry industry. The fair value of the investment was determined by an external valuer, having appropriate professional qualifications and recent experience of such valuations. The fair value of the investment was determined by capitalizing expected future maintainable earnings of the investee using a market valuation multiple. Valuation multiple is based on market expectations after considering conditions relevant during the time of valuation, including the economy in general and the business and industry of the entity in particular. Management has used the latest available financial information of the investee i.e. financial results upto June 2018, while computing future maintainable earnings. Accordingly, the fair value of the investment as at 30 June 2018 is reflected in these consolidated financial statements.

Fair value hierarchy

When measuring the fair value of investments, in particular determining the valuation multiple, the Group uses market observable data as far as possible. The fair value of investments at fair value through profit or loss has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

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

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

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

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

12. Investments *(continued)*

Measurement of fair values *(continued)*

Fair value hierarchy (continued)

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

	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
31 December 2018				
Investments at FVTPL	**12**	-	**17,288**	**17,300**
31 December 2017				
Available-for-sale investments	18	-	5,577	5,595

During the current or the previous year, there were no transfers between the various levels of fair value measurements.

13. Inventories

	2018 AED 000	2017 AED 000
Raw materials and packing materials	**15,259**	29,371
Semi-finished goods	**1,706**	1,348
Finished goods	**6,771**	7,406
Trading stocks	**5,166**	11,579
Consumable stores and spare parts	**6,556**	6,717
	35,458	56,421
Less: Provision for slow moving inventories	**(1,288)**	(2,008)
	34,170	54,413
Goods-in-transit	-	9,335
	34,170	63,748

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

	2018 AED 000	2017 AED 000
At 1 January	**2,008**	3,863
Provision recorded during the year (included as part of cost of sales)	**737**	215
Inventories written off	**(1,457)**	(2,070)
At 31 December	**1,288**	2,008

Inventories have been hypothecated with bank for security against bank borrowings (refer to note 19).

14. Trade and other receivables

	2018 AED 000	2017 AED 000
Trade receivables	**88,869**	89,133
Less: provision for impairment of trade receivables	**(28,434)**	(8,746)
	60,435	80,387
Advances, deposits and prepayments	**4,281**	7,644
	64,716	88,031

Information about the Group's exposure to credit and market risks and impairment losses for trade receivables is included in notes 5 and 29.

Trade receivables are assigned as security against bank borrowings (refer to note 19).

15. Cash in hand and at bank

	2018 AED 000	2017 AED 000
Cash in hand	**591**	302
Cash at bank - current	**6,001**	2,089
Cash at bank - fixed deposits	**10,081**	10,081
	16,673	12,472

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

16. Share capital

	2018 AED 000	2017 AED 000
Issued and fully paid up:		
32.37 million ordinary shares of AED 1 each		
(2017: 32.37 million ordinary shares of AED 1 each)	**32,368**	32,368

17. Retained earnings and reserves

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. There is no transfer to legal reserve during the current year as the Group has incurred net loss *(2017: AED 0.9 million)*.

Dividend

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

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

17. Retained earnings and reserves *(continued)*

Directors' fee

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

At the Annual General Meeting held on 23 March 2017, the shareholders approved the directors' fee amounting to AED 0.9 million for the year ended 31 December 2016.

Restricted reserve

In accordance with the Law of the country where the subsidiary company is registered, during the current year, no amount *(2017: Nil)* 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.

Revaluation surplus

The revaluation surplus included in equity is in respect of a labour accommodation building that was revalued at the time of transfer of the property to investment properties. The amount of surplus is non-distributable and is transferable to retained earnings upon disposal or otherwise derecognition of the related property.

18. Provision for staff terminal benefits

	2018 AED 000	2017 AED 000
Balance at 1 January	**7,408**	6,324
Provision made during the year	**1,198**	1,583
Payments made during the year	**(1,079)**	(499)
Balance at 31 December	**7,527**	7,408

19. Bank borrowings

	2018 AED 000	2017 AED 000
Long term borrowings:		
Term loans	**5,018**	17,465
Less: short term portion (refer note (ii) below)	**(5,018)**	(17,465)
Long term portion of term loans	**-**	-
Short term borrowings:		
Trust receipts	**56,340**	89,446
Bank overdraft	**15,583**	6,259
Current portion of term loan	**46,253**	17,465
	118,176	113,170

i) Bank borrowings are mainly secured by mortgages over plant and machinery, hypothecation of inventories and assignment of receivables.

19. Bank borrowings *(continued)*

i) Bank borrowings are also subject to certain financial covenants including minimum tangible net worth of AED 27 million, current ratio of 1:1, leverage ratio not to exceed 3.5:1, debt to EBITDA not to exceed 6:1 and debt to equity of 3.5. As at the reporting date, the Group has not complied with the financial covenants as specified in the facility letters with the banks. Accordingly, the long term portion of the loan amounting to AED 5.02 million has been classified as short term at the reporting date because the loan balance becomes payable on demand as per the terms of the loan agreement. However, based on the relationship with the creditor banks, the Group's Directors are of the view 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. Also refer to note 5 – liquidity risk.

20. Trade and other payables

	2018	2017
	AED 000	AED 000
Trade payables	**35,751**	46,715
Accruals and other payables	**13,125**	5,470
Dividends payable	-	258
Advances received from customers	**320**	647
	49,196	53,090

21. Provision for income tax

	2018	2017
	AED 000	AED 000
At 1 January	**287**	599
Tax (income)/expense for the year	**415**	(72)
Payments during the year	-	(240)
At 31 December	**702**	287

The provision for tax is in respect of the Group's operations in Oman. Income tax is recorded in accordance with the income tax laws of the Sultanate of Oman. The income tax assessments for the years from 2012 to 2018 have not been finalised by the respective authority. In the opinion of the management the provision for AED 0.7 million *(31 December 2017: AED 0.29 million)* as at reporting date is adequate to meet the Group's tax liabilities.

22. 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:

	2018	2017
	AED 000	AED 000
Purchases	**6,132**	4,541
Sales	**889**	861

22. Related party transactions and balances *(continued)*

Compensation to key management personnel is as follows:

	2018 AED 000	2017 AED 000
Short term benefits paid to an Executive Director	**1,200**	900
Short term benefits – other key management personnel	**2,451**	1,482
Provision towards staff terminal benefits	**479**	33
	====	====

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

	2018 AED 000	2017 AED 000
Due from a related party		
- Abjar Group	**198**	184
	===	===

	2018 AED 000	2017 AED 000
Due to related parties		
- Innovations Group	**1,307**	-
- United Foods PJSC	**269**	190
- United Cans Company LLC	-	23
	-------	-----
	1,576	213
	====	===
Other payables		
- Key management personnel	**479**	119
	===	===

23. Impairment of assets held for sale

	2018 AED 000	2017 AED 000
Impairment loss on assets held for sales	-	5,294
	====	====

Subsequent to the closure of the Group's Sohar factory in Oman during 2015, factory assets, comprising mainly the buildings and plant and equipment ("disposal group") were classified as held for sale. Out of the disposal group, certain assets were disposed off in 2017 and the remaining were put into use by the Group. The Group recorded an impairment loss of AED 5.3 million in 2017 which included an amount of AED 2.5 million related to a building disposed off in 2017 and an amount of AED 2.8 million related to plant and machinery put into use in 2017.

24. Contingent liabilities and commitments

	2018 AED 000	2017 AED 000
Bank guarantees	**4,058**	4,058
Letters of credit	**7,041**	3,945
	====	====

Legal cases

As at 31 December 2018, the Group has some pending legal cases with respect to recovering of certain trade receivable balances. All these cases are pending before the Court for hearings and final decision. The management has reviewed the status of all of these legal cases and believes that no further provision is required as at 31 December 2018.

Commitments

Capital commitments

	2018 AED 000	2017 AED 000
Capital commitments	**9,351**	11,233
	=====	=====

Capital commitments represent costs to be incurred towards construction of warehouses and cooling system for the plant.

25. Operating leases

i. Leases as lessee

The Group leases land, retail shops, office premises, warehouses and distribution vehicles under operating leases. The leases typically run for a period of one to twenty five years, with an option to renew the lease after that date. Lease payments are renegotiated at the end of each lease term to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain operating leases, the Group is restricted from entering into any sub-lease arrangements.

At 31 December, the future minimum lease payments under non-cancellable leases are payable as follows:

	2018 AED'000	2017 AED'000
Less than one year	**10,039**	8,548
Between one and five years	**8,217**	11,454
More than five years	**2,406**	3,948
	--------	--------
	20,662	23,950
	=====	=====

25. Operating leases *(continued)*

i. Leases as lessor

The Group has leased out a labour accommodation and a warehouse building classified as investment properties (refer note 11).

Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases are receivable as follows:

	2018	2017
	AED'000	AED'000
Less than one year	**3,799**	643
Between one and five years	**3,000**	-
	6,799	643

26. 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.

27. Earnings per share

	2018	2017
Net (loss)/profit attributable to owners of the Company (AED 000)	**(20,392)**	2,356
Weighted average number of shares outstanding ('000)	**32,368**	32,368
(Loss)/earnings per share – basic and diluted (in AED)	**(0.630)**	0.073

28. Segment reporting

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

IFRS also requires an entity to report its segment assets and revenue along geographical regions. All significant activities of the Group are performed on an integrated basis in the Gulf region and the Directors 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 2018, there were no customers of the Group with the revenues greater than 10% of the total revenue of the Group *(2017: Nil)*.

29. 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:

	2018 AED 000	2017 AED 000
Trade and other receivables	**60,025**	80,959
Cash in bank	**16,082**	12,170
Due from a related party	**198**	184
	76,305	93,313

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:

	2018 AED 000	2017 AED 000
Oman	**6,930**	16,373

Impairment losses

Expected credit loss assessment

Refer to note 5 for details about how and to what extent the Group is exposed to credit risk and how management estimates credit losses. The Group uses an allowance matrix to measure the ECLs of trade receivables. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

In AED 000	Weighted average loss rates	Gross 2018	Impairment 2018	Credit impaired
Current	8.9%	25,990	2,315	No
1-90 days past due	5.9%	16,422	974	No
91-180 days past due	26.9%	9,939	2,675	No
180-270 days past due	45.1%	9,326	4,206	No
271-360 days past due	55.0%	11,050	6,078	Yes
More than 270 days past due	66.2%	16,142	10,693	Yes
		88,869	26,941	
Add: impairment allowance for specific loss cases			1,493	
Total expected credit loss as at 31 December 2018			28,434	

29. Financial instruments *(continued)*

a) Credit risk *(continued)*

Impairment losses *(continued)*

Expected credit loss assessment (continued)

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast GDP of respective countries in which the Group operates.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

	2018	2017
	AED 000	AED 000
Balance as at 1 January under IAS 39	**8,746**	6,795
Adjustment on initial application of IFRS 9 (refer note 3b)	**7,598**	
Balance at 1 January under IFRS 9	**16,344**	
Net measurement of loss allowance	**12,090**	1,951
Balance as at 31 December	**28,434**	8,746

Comparative information under IAS 39

The age of trade receivables and respective allowance for doubtful recoveries at 31 December 2017 was:

	2017	2017
	Gross	Impairment
	AED 000	AED 000
0-30 days from invoice date	21,398	-
31-60 days from invoice date	19,102	-
61-90 days from invoice date	17,774	-
Over 90 days from invoice date	30,859	8,746
	89,133	8,746

29. Financial instruments *(continued)*

b) Liquidity risk

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

31 December 2018	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
Non-derivative financial liabilities					
Bank borrowings	118,176	126,648	126,648	-	-
Trade and other payables	48,876	48,876	48,876	-	-
Due to related parties	1,576	1,576	1,576	-	-
	168,628	177,100	177,100	-	-

31 December 2017	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
Non-derivative financial liabilities					
Bank borrowings	113,170	118,915	118,915	-	-
Trade and other payables	52,443	52,443	52,443	-	-
Due to related parties	213	213	213	-	-
	165,826	171,571	171,571	-	-

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

Also refer to note 5 – liquidity risk, which explains that the Group currently faces certain liquidity problems and how the management plans to manage the resulting risk.

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 2018 AED 000	Carrying amount 2017 AED 000
Fixed rate instrument		
Cash in bank – fixed deposit	10,081	10,081

	Carrying amount 2018 AED 000	Carrying amount 2017 AED 000
Variable rate instruments		
Bank borrowings	118,176	113,170

29. 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 2017.

	Profit or loss	
	100 bp increase AED 000	100 bp decrease AED 00
31 December 2018	**(1,182)**	**1,18**
31 December 2017	(1,132)	1,13

d) Fair values

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

30. 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 obsolete and slow moving 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 recognises loss allowance for ECLs on financial assets measured at amortised cost. ECLs are a probability weighted estimate of credit losses. ECL computation uses historical trends and a forward looking element to compute percentage allowance to be recorded as impairment loss on trade receivables. Should any of these input estimates vary, the profit or loss and financial position of the following year(s) would be significantly impacted.

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.

30. Significant accounting estimates and judgments

Valuation of investment in unquoted equity securities

Investments in unquoted equity securities are stated at fair value, determined by capitalizing expected future maintainable earnings of the investee using a market valuation multiple. This method takes into account latest available financial statements of the investee and management's analysis of changes in market prices of other listed securities adjusted for illiquid risk. The fair value of these investments is categorised as a Level 3 fair value based on unobservable inputs to the valuation technique used.

Valuation of investment properties

The Group fair values its investment properties. An external, independent valuation company having the appropriate recognised professional qualification has valued the properties (refer note 11). Should the significant assumption change, the fair value of investment properties would significantly impact profit or loss and statement of financial position of the Group in the future.

Bank borrowings – appropriate classification and presentation/disclosures

The Group management reviews compliance with financial covenants as specified in the facility letters with the banks, at each year end. In case of any breach long term loans become repayable on demand as per the terms of agreements. Management ascertains the resulting impact of any breach instances on the presentation and disclosures, and the appropriate classification of bank borrowings in the consolidated financial statements. This involves an evaluation of the Group's relationships with the lender banks, the likelihood of the term loans being called for early repayment and the resulting impact on the Group's liquidity position. Any change in the key assumptions used may significantly change the classification of bank borrowings between short term and long term and may also have an impact on the Group's liquidity position.

31. Other information

- As at 31 December 2018, the Group has no exposure to Abraaj Holdings, or any of its subsidiaries, or any of its funds.
- The Group has not purchased or invested in any shares during the current or the previous year.