

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

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 2019

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Unikai Foods (P.J.S.C.) (the “Company”) and its subsidiary (collectively referred to as the “Group”) which comprise the interim condensed consolidated statement of financial position as at 30 June 2019 and the related condensed interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month and six-month periods then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matters

We draw attention to the fact that the consolidated financial statements of the Group as at and for the year ended 31 December 2018 were audited by another auditor who issued an unmodified audit report on those statements on 10 March 2019. Furthermore, the interim condensed consolidated financial statements of the Group as at and for the three-month and six-month periods ended 30 June 2018 were reviewed by another auditor who issued a review conclusion on those statements on 6 August 2018.

For Ernst & Young



Signed by
Ashraf Abu Sharkh
Partner
Registration No. 690

7 August 2019

Dubai, United Arab Emirates

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three-month and six months period ended 30 June 2019 (Unaudited)

	Notes	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Revenue		90,940	104,132	157,241	177,616
Cost of sales		(58,568)	(70,961)	(104,213)	(130,126)
Gross profit		32,372	33,171	53,028	47,490
Administrative, selling and distribution expenses	3	(24,373)	(29,499)	(48,659)	(57,817)
Impairment reversal /(loss) on trade receivables		1,747	(800)	1,593	(1,600)
Operating profit/(loss) for the period		9,746	2,872	5,962	(11,927)
Finance costs, net		(3,220)	(2,324)	(5,595)	(4,609)
Loss on fair valuation of investments		-	1	(1)	(1)
Other income	4	1,137	1,542	2,253	2,355
Profit/(loss) for the period before tax		7,663	2,091	2,619	(14,182)
Tax expense		(142)	-	(190)	-
Profit/(loss) for the period		7,521	2,091	2,429	(14,182)
Profit/(loss) attributable to: Owners of the Company		7,521	2,091	2,429	(14,182)
Earnings per share					
Earnings/(loss) per share-basic (AED)	19	0.23	0.06	0.08	(0.44)

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

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and six months period ended 30 June 2019 (Unaudited)

	Note	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Profit/(loss) for the period		7,521	2,091	2,429	(14,182)
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Revaluation of a building	5	-	-	-	6,188
Other comprehensive income for the period		-	-	-	6,188
Total comprehensive income/(loss) for the period		7,521	2,091	2,429	(7,994)
Total comprehensive profit/(loss) attributable to: Owners of the Company		7,521	2,091	2,429	(7,994)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	<i>30 June 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	5	35,101	35,590
Investment properties	6	30,600	30,600
Right-of-use assets	7	53,924	-
		<u>119,625</u>	<u>66,190</u>
Current assets			
Inventories	8	37,143	34,170
Trade and other receivables	9	75,080	64,716
Investments at fair value through profit or loss	10	17,299	17,300
Due from a related party	17	139	198
Cash in hand and at bank	11	13,217	16,673
		<u>142,878</u>	<u>133,057</u>
TOTAL ASSETS		<u>262,503</u>	<u>199,247</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		32,368	32,368
Statutory reserve		2,366	2,366
Restricted reserve		792	792
Revaluation surplus		6,188	6,188
Accumulated losses		(17,215)	(19,644)
Total equity		<u>24,499</u>	<u>22,070</u>
Non-current liabilities			
Employees' end of service benefits		7,382	7,527
Lease liabilities	16	44,367	-
		<u>51,749</u>	<u>7,527</u>
Current liabilities			
Borrowings	13	101,254	118,176
Trade and other payables	14	69,373	49,196
Due to related parties	17	1,191	1,576
Lease liabilities	16	13,545	-
Provision for Income tax	15	892	702
		<u>186,255</u>	<u>169,650</u>
Total Liabilities		<u>238,004</u>	<u>177,177</u>
TOTAL EQUITY AND LIABILITIES		<u>262,503</u>	<u>199,247</u>

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

07 AUG 2019

Director

Director

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2019 (Unaudited)

	Share capital AED '000	Statutory reserve AED '000	Restricted reserve AED '000	Revaluation surplus AED '000	Accumulated losses AED '000	Total AED '000
Balance as at 1 January 2019	32,368	2,366	792	6,188	(19,644)	22,070
Profit for the period	-	-	-	-	2,429	2,429
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	2,429	2,429
Balance as at 30 June 2019	32,368	2,366	792	6,188	(17,215)	24,499

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six-month period ended 30 June 2019 (Unaudited)

	Share capital AED '000	Statutory reserve AED '000	Restricted reserve AED '000	Revaluation surplus AED '000	Retained earnings/ (accumulated losses) AED '000	Fair value reserve AED '000	Total AED '000
Balance as at 1 January 2018 – as previously reported	32,368	2,366	792	-	1,659	(1)	37,184
<i>Adjustment on initial application of IFRS 9:</i>							
Recognition of expected credit losses	-	-	-	-	(7,598)	-	(7,598)
Change in fair value of investments	-	-	-	-	8,291	1	8,292
Total adjustment on initial application of IFRS 9	-	-	-	-	693	1	694
Adjusted balance as at 1 January 2018	32,368	2,366	792	-	2,352	-	37,878
Loss for the period	-	-	-	-	(14,128)	-	(14,128)
Other comprehensive income	-	-	-	6,188	-	-	6,188
Total comprehensive income for the period	-	-	-	6,188	(14,128)	-	(7,994)
Dividends declared and transferred to other payables (note 12)	-	-	-	-	(1,457)	-	(1,457)
Directors' fee payable (note 12)	-	-	-	-	(147)	-	(147)
Balance as at 30 June 2018	32,368	2,366	792	6,188	(13,434)	-	28,280

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2019 (Unaudited)

	Notes	Six-month period ended 30 June	
		2019 AED'000	2018 AED'000
OPERATING ACTIVITIES			
Profit/(loss) for the period before tax		2,691	(14,182)
Adjustments for:			
Depreciation	5	3,584	2,510
Depreciation on right to use assets	4	5,434	-
Impairment (reversal) / loss on trade receivables		(1,593)	1,600
Loss on fair valuation of investments		1	1
Gain on disposal of property, plant and equipment		-	(53)
Finance costs		5,595	4,609
Provision for employees' end of service benefits		499	728
		<u>16,211</u>	<u>(4,787)</u>
Working capital changes:			
Inventories		(2,973)	4,859
Trade and other receivables		(9,111)	(14,229)
Due from a related party		59	(37)
Trade and other payables		20,177	(10,004)
Due to related parties		(385)	1,092
		<u>23,978</u>	<u>(23,106)</u>
Cash from/(used in) operations		23,978	(23,106)
Employees' end of service benefits paid		(644)	(409)
Directors' fee paid		-	(147)
		<u>23,334</u>	<u>(23,662)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(3,101)	(7,012)
Proceeds from disposal of property, plant and equipment		6	148
		<u>(3,095)</u>	<u>(6,864)</u>
FINANCING ACTIVITIES			
Borrowings, net		(13,746)	27,634
Dividend paid		-	(1,457)
Finance cost paid		(4,270)	(3,830)
Lease liabilities paid		(2,503)	-
		<u>(20,519)</u>	<u>22,347</u>
Net cash (used in)/from financing activities		(20,519)	22,347
NET DECREASE IN CASH AND CASH EQUIVALENTS		(280)	(8,179)
Cash and cash equivalents at 1 January		1,090	1,357
CASH AND CASH EQUIVALENTS AT 30 JUNE	11	1,150	(6,822)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Unaudited)

1 ACTIVITIES

Unikai Foods (P.J.S.C.) (the “Company”) is a Public Shareholding Company, incorporated on 11 April 1977 by a Decree issued by His Highness, The Ruler of Dubai. The Company’s equity securities are listed on Dubai Financial Market. The Company holds 100% equity in Unikai and Company LLC (the “Subsidiary”), registered as a limited liability company in the Sultanate of Oman under Commercial Register No. 3/74. The principal activity of the Subsidiary is trading in dairy, juice, ice cream and other food products.

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

The interim condensed consolidated financial statements have been approved by the Board of Directors on 7 August 2019.

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

Basis of preparation

The interim condensed consolidated financial statements for the six months period ended 30 June 2019 have been prepared in accordance with IAS 34 “*Interim Financial Reporting*”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2018.

In addition, results for the six months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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

These condensed consolidated interim financial statements are presented in United Arab Emirates Dirham (“AED”), rounded to nearest thousand except when otherwise indicated, which is the Company’s functional currency.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases*. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces 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*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Unaudited)

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued)

IFRS 16 Leases (continued)

The Group has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. All right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. All right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

On adoption of IFRS 16 using the modified retrospective transition approach as of 1 January 2019, as explained above, the Group recognised the following assets and liabilities:

	<i>AED'000</i> <i>(Unaudited)</i>
Right-of-use assets cost (Note 7)	<u>46,330</u>
Leased liabilities recognised (Note 16)	46,062
Adjustment of prepayments	268
	<u>46,330</u>

There was no impact on the statement of equity of the Group as all right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses).

Following is the impact on the interim condensed consolidated statement of income for the six months period ended 30 June 2019 (three-month period ended 31 March 2019):

	<i>Six- month period</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>Three- month period</i> <i>AED'000</i> <i>(Unaudited)</i>
Depreciation expense on right-of-use assets (under IFRS 16)	(5,434)	(2,515)
Finance costs (under IFRS 16)	(1,325)	(665)
Rental – operating lease (under IAS 17)	6,236	2,885
Net impact on profit for the period	<u>(523)</u>	<u>(295)</u>

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued)

IFRS 16 Leases (continued)

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the respective lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of certain stores (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office vehicles that are considered of low value (i.e., below AED 18,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three or more years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of land and building due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Unaudited)

3 ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Staff salaries and benefits	12,362	13,883	24,370	27,772
Advertisement and other selling expenses	140	434	250	1,387
Commercial vehicle expenses	4,485	8,059	7,529	15,473
Depreciation	722	720	1,441	1,487
Depreciation on right to use of assets	2,919	-	5,434	-
Other expenses	3,745	6,403	9,635	11,698
	24,373	29,499	48,659	57,817

4 OTHER INCOME

Other income for the six-month period ended 30 June 2019 mainly includes rental income amounting to AED 1.8 million (*six-month period ended 30 June 2018: AED 1.6 million*) and three-month period ended 30 June 2019 mainly include rental income amounting to AED 0.89 million (*three-month period ended 30 June 2019: AED 0.85 million*)

5 PROPERTY, PLANT AND EQUIPMENT

Additions (unaudited)

During the six-month period ended 30 June 2019, the Group acquired assets amounting to AED 3.1 million (*six-month period ended 30 June 2018: AED 7 million*). The depreciation expense amounted to AED 3.58 million (*six-month period ended 30 June 2018: AED 2.51 million*)

Transfer to investment property (unaudited)

During the period ended 30 June 2018, the Group has reclassified a labor accommodation building from property, plant and equipment to investment property 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 statement of financial position.

6 INVESTMENT PROPERTIES

Refer to note 5 for transfer of an earlier owner-occupied properties to investment properties during comparative period. The fair values of investment properties were determined by external, independent property valuer as at 31 December 2018, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued. Income capitalization approach was used by taking into account expected market rental growth, occupancy rate and discount rate. The fair value measurement of buildings of AED 30.6 million has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

The management have reassessed the fair value of the investment properties as at 30 June 2019 and believe that there are no significant changes in the carrying value of the properties from 31 December 2018 to 30 June 2019.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Unaudited)

7 RIGHT-OF-USE ASSETS

	<i>Six-month period ended</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>AED 000</i>	<i>AED 000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At 1 January 2019 (Note 2)	46,330	-
Additions during the period	13,140	-
Less: depreciation for the period	(5,434)	-
Less: retirement during the period	(112)	-
	<u>53,924</u>	<u>-</u>
At 30 June 2019	<u>53,924</u>	<u>-</u>

The Group has lease contracts for various items of land, buildings and motor vehicles. Before the adoption of IFRS 16, the Group classified each of its said leases (as lessee) at the inception date as operating leases. In an operating lease, the leased items were not capitalised and the lease payments were recognised as rent expense in the statement of income on a straight-line basis over the lease term.

8 INVENTORIES

	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>AED 000</i>	<i>AED 000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Raw materials and packing materials	17,433	15,259
Semi-finished goods	1,573	1,706
Finished goods	6,518	6,771
Trading goods	5,861	5,166
Consumables stores and spare parts	6,563	6,556
	<u>37,948</u>	<u>35,458</u>
Less: Provision for slow-moving inventories	(1,171)	(1,288)
	<u>36,777</u>	<u>34,170</u>
Goods-in-transit	366	-
	<u>37,143</u>	<u>34,170</u>

9 TRADE AND OTHER RECEIVABLES

	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>AED 000</i>	<i>AED 000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables	82,328	88,869
Less: Provision for expected credit losses	(14,780)	(28,434)
	<u>67,548</u>	<u>60,435</u>
Advances, deposits and prepayments	7,532	4,281
	<u>75,080</u>	<u>64,716</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Unaudited)

9 TRADE AND OTHER RECEIVABLES(continued)

During the period ended 30 June 2019, the group written off receivables of AED 11.460 thousand (for the year ended 31 December 2018: Nil) against allowance for expected credit losses and made reversal of AED 1,747 thousand (for the year ended 31 December 2018: Nil) resulting from improved recoveries of long outstanding receivables during the period.

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Opening balance	17,300	5,595
<i>Adjustment on initial application of IFRS 9 recorded in equity:</i>		
Change in fair value	-	8,292
<i>Included in profit or loss:</i>		
Change in fair value	(1)	3,413
Closing balance	<u>17,299</u>	<u>17,300</u>

When measuring the fair value of investments, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation techniques. Refer to note 21 for disclosure on fair value hierarchy of investments.

11 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Cash in hand	879	591
Bank balances	12,338	16,082
Bank overdrafts (note 13)	13,217 (12,407)	16,673 (15,583)
Cash and cash equivalents	<u>810</u>	<u>1,090</u>

Bank balances include fixed deposits having an original maturity of less than three months and carry interest at normal commercial rates.

12 DIVIDEND AND DIRECTORS' FEE

Dividend declared

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 period.

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

Directors' fee

At the Annual General Meeting held on 22 March 2018, the shareholders also 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 period. At the Annual General Meeting held on 24 April 2019, no director's fee was approved.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Unaudited)

13 BORROWINGS

	<i>30 June 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
Long term borrowings:		
Term loan	40,423	46,253
Less: short term portion of term loans	(40,423)	(46,253)
Long term portion of term loans	-	-
Short term borrowings:		
Trust receipts	48,424	56,340
Bank overdrafts	12,407	15,583
Current portion of term loans	40,423	46,253
	101,254	118,176

- i) Bank borrowings are secured by mortgages over plant and machinery, hypothecation of inventories and assignment of receivables.
- ii) Bank borrowings are also subject to certain financial covenants including minimum tangible worth of AED 35 million, current ratio of 1.25, leverage ratio not to exceed 3:5, debt to EBITDA not to exceed 4.25 and debt to equity of 3.5. Testing for compliance with the above financial covenants is done annually on 31 December. As at 31 December 2018, the Group had not complied with the financial covenants as specified in the facility letters with the banks. Based on the relationship with the creditor banks, the Group's management has confirmed that the non-compliance is not likely to affect the continuation of the Group's bank facilities and hence will not have a significant impact on the operations.

14 TRADE AND OTHER PAYABLES

	<i>30 June 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
Trade payables	58,221	35,751
Accruals and others payables	10,896	12,869
Dividend payable	256	256
Advance received from customers	-	320
	69,373	49,196

15 PROVISION FOR INCOME TAX

The provision for taxation is in respect of the Group's operations carried out by a subsidiary in the Sultanate of Oman ("Oman"). The Subsidiary is liable to income tax in accordance with the income tax laws of the Oman depending on the level of its taxable profit. In the opinion of the management the provision for taxation of AED 0.89 million (31 December 2018: AED 0.7 million) as at reporting date is adequate to meet the Group's tax liabilities.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Unaudited)

16 LEASED LIABILITIES

	<i>AED</i> <i>(Unaudited)</i>
At 1 January 2019 (Note 2)	46,062
Additions during the period	13,140
Add: finance cost	1,325
Less: payments during the period, net of prepayments and accruals adjustment	(2,503)
Less: retirements during the period	(112)
At 30 June 2019	<u>57,912</u>

Presented on consolidated statement of financial position as follows:

	<i>AED</i> <i>(Unaudited)</i>
Current	13,545
Non-current	44,367
At 30 June 2019	<u>57,912</u>

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise directors, key management personnel and other related parties.

Significant related party transactions during the period were as follows:

	<i>Three-month period ended</i> <i>30 June</i>		<i>Six-month period ended</i> <i>30 June</i>	
	<i>2019</i> <i>AED 000</i>	<i>2018</i> <i>AED 000</i>	<i>2019</i> <i>AED 000</i>	<i>2018</i> <i>AED 000</i>
Purchases from related parties	662	765	1,546	2,955
Sales to related parties	159	230	363	455

Compensation to key management personnel is as follows:

Short term benefits	704	714	1,590	1,523
Provision towards staff terminal benefits	16	26	33	35

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

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As at 30 June 2019 (Unaudited)

17 RELATED PARTY TRANSACTIONS AND BALANCES(continued)

	<i>30 June 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
Due from a related party		
- Abjar Group	139	198
	<u>139</u>	<u>198</u>
Due to related parties		
- United Foods PJSC	198	269
- Innovation Direct Employment Services	993	1,307
	<u>1,191</u>	<u>1,576</u>
Other payables		
- Key management personnel	400	479
	<u>400</u>	<u>479</u>

18 CONTINGENCIES AND COMMITMENTS

	<i>30 June 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
Letters of guarantee	4,058	4,058
Letters of credit	5,708	7,041
	<u>4,058</u>	<u>4,058</u>
	<u>5,708</u>	<u>7,041</u>

Legal cases

As at 30 June 2019, the Group has few outstanding legal cases. All these cases are pending before the Court for the hearings and final decisions. The management has reviewed the status of all of these legal cases and believes that no additional provision is required as at 30 June 2019 (31 December 2018: Nil).

Capital Commitments

The capital commitments outstanding as at 30 June 2019 amount to AED 8.50 million (31 December 2018: AED 9.35 million) representing costs to be incurred towards construction of warehouses and cooling system for the plant.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 30 June 2019 (Unaudited)

19 BASIC EARNINGS PER SHARE

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Net profit/(loss) attributable to owners of the Company (AED 000)	7,517	2,091	2,429	(14,182)
Weighted average number of shares outstanding (including bonus shares ('000))	32,368	32,368	32,368	32,368
Profit/(loss) per share - basic (AED)	0.23	0.06	0.08	(0.44)

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

20 SEGMENTAL REPORTING

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

IFRS also requires an entity to report its segment assets and revenue along geographical regions. All significant activities of the Group are performed on an integrated basis in the Gulf region and the Directors consider an analysis by individual country would not be meaningful.

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

Major customers

During the six-month period ended 30 June 2019 and three month period ended 30 June 2019, there were no customers of the Group with the revenues greater than 10% of the total revenue of the Group (*six-month period ended 30 June 2018 and three-month period ended 30 June 2018: Nil*)

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial risk management

Financial instruments comprise financial assets and financial liabilities.

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

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

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Unaudited)

21 FAIR VALUES OF FINANCIAL INSTRUMENTS(continued)

Fair value hierarchy(continued)

As at 30 June 2019, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>30 June 2019 AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Investments at FVTPL (Unaudited)	<u>17,299</u>	<u>12</u>	<u>-</u>	<u>17,287</u>
	<i>31 December 2018 AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Investments at FVTPL (Audited)	<u>17,300</u>	<u>12</u>	<u>-</u>	<u>17,288</u>

22 SEASONALITY

Due to seasonal nature of the business of the Group, the results of operations of certain quarters, which fall in off peak periods may be substantially different from other quarters, which fall in the peak seasons (i.e. during summer season). Therefore, revenue from operations may not be evenly distributed over the four quarters of the same year and thus the results of operations of each quarter may not be comparable to other quarters of the same year.

23 COMPARATIVE INFORMATION

The management of the Group has made certain reclassification in the comparatives to align those with current period presentation.