

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

Consolidated Financial Statements  
For the year ended December 31, 2023

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2023**

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

### Directors' Report

Dear Shareholders,

On behalf of the Board of Directors,

This has been another significant year for Unikai, where your company demonstrated a strong and resilient performance. We completed the fifth consecutive profitable and growth year, despite a volatile and high-inflationary external environment. Our performance has been especially impressive considering the challenges the world faces today. At the same time, we have made further progress towards achieving our strategic priorities and, in turn, we have seen strong sales growth across the Group.

Our strategy is clear. It's centered around people, our consumers, and employees—and driving sustainable solutions that build flexibility into our business to respond to current and future challenges, while creating positive change for the community. The Board and the executive team have taken great care to ensure we strike the right balance in everything we do. In short, that we do the right thing for all our stakeholders.

Here are some key highlights of the financial performance of the company.

### KEY FINANCIAL HIGHLIGHTS

	2023	2022	AED'Millions %
Revenue	352.7	308.2	14%
Operating profit	27.8	6.9	305%
EBIDTA	47.9	30.9	55%
Net profit	20.4	7.1	186%

We delivered a strong sales performance across all segments, with Group sales increasing by 14%, crossing the AED 350 million mark after six years with a complete changeover in terms of profitability. I am delighted with the progress we have made since launching our strategic priorities and performance framework in the year 2019. As we have responded to the various challenges involved, our priorities have only become more relevant as we build on our unique strengths and focus on doing the basics brilliantly. We dug into the details of our strategic priorities and fixed our focus on profitable volume growth through cost optimization and increasing the throughput of our sales. This simple mantra has been a gamechanger in our performance, though there has been a significant upside in the cost structures be it input materials, logistical costs, and interest rate environment.



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

Other key indicators have improved multifold, our operating profits increased fourfold, EBIDTA margins are healthy this year with an increase of 55% and net profits increased by 2.8 times, bringing them back to the levels that we were at 15 years ago. Net borrowing stands at AED 59 million, much lower than in the last many years. Cash flow from operations improved by AED 34 million this year.

The Board continues to engage with stakeholders both inside and outside the business. Governance and risk management have also been important areas of focus for the Board over the last few years. We have continued to broaden and deepen our approach to managing safety, compliance risk and integrate sustainability into our business strategy to work towards Environmental, Social and Governance (ESG) goals to lead change.

Looking ahead, our priority will continue to drive organic growth in the business, manage the impact of the cost pressures and deliver to our stakeholder's better results against our strategy.

We are grateful to the UAE government for their visionary leadership, their continuous efforts and commitment to make UAE one of the safest, diversified, and competitive nations in the world. I thank all the fellow board members and the management for their dedicated contribution to our success. Their collective passion and focus make a difference in how our business continues to thrive back. I would like to thank our people who tirelessly work in our offices, our factories, our salesforce, and the extended value chain. I would like to thank you, our shareholders, for your continued trust, support, and confidence in Unikai.

Warm Regards

**Mana Mohamed Saeed AlMulla**  
**Chairman of the Board**

28-02-2024



## **Independent Auditor's 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 subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### ***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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with 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 judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

## **Independent Auditor's Report**

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

**Report on the Audit of the Consolidated Financial Statements (continued)**

### ***Key Audit Matters (continued)***

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<b><i>Key audit matter</i></b>	<b><i>How our audit addressed the key audit matter</i></b>
<p><b>Revenue recognition</b></p> <p>Revenue is a key determinant of the Group's performance and profitability, on the basis of which the incentives for the Group's management are determined.</p> <p>This gives rise to the inherent risk whereby revenue could be recognised before the control of the underlying goods have been transferred to the customer.</p> <p>Given its magnitude and the underlying inherent risk, we considered revenue recognition to be a key audit matter.</p> <p>Refer Note 4 for the revenue recognition policy and Note 21 for the disclosures on revenue recognised during the year ended December 31, 2023.</p>	<p>We performed the following procedures in relation to revenue recognition:</p> <ul style="list-style-type: none"> <li>• Read the Group's revenue recognition accounting policy and assessed whether it is in accordance with the requirements of IFRS 15.</li> <li>• Understood the Group's processes and underlying controls, including IT application controls, to recognise revenue, and tested the design and operating effectiveness of these controls on a sample basis.</li> <li>• Performed analytical procedures, including gross margin analysis, to assess and examine the movements in revenue and gross margins.</li> <li>• On a sample basis, tested whether the revenue recognised were recorded in the correct period by verifying the underlying supporting documents.</li> <li>• On a sample basis, tested whether the underlying calculation for rebates and discounts given to customers are in accordance with the contractual arrangements and duly approved.</li> </ul>

### ***Other Matter***

The consolidated financial statements of the Group as at and for the year ended December 31, 2022 were audited by another audit firm who expressed an unmodified opinion on these consolidated financial statements on March 20, 2023.



**Independent Auditor's Report**  
**To the Shareholders of Unikai Foods (P.J.S.C.) (continued)**  
**Report on the Audit of the Consolidated Financial Statements (continued)**

***Other Information***

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information except for the financial information given in the Directors' Report, and accordingly, we do not express any form of assurance or 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, 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.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of the Company's Articles of Association and the UAE Federal Decree-Law No. (32) of 2021, 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, the Management are 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.

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

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.

## **Independent Auditor's Report**

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

#### **Report on the Audit of the Consolidated Financial Statements (continued)**

##### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

- 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.
- 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 to 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Decree-Law No. (32) of 2021, we report that for the year ended December 31, 2023:

- The Company has maintained proper books of account;
- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Decree-Law No. (32) of 2021;
- The financial information included in the Directors' report is consistent with the books of account of the Company;
- There were no investments in shares and stocks during the year ended December 31, 2023;
- Note 20 reflects material related party transactions and the terms under which they were conducted;



**Independent Auditor's Report****To the Shareholders of Unikai Foods (P.J.S.C.) (continued)****Report on Other Legal and Regulatory Requirements (continued)**

- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended December 31, 2023, any of the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021 or of its Articles of Association which would have a material impact on its activities or its consolidated financial position as at December 31, 2023; and
- There were no social contributions made during the year ended December 31, 2023.

**GRANT THORNTON**

**Dr. Osama El Bakry**  
**Registration No. 935**  
**Dubai, United Arab Emirates**

**February 28, 2024**




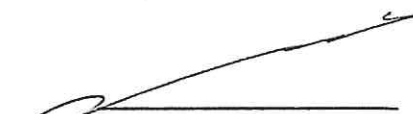
**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of financial position**  
**As at December 31, 2023**

	Notes	2023 AED'000	2022 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	38,342	33,816
Investment properties	7	44,100	42,313
Right-of-use assets	8	36,977	31,894
Deferred tax asset		1,010	1,212
		<u>120,429</u>	<u>109,235</u>
<b>Current assets</b>			
Inventories	9	44,994	37,560
Trade and other receivables	10	55,454	53,414
Financial assets at fair value through profit or loss	11	16,249	18,634
Bank balances and cash	12	13,850	13,286
		<u>130,547</u>	<u>122,894</u>
<b>TOTAL ASSETS</b>		<u>250,976</u>	<u>232,129</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	32,368	32,368
Statutory reserve	14	5,906	3,870
Revaluation surplus	15	6,646	6,646
Retained earnings		17,488	566
<b>Total equity</b>		<u>62,408</u>	<u>43,450</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	16	8,225	7,777
Lease liabilities	8	25,176	25,246
		<u>33,401</u>	<u>33,023</u>
<b>Current liabilities</b>			
Interest-bearing borrowings	17	73,333	85,607
Trade and other payables	18	66,852	55,857
Lease liabilities	8	13,924	13,812
Provision for income tax	19	1,058	380
		<u>155,167</u>	<u>155,656</u>
<b>Total liabilities</b>		<u>188,568</u>	<u>188,679</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>250,976</u>	<u>232,129</u>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on February 28, 2024 and signed on its behalf by:

  
 Director

  
 Director

28-02-2024

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements.

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of profit or loss**  
**For the year ended December 31, 2023**

	Notes	2023 AED'000	2022 AED'000
Revenue	21	352,732	308,179
Cost of sales	22	(229,866)	(211,621)
<b>GROSS PROFIT</b>		<b>122,866</b>	<b>96,558</b>
Administrative, selling and distribution expenses	23	(90,622)	(85,189)
Allowance for expected credit losses of trade and other receivables	10	(4,383)	(4,498)
<b>OPERATING PROFIT</b>		<b>27,861</b>	<b>6,871</b>
Finance costs, net	25	(10,504)	(8,470)
Change in fair value of investment properties, net	7	4,334	2,567
Change in fair value of financial assets at FVTPL	11	(2,372)	2,703
Other non-operating income, net	24	2,308	3,708
<b>PROFIT FOR THE YEAR BEFORE TAX</b>		<b>21,627</b>	<b>7,379</b>
Tax expense	19	(1,269)	(262)
<b>NET PROFIT FOR THE YEAR</b>		<b>20,358</b>	<b>7,117</b>
<b>Earnings per share:</b>			
Basic and diluted earnings per share	27	0.63	0.22

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements.

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
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**Consolidated statement of comprehensive income**  
**For the year ended December 31, 2023**

	2023 AED'000	2022 AED'000
<b>NET PROFIT FOR THE YEAR</b>	<b>20,358</b>	<b>7,117</b>
Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>20,358</b>	<b>7,117</b>

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements.

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
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**Consolidated statement of changes in equity**  
**For the year ended December 31, 2023**

	Share capital AED'000	Statutory reserve AED'000	Revaluation surplus AED'000	(Accumulated losses)/ retained earnings AED'000	Total AED'000
As at January 1, 2022	32,368	3,158	6,646	(4,939)	37,233
Net profit for the year	-	-	-	7,117	7,117
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	7,117	7,117
Directors' remuneration (Note 13)	-	-	-	(900)	(900)
Transfer to statutory reserve (Note 14)	-	712	-	(712)	-
As at December 31, 2022	32,368	3,870	6,646	566	43,450
Net profit for the year	-	-	-	20,358	20,358
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	20,358	20,358
Directors' remuneration (Note 13)	-	-	-	(1,400)	(1,400)
Transfer to statutory reserve (Note 14)	-	2,036	-	(2,036)	-
As at December 31, 2023	32,368	5,906	6,646	17,488	62,408

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements.

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of cash flows**  
**For the year ended December 31, 2023**

	Notes	2023 AED'000	2022 AED'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		21,627	7,379
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	5,583	5,000
Depreciation of right-of-use assets	8	10,180	10,033
Allowance for expected credit losses of trade and other receivables	10	4,383	4,498
Dividend income from a financial asset at FVTPL	24	(197)	(242)
Change in fair value of investment properties, net	7	(4,334)	(2,567)
Change in fair value of financial assets at FVTPL	11	2,372	(2,703)
Gain on disposal of property, plant and equipment		(36)	(51)
Finance costs, net	25	10,504	8,470
Provision for employees' end of service benefits	16	1,245	1,675
Provision /(reversal) for slow moving inventories	9	164	(47)
		51,491	31,445
<i>Changes in working capital</i>			
Inventories		(7,598)	(9,763)
Trade and other receivables		(6,423)	(6,117)
Trade and other payables		11,088	(831)
<b>Cash from operations</b>		48,558	14,734
Employees' end of service benefits paid	16	(797)	(790)
Directors' remuneration paid	13	(1,400)	(900)
Tax paid	19	(380)	(655)
<b>Net cash flows from operating activities</b>		45,981	12,389
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(10,135)	(5,354)
Fixed deposits placed		(178)	(1,531)
Finance income received	25	268	187
Proceeds from disposal of property, plant and equipment		62	80
Proceeds from disposal of a financial asset at FVTPL	11	13	-
Dividend received from a financial asset at FVTPL	24	197	242
<b>Net cash flows used in investing activities</b>		(9,773)	(6,376)
<b>FINANCING ACTIVITIES</b>			
Proceeds from interest-bearing borrowings		184,739	148,663
Repayment of interest-bearing borrowings		(199,145)	(138,230)
Finance costs paid		(8,752)	(6,531)
Lease liabilities paid	8	(14,694)	(10,452)
Dividend paid	18	(102)	-
<b>Net cash flows used in financing activities</b>		(37,954)	(6,550)
<b>Net change in cash and cash equivalents</b>		(1,746)	(537)
Cash and cash equivalents at the beginning of the year		(7,304)	(6,767)
<b>Cash and cash equivalents at the end of the year</b>	12	(9,050)	(7,304)
<b>Non-cash transactions</b>			
Additions to leases	8	12,533	7,003
Lease modification	8	183	-

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements.



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

## Consolidated Financial Statements

### Notes to the consolidated financial statements

#### For the year ended December 31, 2023

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#### 1 Legal status and principal activities

Unikai Foods (P.J.S.C.) (the “Company”) is a Public Shareholding Company incorporated on April 11, 1977 by a Decree issued by the late His Highness Sheikh Rashid bin Saeed Al Maktoum, the Ruler of Dubai, and listed on Dubai Financial Market.

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

These consolidated financial statements include the financial performance and position of the Company and its subsidiaries as listed below (collectively the “Group”).

<i>Name of subsidiaries</i>	<i>Ownership interest (%)</i>		<i>Country of operation and Incorporation</i>	<i>Principal activities</i>
	<i>2023</i>	<i>2022</i>		
Unikai and Company LLC	100	100	Sultanate of Oman	Trading of various kinds of food products
Unikai International LLC*	100	100	United Arab Emirates	Trading of various kinds of food products

\* The subsidiary is dormant.

The consolidated financial statements have been approved by the Board of Directors on February 28, 2024.

#### 2 Statement of compliance and basis of preparation

##### 2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and in compliance with the applicable provisions of the Company’s Articles of Association and the UAE Federal Decree-Law No. 32 of 2021.

##### 2.2 Going concern

The consolidated financial statements of the Group have been prepared on a going concern basis. The Group’s management and the Board of Directors have made an assessment of the Group’s ability to continue as a going concern based on the following factors:

- The Group has positive equity of AED 62,408 thousand as at year end which is improving year on year.
- The Group has bank balances and cash of AED 13,850 thousand as at year end which is reasonable to manage day-to-day operations.
- The Group has forecasted positive operating cash flows with expected growth in revenue and profits for the year 2024.
- The management has undertaken a detailed review of costs during 2023 with a view to reducing the cost of sales, operational and administrative costs to improve the financial performance of the Group.
- The Banks have extended their existing facilities and are also providing additional facilities for 2024. The Group has sufficient credit facilities available from banks to meet monthly cash flow requirements.

Further, management and the Board of Directors are not aware of any other material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

## Unikai Foods (P.J.S.C.) and its subsidiaries Consolidated Financial Statements

### Notes to the consolidated financial statements (continued) For the year ended December 31, 2023

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#### **2 Statement of compliance and basis of preparation (continued)**

##### **2.3 Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and financial assets at fair value through profit or loss that have been measured at fair value. The consolidated financial statements are presented in Arab Emirates Dirham ("AED"), which is the Company's functional currency, and all the values are rounded to the nearest thousand (AED '000), except when otherwise indicated.

##### **2.4 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

## Consolidated Financial Statements

### Notes to the consolidated financial statements (continued)

#### For the year ended December 31, 2023

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### **3 New or revised standards or interpretations**

#### **3.1 New Standards adopted as at 1 January 2023**

Some accounting pronouncements that are listed below, have become effective from 1 January 2023 and have therefore been adopted by the Group, but do not have any significant impact on the Group's consolidated financial statements.

- IFRS 17 Insurance Contracts;
- Definition of Accounting Estimates - Amendments to IAS 8;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12; and
- International Tax Reform - Pillar Two Model Rules – Amendments to IAS 12.

#### **3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective**

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB or IFRIC. None of these standards or amendments to existing standards have been early adopted by the Group and no interpretations have been issued that are applicable and need to be taken into consideration by the Group at the reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. These new standards, amendments and interpretations have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements when they become effective.

### **4 Material accounting policies**

#### **Foreign currencies**

The Group's consolidated financial statements are presented in AED, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

#### ***Transactions and balances***

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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**4 Material accounting policies (continued)**

**Foreign currencies (continued)**

*Transactions and balances (continued)*

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

*Foreign operations*

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AED are translated into AED upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities of foreign operations have been translated into AED at the closing rate at the reporting date. Income and expenses have been translated into AED at the average rate over the reporting period. Exchange differences on the Group's net investment in a foreign operation are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

**Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of all property, plant and equipment as follows:

Buildings and improvements	30 years
Plant and equipment	5 - 20 years
Transportation and distribution equipment	3 - 7 years
Furniture, fixtures and office equipment	7 - 10 years

Land and capital work in progress are not depreciated.

Capital work-in-progress is stated at cost less impairment losses, if any. When commissioned, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with its estimated useful life.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and method of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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**4 Material accounting policies (continued)**

**Investment properties**

Investment properties are properties that are held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Buildings and warehouses	3 years
Land	17 - 30 years
Vehicles	3 - 5 years

The Group also assesses the right-of-use asset for impairment when such indicators exist. Refer to the accounting policies - *Impairment of non-financial assets*.

Right-of-use assets that meet the definition of investments property are measured at fair value.



**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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**4 Material accounting policies (continued)**

**Leases (continued)**

***Group as a lessee (continued)***

***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.

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 its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

***Short-term leases***

The Group applies the short-term lease recognition exemption to its short-term leases (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). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

***Group as a lessor***

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

***Rental income***

The Group earns revenue acting as a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of profit or loss when the right to receive them arises.

**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.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

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

### Consolidated Financial Statements

#### Notes to the consolidated financial statements (continued)

##### For the year ended December 31, 2023

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#### **4 Material accounting policies (continued)**

##### **Inventories (continued)**

###### *Raw materials, packaging materials, trading goods, consumable stores 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 labor 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.

###### *Goods in transit*

Goods in transit are recorded at cost when the rights and obligations relating to the goods are transferred to the Group.

##### **Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

##### **Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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**4 Material accounting policies (continued)**

**Financial instruments – initial recognition and subsequent measurement (continued)**

***Financial assets***

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as those measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies of revenue.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

***Financial assets at amortised cost (debt instruments)***

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables and bank balances and cash.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

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

### Consolidated Financial Statements

#### Notes to the consolidated financial statements (continued)

##### For the year ended December 31, 2023

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#### 4 Material accounting policies (continued)

##### **Financial assets (continued)**

###### **Subsequent measurement (continued)**

###### *Financial assets at fair value through profit or loss (continued)*

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

###### *Financial assets at fair value through OCI*

The Group does not hold any financial assets carried at fair value through other comprehensive income.

###### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

###### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group generally applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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**4 Material accounting policies (continued)**

***Financial assets (continued)***

**Impairment of financial assets (continued)**

The Group considers a financial asset in default when contractual payments are days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***Financial liabilities***

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities and interest-bearing borrowings.

**Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost (loans and borrowings).

There are no financial liabilities carried at fair value through profit or loss.

***Financial liabilities at amortised cost (loans and borrowings)***

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

**Derecognition of financial liability**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.



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

### Consolidated Financial Statements

#### Notes to the consolidated financial statements (continued)

##### For the year ended December 31, 2023

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#### 4 Material accounting policies (continued)

##### Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group measures financial asset such as financial asset at fair value through profit or loss and non-financial asset such as investment properties, at fair value at each reporting date.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

##### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

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

### Consolidated Financial Statements

#### Notes to the consolidated financial statements (continued)

##### For the year ended December 31, 2023

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#### **4 Material accounting policies (continued)**

##### **Revenue**

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

##### **Sale of goods**

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is based on price agreed with the customers and are recognised net of discounts and taxes.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration.

##### **Variable consideration**

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return of the goods within a specified period. The Group also provides retrospective volume rebates to certain customers once the quantity of goods purchased during the period exceeds the threshold specified in the contract. The rights of return and volume rebates give rise to variable consideration.

##### **Rights of return**

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer, except products expected to be returned upon expiry.

##### **Volume rebates**

Rebates are offset against amounts payable by the customer. The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue.

##### **Contract balances**

##### **Trade receivables**

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *Financial instrument – initial recognition and subsequent measurement*.

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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**4 Material accounting policies (continued)**

**Revenue (continued)**

**Contract balances (continued)**

***Contract liabilities***

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs the obligation under the contract.

**Employees' end of service benefits**

The Group provides end of service benefits to their employees in accordance with laws and regulations of the respective country in which the Group operates. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Contribution to social security/insurance and such other contributions are recorded as an expense in the consolidated statement of profit or loss when incurred.

**Taxes**

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Distributable retained earnings for subsidiary are also not considered for assessment of deferred tax liabilities.

Deferred tax assets are recognised for all deductible temporary differences. No deferred tax assets are recognised for the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

## Consolidated Financial Statements

### Notes to the consolidated financial statements (continued)

#### For the year ended December 31, 2023

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#### **4 Material accounting policies (continued)**

##### **Taxes (continued)**

##### **Deferred tax (continued)**

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### **Value-added Tax (VAT)**

Expenses, and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

##### **Bank balances and cash**

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and fixed deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



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

## Consolidated Financial Statements

### Notes to the consolidated financial statements (continued)

#### For the year ended December 31, 2023

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#### **4 Material accounting policies (continued)**

##### **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 recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts.

##### **Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

##### **Cash dividend**

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of United Arab Emirates, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

##### **Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

## Consolidated Financial Statements

### Notes to the consolidated financial statements (continued)

#### For the year ended December 31, 2023

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#### **4 Material accounting policies (continued)**

##### **Climate-related matters**

The Group will consider climate-related matters in estimates and assumptions, where appropriate, in compliance with the requirements of IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) which are effective for annual periods beginning on or after 1 January 2024. The Group is currently assessing the potential impact from climate-related matters on its consolidated financial statements and is closely monitoring relevant changes and developments, such as new climate-related legislation.

#### **5 Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

##### **Significant judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### ***Determining the lease term of contracts with renewal and termination options – Group as lessee***

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 several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

##### ***Property lease classification – Group as lessor***

The Group has entered into commercial property leases on a portion of its property, classified as investment properties as does meet the criteria for investment property as per IAS 40. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments amounting to substantially all of the fair value of the commercial property, that it does not retain substantially all the risks and rewards incidental to ownership of these properties and accounts for the contract as investment properties.

##### ***Recognition of deferred tax assets***

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.



**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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**5 Significant accounting judgements, estimates and assumptions (continued)**

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

***Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

***Allowance for expected credit losses of trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction and real estate sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 29.

***Impairment of inventories***

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the consolidated statement of financial position gross inventories at net realisable value were AED 46,513 thousand (2022: AED 38,915 thousand), and the provision for old and obsolete inventories was AED 1,519 thousand (2022: AED 1,355 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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**5 Significant accounting judgements, estimates and assumptions (continued)**

**Estimates and assumptions (continued)**

***Useful lives of property, plant and equipment***

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

***Leases - Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

***Fair value measurement of financial instruments***

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using appropriate and relevant valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

***Determining method to estimate variable consideration and assessing the constraint***

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

***Fair valuation of investment properties***

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. For investment properties, an appropriate and relevant valuation methodology was used. The Group engaged an independent valuation specialist to assess fair values as at December 31, 2023 and 2022. The key assumptions used to determine the fair value of the properties are provided in Note 7.

Unikai Foods (P.J.S.C.) and its subsidiaries  
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Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2023

**6 Property, plant and equipment**

	Land and buildings (2) & (3) AED'000	Plant and equipment AED'000	Transportation and distribution equipment AED'000	Furniture, fixtures and equipment AED'000	Capital work in progress (4) AED'000	Total AED'000
<b>Cost</b>						
As at January 1, 2022	37,454	86,076	22,126	10,559	4,805	161,020
Prior year adjustments (5)	3,779	(853)	(1)	5,123	37	8,085
Additions	151	1,598	2,290	256	1,059	5,354
Transfers	-	-	-	226	(226)	-
Disposals	-	(74)	(687)	(23)	-	(784)
As at December 31, 2022	41,384	86,747	23,728	16,141	5,675	173,675
Additions	1,820	2,114	2,955	442	2,804	10,135
Transfers	4,856	-	-	-	(4,856)	-
Disposals	-	(131)	(729)	(10)	-	(870)
<b>As at December 31, 2023</b>	<b>48,060</b>	<b>88,730</b>	<b>25,954</b>	<b>16,573</b>	<b>3,623</b>	<b>182,940</b>
<b>Accumulated depreciation</b>						
As at January 1, 2022	33,735	67,160	16,771	9,863	-	127,529
Prior year adjustments (5)	3,737	(261)	40	4,569	-	8,085
Charge for the year (1)	283	2,454	1,860	403	-	5,000
Disposals	-	(74)	(659)	(22)	-	(755)
As at December 31, 2022	37,755	69,279	18,012	14,813	-	139,859
Charge for the year (1)	378	2,593	2,239	373	-	5,583
Disposals	-	(131)	(703)	(10)	-	(844)
<b>As at December 31, 2023</b>	<b>38,133</b>	<b>71,741</b>	<b>19,548</b>	<b>15,176</b>	<b>-</b>	<b>144,598</b>
<b>Net carrying amount</b>						
as at December 31, 2023	<b>9,927</b>	<b>16,989</b>	<b>6,406</b>	<b>1,397</b>	<b>3,623</b>	<b>38,342</b>
<b>Net carrying amount</b>						
as at December 31, 2022	3,629	17,468	5,716	1,328	5,675	33,816

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
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**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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

- (1) Depreciation charge for the year has been allocated to the consolidated statement of profit or loss as follows:

	2023 AED'000	2022 AED'000
Administrative, selling and distribution expenses (Note 23)	3,205	2,759
Cost of sales (Note 22)	2,378	2,241
	<u>5,583</u>	<u>5,000</u>

- (2) The Government of Dubai has granted land to the Group to construct manufacturing facilities. This land was recorded at a nominal value.
- (3) Buildings include certain buildings constructed on land leased by 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.
- (4) Capital work-in-progress represents costs incurred towards cooling system for the plant and conversion of another product line (change in specification).
- (5) During the year ended 31 December 2022, the Group adjusted AED 8,085 thousand related to fully depreciated assets still in use by the Group that were erroneously written-off from cost and accumulated depreciation in previous years and recognised the same to rectify the error. However, this has no impact on the net carrying amounts of property, plant and equipment.
- (6) The Group continues to use fully depreciated property, plant and equipment having cost of AED 110,218 thousand (2022: AED 106,338 thousand).

**7 Investment properties**

Investment properties comprise labor accommodation and warehouses that are leased to third parties under operating lease arrangements. The movement in investment properties during the year is as follows:

	Warehouses AED'000	Labor accommodation AED'000	Total AED'000
As at January 1, 2022	21,453	18,293	39,746
Change in fair value	1,494	1,073	2,567
As at December 31, 2022	22,947	19,366	42,313
Change in fair value	5,300	(966)	4,334
Transferred to right-of-use assets (Note 8)*	(2,547)	-	(2,547)
As at December 31, 2023	<u>25,700</u>	<u>18,400</u>	<u>44,100</u>

The Group's investment properties are located in the UAE.

\*During the year ended December 31, 2023, the Group transferred one of its warehouses to right-of-use assets due to change in the use of the warehouse.

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

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**7 Investment properties (continued)**

**Measurement of fair value**

***Fair value hierarchy***

The fair value of investment properties was determined by an external independent property valuer as at December 31, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

The information about the fair value hierarchy as at December 31 is disclosed in Note 30.

The property rental income earned by the Group from its investment property, which are leased under operating leases on an annual basis, and the direct operating expenses incurred are as follows:

	2023 AED'000	2022 AED'000
Rental income derived from investment properties (Note 24)	1,748	2,886
Direct costs of managing and operating investment properties	(383)	(394)

***Valuation technique and significant unobservable inputs***

Income capitalisation method approach was used to determine the fair value of the labor accommodation and warehouses. This valuation model considers the net rental value which is capitalised using appropriate yields after taking into account the void periods, expected maintenance costs and subletting fee.

Significant unobservable inputs used in the model include:

- Permanent void of 9.75% for the labour accommodation and 5% for the warehouses (2022: 10% and 5%, respectively).
- Expected maintenance costs 8% for the labour accommodation and 3% for the warehouses (2022: 8% and 5%, respectively).
- Capitalisation rates of 8.75%-11% (2022: 9%-11%).

In arriving at the fair values, the valuer and management have also analysed the market rental rates and yields of similar properties available for lease in the same location and with similar conditions as the Group's investment properties.

**8 Leases**

The Group has lease contracts for various plots of land, buildings, warehouses and motor vehicles used in its operations.

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

**8 Leases (continued)**

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Land AED'000	Buildings and warehouses AED'000	Vehicles AED'000	Total AED'000
As at January 1, 2022	18,379	991	15,554	34,924
Additions	1,167	-	5,836	7,003
Depreciation (Note 23)	(1,770)	(489)	(7,774)	(10,033)
As at December 31, 2022	17,776	502	13,616	31,894
Additions	813	-	11,720	12,533
Depreciation (Note 23)	(1,524)	(455)	(8,201)	(10,180)
Transfer from investment properties (Note 7)	-	2,547	-	2,547
Adjustment on lease modification	183	-	-	183
<b>As at December 31, 2023</b>	<b>17,248</b>	<b>2,594</b>	<b>17,135</b>	<b>36,977</b>

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2023 AED'000	2022 AED'000
As at January 1,	39,058	40,381
Additions	12,533	7,003
Accretion of interest (Note 25)	2,020	2,126
Lease modification	183	-
Payments	(14,694)	(10,452)
<b>As at December 31,</b>	<b>39,100</b>	<b>39,058</b>

Disclosed in the consolidated financial statements at December 31 as follows:

	2023 AED'000	2022 AED'000
Current	13,924	13,812
Non-current	25,176	25,246
	<b>39,100</b>	<b>39,058</b>

The following are the amounts recognised in the consolidated statement of profit or loss:

	2023 AED'000	2022 AED'000
Depreciation of right-of-use assets (Note 23)	10,180	10,033
Interest on lease liabilities (Note 25)	2,020	2,126

The Group had total cash outflows for leases of AED 14,694 thousand during 2023 (2022: AED 10,452 thousand). The Group had non-cash additions to right-of-use assets and lease liabilities of AED 12,533 thousand (2022: AED 7,003 thousand).



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**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

**9 Inventories**

	2023 AED'000	2022 AED'000
Raw materials and packing materials	22,909	16,022
Finished goods – manufactured	6,951	6,288
Trading goods (Note 22)	4,752	4,589
Semi-finished goods	872	609
Consumables stores and spare parts	6,477	6,570
	<u>41,961</u>	<u>34,078</u>
Less: provision for slow-moving inventories	(1,519)	(1,355)
	<u>40,442</u>	<u>32,723</u>
Goods-in-transit	4,552	4,837
	<u>44,994</u>	<u>37,560</u>

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

	2023 AED'000	2022 AED'000
As at January 1,	1,355	1,402
Provision/(reversals) during the year (included as part of cost of sales)	164	(47)
<b>As at December 31,</b>	<u>1,519</u>	<u>1,355</u>

**10 Trade and other receivables**

	2023 AED'000	2022 AED'000
Trade receivables, gross	53,336	73,657
Less: allowance for expected credit losses of trade receivables	(6,456)	(26,918)
Trade receivables, net	<u>46,880</u>	<u>46,739</u>
Prepayments	3,551	2,835
Advances to suppliers	1,547	525
Other receivables	4,361	4,130
Less: allowance for expected credit losses of other receivables	(885)	(815)
	<u>55,454</u>	<u>53,414</u>

The average credit period for trade receivables is 30-120 days. No interest is charged on past due trade receivables. The expected credit losses of trade receivables are estimated using a provision matrix by reference to past default experience of the customer and adjusted for factors that are specific to the customers, general economic conditions of the industry in which the customers operate and an assessment of both the current as well as the forecast direction of the economic conditions at the reporting date.

The information about the credit risk exposures and related expected credit losses are disclosed in Note 29.

Movements in allowance for expected credit losses of trade and other receivables for the year were as follows:

	2023 AED'000	2022 AED'000
As at January 1,	27,733	23,542
Charge for the year	4,383	4,498
Write-offs*	(24,775)	(307)
<b>As at December 31,</b>	<u>7,341</u>	<u>27,733</u>

**Unikai Foods (P.J.S.C.) and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2023**

**10 Trade and other receivables (continued)**

\* During the year ended 31 December 2023, the management carried out an extensive exercise to identify the old outstanding balances for which no recoveries are expected. As a result, balances amounting to AED 24.8 million were written-off.

**11 Financial assets at fair value through profit or loss**

	2023 AED'000	2022 AED'000
As at January 1,	18,634	15,931
Change in fair value	(2,372)	2,703
Disposal	(13)	-
<b>As at December 31,</b>	<b>16,249</b>	<b>18,634</b>

Financial assets at FVTPL represent unquoted equity instruments of an entity operating in the dairy and poultry industry and another in the logistics industry, which was disposed of during the year. The fair values of these instruments were determined by a third-party specialist using EBITDA multiples derived from the market for similar entities. This valuation methodology is based on market expectations after considering conditions including the economy in general, and the business and industry of the investee in particular, using 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 the valuation techniques. Refer to Note 30 for disclosures on fair value hierarchy of these instruments.

**12 Bank balances and cash**

	2023 AED'000	2022 AED'000
Cash in hand	425	730
Bank balances – current accounts	1,502	812
Bank balances – fixed deposits	11,923	11,744
<b>Bank balances and cash</b>	<b>13,850</b>	<b>13,286</b>
Less: bank overdrafts (Note 17)	(10,977)	(8,845)
Less: fixed deposits with initial maturity of more than 3 months	(11,923)	(11,745)
<b>Cash and cash equivalents</b>	<b>(9,050)</b>	<b>(7,304)</b>

Fixed deposits are pledged against interest-bearing borrowings and carry interest at commercial rates (Note 17).

**13 Equity**

**Share capital**

The Company's share capital consists of 32,368 thousand ordinary shares of AED 1 each (2022: 32,368 thousand ordinary shares of AED 1 each).

**Dividends**

At the Annual General Meeting held on 25 April 2023, no dividend was approved for the year ended 31 December 2022 (2022: no dividend was approved for the year ended 31 December 2021).

**Directors' remuneration**

At the Annual General Meeting held on 25 April 2023, directors' remuneration amounting to AED 1,400 thousand was approved for the year ended 31 December 2022 (2022: AED 900 thousand was approved for the year ended 31 December 2021).

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**14 Statutory reserve**

As required by Article 241 of the UAE Federal Decree-Law No. 32 of 2021, 10% of the profit for the year is required to be transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid-up share capital. During 2023, an amount of AED 2,036 thousand (2022: AED 712 thousand) has been transferred to the statutory reserve. The statutory reserve is not available for distribution.

**15 Revaluation surplus**

The revaluation surplus included in equity is in respect of a labor accommodation building that was revalued at the time of its transfer from property, plant and equipment to investment properties in an earlier year. The amount of surplus is non-distributable and will be transferred to retained earnings upon disposal or otherwise derecognition of the asset.

**16 Employees' end of service benefits**

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2023 AED'000	2022 AED'000
As at January 1,	7,777	6,892
Provision made during the year	1,245	1,675
Paid during the year	(797)	(790)
As at December 31,	8,225	7,777

**17 Interest-bearing borrowings**

	2023 AED'000	2022 AED'000
Trust receipts	59,749	59,504
Bank overdrafts (Note 12)	10,977	8,845
Term loan	2,607	17,258
	73,333	85,607

Trust receipts and bank overdrafts were obtained to finance the working capital requirements of the Group, are short-term in nature and carry interest at commercial rates.

During the year ended December 31, 2022, the Group obtained a term loan facility from a commercial bank to part finance the construction cost of a warehouse in Ras Al Khaimah. The facility is repayable in quarterly principal instalments of AED 326 thousand each plus profit accruing at competitive market rates, over a period of 2 years.

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

## Consolidated Financial Statements

### Notes to the consolidated financial statements (continued)

#### For the year ended December 31, 2023

#### 17 Interest-bearing borrowings (continued)

##### Securities

The above-mentioned facilities are secured against the following:

- Assignment of all risk insurance policy (over the warehouse property).
- Pledge of moveable assets to be registered with Emirates Integrated Registries Company LLC (EIRC) via UAE Law Movables Security Agreement.
- Assignment of all risk insurance policy (over the purchased equipment/machineries).
- Charge over all existing and future movable assets/stocks/inventories.
- Assignment of insurance over stocks/inventories and movable assets.
- Assignment of trade receivables.
- Pledge over machineries financed by the bank.
- Pledge of fixed deposits.

##### Covenants

The Group is required to comply with certain covenants with relation to its term loan including the maintenance of certain financial ratios as specified by the bank.

As at December 31, 2023, the Group is not in compliance with one of the financial covenants (2022: not in compliance with certain financial covenants), and therefore, the term loan has been classified as current liability in the consolidated statement of financial position being repayable on demand.

#### 18 Trade and other payables

	2023 AED'000	2022 AED'000
Trade payables	52,783	46,337
Accruals and other payables	10,131	8,227
Advances from customers (Note 21)	3,203	793
VAT payable, net	735	415
Dividend payable*	-	85
	<u>66,852</u>	<u>55,857</u>

The average credit period for purchase of goods and services is 30-120 days. The Group has financial risk management policies in place as disclosed in Note 29 to ensure that all payables are paid within the credit period.

\* Represents the unclaimed dividends by shareholders that were declared by the Company prior to March 1, 2015 and transferred to the Securities and Commodities Authority ("SCA") in accordance with the instructions issued by the SCA.

#### 19 Income tax

##### UAE Corporation Tax

On December 9, 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after June 1, 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.



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**19 Income tax (continued)**

**UAE Corporation Tax (continued)**

Accordingly, the Group was not subject to tax in the UAE for the years ended December 31, 2023 and 2022 and will be taxable commencing January 1, 2024.

Based on the information available to the date of the issuance of the consolidated financial statements, management assessed the deferred tax implications on the Group and concluded that it is not significant as at and for the year ended December 31, 2023. As certain other cabinet decisions are pending as of the date of the issuance of these consolidated financial statements, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published. Any resulting impact will accordingly be reflected in the Group's consolidated financial statements when such additional information will be substantively issued.

**Income tax related to a subsidiary**

The provision for taxation in the consolidated statement of financial position is in respect of the Group's operations carried out by its subsidiary in the Sultanate of Oman ("Oman"). The subsidiary is liable to income tax in accordance with the income tax laws of Oman.

The major components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

	2023 AED'000	2022 AED'000
<i>Current income tax</i>		
Current income tax charge	1,058	380
<i>Deferred income tax</i>		
Deferred tax	211	(118)
Tax expense	<u>1,269</u>	<u>262</u>
	2023 AED'000	2022 AED'000
<i>Reconciliation of deferred tax asset:</i>		
As at January 1,	1,212	1,094
Tax (credit)/expense during the year	(211)	118
Prior year adjustment	9	-
<b>As at December 31,</b>	<u><b>1,010</b></u>	<u><b>1,212</b></u>

The deferred tax asset comprises of the following temporary differences:

	2023 AED'000	2022 AED'000
Depreciation	399	384
Provisions	614	562
Leases	(3)	266
<b>As at December 31,</b>	<u><b>1,010</b></u>	<u><b>1,212</b></u>

For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

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**19 Income tax (continued)**

**Income tax related to a subsidiary (continued)**

The following is the reconciliation of tax expense and accounting profit:

	2023 AED'000	2022 AED'000
Accounting profit for the year	21,627	7,379
At the UAE statutory tax rate of 0%	-	-
At the Oman statutory tax rate of 15%, net of adjustments	1,058	380
Effective tax rate for income tax expense reported in consolidated statement of profit or loss	4.89%	5.15%

The following is the movement in the tax provision during the year:

	2023 AED'000	2022 AED'000
At January 1,	380	655
Charge during the year	1,058	380
Payment during the year	(380)	(655)
At December 31,	1,058	380

The subsidiary's tax assessments have been completed by the tax authorities up to the year 2020. Management believes that additional taxes, if any, that may become payable on the finalisation of the assessments for open tax years would not be material to the Group's consolidated financial position as at December 31, 2023.

**20 Related party transactions and balances**

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management in line with the approval of the Board of Directors.

**Compensation to key management personnel**

In addition to the Directors' remuneration disclosed in the consolidated statement of changes in equity, the remuneration of other key members recognized in profit or loss during the year was as follows:

	2023 AED'000	2022 AED'000
Short term benefits	1,810	1,904
End of service benefits	89	145
	1,899	2,049

Short term benefits include bonus of AED 103 thousand for the year ended 31 December 2023 (2022: AED 203 thousand).

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**20 Related party transactions and balances (continued)**

**Other payables**

	2023 AED'000	2022 AED'000
Key management personnel	924	914

Other payables to key management personnel are included in accruals and other payables under 'Trade and other payables' (Note 18).

**Other receivables**

	2023 AED'000	2022 AED'000
Due from shareholders	720	542

Other receivables from shareholders are included in other receivables under 'Trade and other receivables' (Note 10). As per the regulations, the Group's management obtained approvals by way of a special resolution for such transaction in the Annual General meeting dated April 25, 2023.

For the year ended December 31, 2023, the Group has not recorded any impairment of amounts owed by the related parties (2022: AED Nil). This assessment is undertaken each financial year.

**21 Revenue**

**Revenue information**

Set out below is the disaggregation of the Group's revenue:

	2023 AED'000	2022 AED'000
<b>Type of revenue</b>		
Sale of goods - gross	411,071	358,588
Less: Rebates and discounts	(58,339)	(50,409)
Sale of goods - net	352,732	308,179

	2023 AED'000	2022 AED'000
<b>Geographical market</b>		
United Arab Emirates	189,944	167,093
Oman	150,128	126,417
Others	12,660	14,669
	352,732	308,179

	2023 AED'000	2022 AED'000
<b>Timing of revenue recognition</b>		
At a point in time	352,732	308,179

**Contract balances**

Trade receivables, net (Note 10)	46,880	46,739
Contract liabilities (Note 18)	3,203	793

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**21 Revenue (continued)**

**Performance obligations**

Information about the Group's performance obligations are summarised below:

***Sale of goods***

The performance obligation is satisfied upon delivery of goods and payment is generally due within 30 to 120 days from delivery.

There are no transactions price allocated to unsatisfied performance obligations as of the reporting date except for advances received from customers and these advances have been disclosed as contract liabilities in the consolidated statement of financial position (Note 18).

Revenue recognised during the year include amounts included in contract liabilities at the beginning of the year amounting to AED 793 thousand (2022: AED 2,753 thousand).

**22 Cost of sales**

	2023 AED'000	2022 AED'000
<b>Manufacturing:</b>		
Raw material, packing materials and stores and spares	168,828	152,058
Staff salaries and benefits and hired labor costs	8,508	8,581
Utilities	7,854	7,170
Depreciation of property, plant and equipment (Note 6)	2,378	2,241
Other direct costs	6,471	6,949
	<u>194,039</u>	<u>176,999</u>
Changes in inventories of semi-finished and finished goods	926	134
<b>Total for manufacturing</b>	<u>194,965</u>	<u>177,133</u>
<b>Trading:</b>		
Inventories, beginning of the year	4,589	2,677
Purchases (including direct expenses)	35,064	36,400
Inventories, end of the year (Note 9)	(4,752)	(4,589)
<b>Total for trading</b>	<u>34,901</u>	<u>34,488</u>
<b>Total cost of sales</b>	<u>229,866</u>	<u>211,621</u>

**23 Administrative, Selling and distribution expenses**

	2023 AED'000	2022 AED'000
Staff salaries and benefits and hired labor costs	46,980	44,121
Commercial vehicle expenses	10,891	11,810
Depreciation of right-of-use assets (Note 8)	10,180	10,033
Utilities	6,124	4,153
Shelf space and display costs	4,743	4,408
Depreciation of property, plant and equipment (Note 6)	3,205	2,759
Legal and professional expenses	1,684	1,633
Advertisement and other selling expenses	511	190
Other expenses	6,304	6,082
	<u>90,622</u>	<u>85,189</u>



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**24 Other non-operating income, net**

	2023 AED'000	2022 AED'000
Rental income from investment properties (Note 7)	1,748	2,886
Sale of scrap	412	461
Dividend income from a financial asset at FVTPL	197	242
Net exchange (loss)/gain	(85)	68
Miscellaneous income	36	51
	<u>2,308</u>	<u>3,708</u>

**25 Finance costs, net**

	2023 AED'000	2022 AED'000
Interest expense on trust receipts	5,834	3,200
Interest expense on lease liabilities (Note 8)	2,020	2,126
Bank charges	1,504	1,409
Interest expense on bank overdrafts	737	406
Interest expense on term loan	677	1,516
Interest income on fixed deposits	(268)	(187)
	<u>10,504</u>	<u>8,470</u>

**26 Contingencies and commitments**

**Guarantees and purchase commitments**

	2023 AED'000	2022 AED'000
Letters of guarantee	<u>1,598</u>	<u>1,598</u>
Letters of credit	<u>1,058</u>	<u>799</u>

**Capital commitments**

The capital commitments outstanding represent the costs to be incurred towards a cooling system for the plant, freezers and chillers and conversion of another product line (change in specification).

	2023 AED'000	2022 AED'000
Capital commitments	<u>2,894</u>	<u>3,590</u>

**Legal cases**

As at December 31, 2023, the Group has 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 the existing provisions are adequate and reasonable.

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**27 Earnings per share**

	2023 AED'000	2022 AED'000
Net profit for the year	20,358	7,117
Weighted average number of shares outstanding	32,368	32,368
Basic and diluted earnings per share	0.63	0.22

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

**28 Segmental reporting**

The Group operates in the single reporting segment of dairy, juice, ice cream, and other food products. All the relevant information relating to this reporting/operating segment is disclosed in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of 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 consider an analysis by individual country would not be meaningful (as the Oman operations are an extension of the sales and marketing activities of the Company).

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

*Major customers*

During the year ended December 31, 2023 there were no customers of the Group with the revenues greater than 10% of the total revenue of the Group (2022: None).

**29 Financial risk management objectives and policies**

The Group's principal financial liabilities comprise of interest-bearing borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables and bank balances that derive directly from its operations. The Group also holds financial assets at fair value through profit or loss. The Group is exposed to risk, as indicated below, which are overseen by the Board of Directors.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group is exposed to interest risk on its variable interest-bearing assets and liabilities (bank deposits and interest-bearing borrowings, respectively).

A reasonably possible change in interest rates of +/- 1% is not expected to have any significant impact on the Group's net profit for the year and equity.

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is mainly exposed to credit risk on trade and other receivables and bank balances.

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**29 Financial risk management objectives and policies (continued)**

**Credit risk (continued)**

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at December 31, 2023 and 2022 is the carrying amounts of the financial assets as follows:

	2023 AED'000	2022 AED'000
Trade and other receivables (excluding prepayments and advances)	50,356	50,054
Bank balances	13,426	12,556
	<b>63,782</b>	<b>62,610</b>

**Trade and other receivables**

The Group seeks to limit its credit risk with respect to trade receivables by continuously monitoring the terms of the payments for the outstanding amounts. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of expected credit loss. The Group has also recorded specific provision of AED 885 thousand (2022: AED 815 thousand) against other receivable on account of litigation.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Total AED'000	Current AED'000	Past due days		
			<30 days AED'000	31 to 120 days AED'000	>120 days AED'000
<b>December 31, 2023</b>					
Expected credit loss rate	-	-	1%	1%	79%
Estimated total gross carrying amount at default	53,336	22,393	11,475	11,598	7,870
Expected credit loss	6,456	-	112	150	6,194

	Total AED'000	Current AED'000	Past due days		
			<30 days AED'000	31 to 120 days AED'000	>120 days AED'000
<b>December 31, 2022</b>					
Expected credit loss rate	-	-	15%	19%	67%
Estimated total gross carrying amount at default	73,657	17,934	8,326	12,375	35,022
Expected credit loss	26,918	-	1,216	2,390	23,312

**Bank balances**

The Group seeks to limit its credit risk with respect to bank balances by only dealing with reputable banks.

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**29 Financial risk management objectives and policies (continued)**

**Liquidity risk**

The Group limits its liquidity risk by retaining sufficient funds generated from its operations. Trade payables are settled on normal credit terms agreed with suppliers. The table below summarises the maturities of the Group's undiscounted financial liabilities at the reporting date, based on contractual payment dates:

	less than 3 months AED'000	4 to 12 months AED'000	1 - 5 years AED'000	More than 5 years AED'000	Total AED'000
<b>December 31, 2023</b>					
Interest-bearing borrowings	56,852	14,192	1,373	-	72,417
Trade and other payables (excluding VAT payable and advances)	4,753	58,161	-	-	62,914
Lease liabilities	193	622	23,111	40,867	64,793
	<b>61,798</b>	<b>72,975</b>	<b>24,484</b>	<b>40,867</b>	<b>200,124</b>
	less than 3 months AED'000	4 to 12 months AED'000	1 - 5 years AED'000	More than 5 years AED'000	Total AED'000
<b>December 31, 2022</b>					
Interest-bearing borrowings	61,981	29,299	-	-	91,280
Trade and other payables (excluding VAT payable and advances)	85	54,564	-	-	54,649
Lease liabilities	11,017	5,376	14,643	30,527	61,563
	<b>73,083</b>	<b>89,239</b>	<b>14,643</b>	<b>30,527</b>	<b>207,492</b>

**Changes in liabilities arising from financing activities**

	January 1, 2023 AED'000	Cash flows AED'000	Others* AED'000	December 31, 2023 AED'000
<b>Current:</b>				
Interest-bearing borrowings	85,607	(12,274)	-	73,333
Lease liabilities	13,812	(14,694)	14,806	13,924
<b>Non-current:</b>				
Lease liabilities	25,246	-	(70)	25,176
<b>Total liabilities from financing activities</b>	<b>124,665</b>	<b>(26,968)</b>	<b>14,736</b>	<b>112,433</b>
	January 1, 2022 AED'000	Cash flows AED'000	Others* AED'000	December 31, 2022 AED'000
<b>Current:</b>				
Interest-bearing borrowings	58,251	11,366	15,990	85,607
Lease liabilities	13,995	(10,452)	10,269	13,812
<b>Non-current:</b>				
Interest-bearing borrowings	15,990	-	(15,990)	-
Lease liabilities	26,386	-	(1,140)	25,246
<b>Total liabilities from financing activities</b>	<b>114,622</b>	<b>914</b>	<b>9,129</b>	<b>124,665</b>

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### **29 Financial risk management objectives and policies (continued)**

#### **Changes in liabilities arising from financing activities (continued)**

\*The 'Others' column mainly includes the effect of interest accruals and reclassification of non-current portion of borrowings and lease liabilities to current due to the passage of time.

#### **Foreign currency risk management**

The Group does not have any significant exposure to currency risk as most of its monetary assets and liabilities are denominated in US Dollar, OMR and AED, with the AED and OMR currently pegged to the USD.

#### **Capital management**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2023 and December 31, 2022. Capital comprises share capital, statutory reserve, revaluation surplus and retained earnings and is measured at AED 62,408 thousand as at December 31, 2023 (2022: AED 43,450).

#### **Equity price risk**

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors review and approve all equity investment decisions.

### **30 Fair value measurement**

#### **Financial risk management**

Financial instruments comprise financial assets and financial liabilities.

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition regardless of whether that price is directly observable or estimated using another valuation technique. Differences can therefore arise between book value under the historical cost method and fair value estimates.

The investment properties and investments in unquoted equity instruments are measured at fair value at the reporting date. Interest-bearing borrowings bears variable rate of interest which get repriced at regular intervals. The fair value of the other financial assets and liabilities are not materially different from their carrying amounts as at December 31, 2023 and 2022 as these are short-term nature.

#### **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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**30 Fair value measurement (continued)**

**Fair value hierarchy (continued)**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	December 31, 2023 AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Financial assets at fair value through profit or loss	<b>16,249</b>	-	-	<b>16,249</b>
Investment properties	<b>44,100</b>	-	-	<b>44,100</b>
	December 31, 2022 AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Financial assets at fair value through profit or loss	<b>18,634</b>	-	-	<b>18,634</b>
Investment properties	<b>42,313</b>	-	-	<b>42,313</b>

There were no transfers between Level 1, 2 and 3 during the current and prior years.

**31 Subsequent events**

There were no material events after the reporting date which could require adjustments or disclosures in these consolidated financial statements.

**32 Comparative figures**

Certain comparative figures in the consolidated statement of profit or loss have been reclassified, where appropriate, to confirm to the current period's presentation. Such reclassifications did not have any impact on the previously reported net assets and results of the Group and are summarised as follows:

	As previously reported	Reclassification	As currently reported
Consolidated statement of profit or loss for the year ended December 31, 2022	AED'000	AED'000	AED'000
Revenue	303,771	4,408	<b>308,179</b>
Gross profit	92,150	4,408	<b>96,558</b>
Administrative, selling and distribution expenses	(80,781)	(4,408)	<b>(85,189)</b>