

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

(formerly United Kaipara Dairies Company (P.S.C.) and its
subsidiary)

Consolidated financial statements
31 December 2015

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(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

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يونيكاي للأغذية (شركة مساهمة عامة) UNIKAI FOODS P.J.S.C.
BOARD OF DIRECTOR'S REPORT

Dear Shareholders,

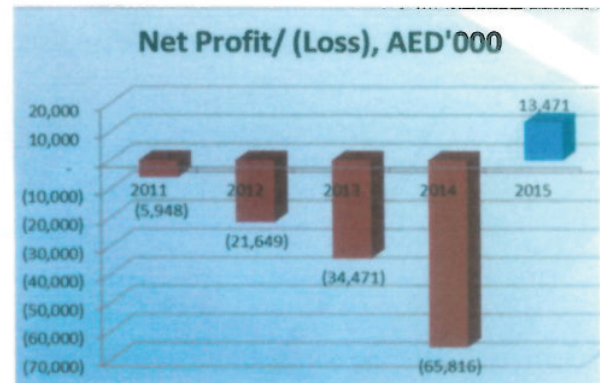
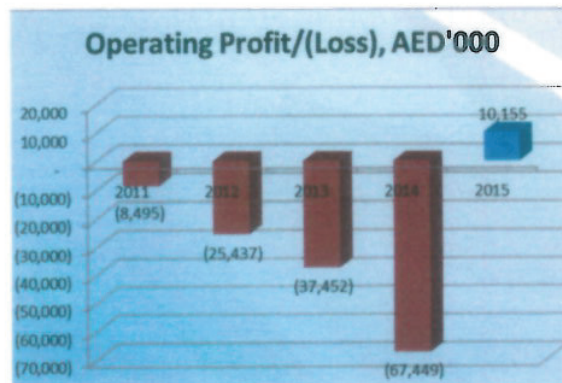
As another financial year comes to an end, I am pleased to present to you, on behalf of the board, the Annual Report and Financial Statements of Unikai Foods PJSC for the year ended 31 December 2015.

PERFORMANCE FOR THE YEAR

It gives me great pleasure to report that Unikai foods (PJSC) has recorded a total net profit of AED 13.5 MM for the year ended 31 December 2015, which is a complete turnaround in performance as compared to previous year. It is also significant to note that the total equity of the company has shown a growth of 86% to AED 28.8 MM during the year under review, thereby strengthening its financial position.

The vastly improved financial performance which has been delivered this year is the result of the various initiatives taken by the new Board as were detailed in my previous reports last year. Since the new board took over the operations in August 2014, it re-strategized and embarked on much needed restructuring programme and during the period under review focused on the businesses with the potential to deliver sustainable growth and positive returns over a long term. The board and the senior management had to make many a painful decisions in implementing these new strategies and the consequent restructuring programme which tested the resilience of the Company

The past one and a half years have been a combination of cleanup and consolidation through actionable plans and thereafter realizing the fruit of our efforts with the announcement of positive financial results for the year 2015.



After having posted successive losses for four consecutive years, the above positive results in the year 2015 are confirmation of our commitment to delivering strong results in almost all the key operating and financial results. Achieving these positive results was not easy but there was a commendable commitment to the change process shown by all employees ably led by the senior management who worked closely with the Board, which enabled the Company to achieve the transformation and turnaround on the results.

The improvement in the profitability of the Company from a loss of AED 65.8MM to a profit of AED 13.5MM and a complete turnaround in the overall culture of the company is testimony of changes we have been able to successfully make in the company.

1(a)



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

PRODUCT DEVELOPMENT, MARKETING & DISTRIBUTION

In addition to the favorable financial growth of the company, we are continually delivering against our committed rebuilding plans in terms of improved quality, packaging, marketing, distribution, etc. Following from our agenda for improved quality, improved packaging and SKU rationalization, we have set the wheels in motion to completely redesign our present product portfolio with consumer centric and attractive packaging. Moreover, in the year 2015 we have set up a new quality product development committee to deliver innovative new offerings across our categories being mindful of our consumers' ever-changing tastes and preferences. To add, the research and development team in conjunction with the quality team have successfully managed to alter certain product recipes to gain substantial savings whilst retaining the authenticity and quality of the original product. In the year 2015, we have also created a focused business unit to drive the trading portfolio and exports vertical. I am happy to announce that we constantly increasing the number of export destinations we are delivering our products to.

GOVERNANCE AND ENGAGING WITH THE STAKEHOLDERS

The restructuring process and many of the radical changes made across the company impacted several stakeholders quite significantly and it was therefore imperative that we kept those stakeholders properly informed of the reasons of such changes and the progress made subsequent to such changes. Keeping that in mind, I kept the shareholders apprised of the changes and the need for such changes in quite explicit terms in my various reports and communications throughout the year 2015. In the same spirit we kept our bankers, strategic customers and suppliers also apprised of the ongoing developments and I am grateful that we, during this last year received their total support and co-operation.

Most importantly our senior management led by the CEO kept the lines of communication with the employees open as they were quite obviously the most impacted by the changes. I and on several occasions the board, conferred regularly with the Senior management to ensure that all the departments pursued the delivery of business goals and plans unwaveringly, and made sure that the mood and the morale of staff at all levels were maintained at the maximum.

In the year 2015 we have taken up projects to further strengthen our internal governance structure. Business process and policy frameworks have been streamlined and strengthened to deliver value to stakeholders. We also created several boards subcommittees like quality committee, I.T. committee and credit committee headed by individual board members to assist the management to taking quick decisions in these areas.

LOOKING AHEAD

Your board is confident that the hard decisions taken during the past one and a half years have set the Company on the path to performing at a higher level with the ability to compete effectively in an increasingly challenging environment. The key focus for 2016 would be finishing various restructuring projects we started in 2015 and to further improve our distribution capabilities in the market. As the new business strategies get further embedded and the positive effect of the restructuring and transformation program mount, I am confident that you company will grow in strength and deliver growth in revenue and profit in the years ahead and cement its position as a preminent corporate in the region.

Your board believes that there are many opportunities available which the Company can explore to increase shareholders value. It is our plan to continue exploring and converting these opportunities into success so that we can deliver sustainable growth. In order to do so the company would continue to invest to upgrade the quality of leadership within the company.

1(b)

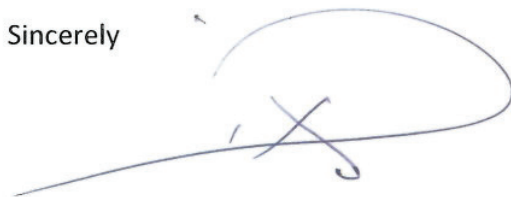
ACKNOWLEDGEMENTS

I would like to thank my colleagues on the board for their unstinting support, advice and for the contributions made during the deliberations of the Board. The urgency of the transformation process necessitated a high level of involvement from the board in rigorously evaluating the progress made on structural changes and reviewing results to ensure that performance was on target. Whilst acknowledging that we have more milestones to achieve, I am pleased to note that the Board has been able to broaden its agenda beyond the austerity measures implemented to more forward strategies and actions – a sign of positive recovery.

We are also grateful to our shareholders for their understanding and continued support.

In conclusion, I thank our customers, suppliers, our business partners, bankers and the employees who always commit and contribute to the success of our company.

Sincerely

A handwritten signature in blue ink, consisting of a large, stylized 'M' followed by a horizontal line and a small flourish.

Mana Mohammed Saeed Al Mulla

Chairman

27 February 2016



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Independent auditors' report

To the Shareholders

Unikai Foods (P.J.S.C.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Unikai Foods (P.J.S.C) (formerly United Kaipara Dairies Company (P.S.C.)) ("the Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, consolidated income statement and consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year the ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- v) the Group has not purchased or invested in any shares during the financial year ended 31 December 2015;
- vi) note 22 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2015.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 were audited by another auditor, whose report dated 2 March 2015 expressed an unqualified opinion on those consolidated financial statements.



KPMG Lower Gulf Limited

Muhammad Tariq

Registration No : 793

Date: 27 FEB 2016

Unikai Foods (P.J.S.C) and its subsidiary
(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Consolidated income statement
for the year ended 31 December 2015

	<i>Note</i>	2015 AED 000	2014 AED 000
Revenue		304,208	307,934
Cost of sales	5	(197,085)	(247,085)
Gross profit		107,123	60,849
Administrative and distribution expense	6	(96,968)	(128,298)
Finance costs	7	(2,641)	(1,411)
Other income	8	6,185	3,272
Profit/(loss) before tax		13,699	(65,588)
Tax expense		(228)	(228)
Profit/(loss) for the year		13,471	(65,816)
Profit/(loss) attributable to:			
Owners of the Company		13,471	(65,816)
Earnings per share			
Basic earnings per share (AED)	25	0.445	(2.176)

The notes set out on pages 9 to 34 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 and 3.

Unikai Foods (P.J.S.C) and its subsidiary
(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2015

	<i>Note</i>	2015 AED 000	2014 AED 000
Profit/(loss) for the year		13,471	(65,816)
Other comprehensive income/(expense) for the year:			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available-for-sale investments	<i>11</i>	<u>(195)</u>	<u>(113)</u>
Total other comprehensive income/(expense) for the year		<u>(195)</u>	<u>(113)</u>
Total comprehensive income/(expense) for the year		<u>13,276</u>	<u>(65,929)</u>
Total comprehensive income/(expense) attributable to:			
Owners of the Company		<u>13,276</u>	<u>(65,929)</u>

The notes set out on pages 9 to 34 are an integral part of these consolidated financial statements.

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Unikai Foods (P.J.S.C) and its subsidiary
(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Consolidated statement of financial position

as at 31 December 2015

	Note	2015 AED 000	2014 AED 000
Non-current assets			
Property, plant and equipment	9	22,886	41,056
Intangible assets	10	461	1,011
Available-for-sale investments	11	5,900	6,095
		<u>29,247</u>	<u>48,162</u>
Current assets			
Inventories	12	37,333	34,668
Trade and other receivables	13	38,841	29,884
Cash in hand and at bank	14	1,188	1,638
Assets held for sale	15	13,449	1,720
		<u>90,811</u>	<u>67,910</u>
Total assets		<u><u>120,058</u></u>	<u><u>116,072</u></u>
Equity			
Share capital	16	30,250	30,250
Legal reserve	17	900	13,965
Restricted reserve	17	792	576
General reserve	17	900	83,300
Fixed assets replacement reserve	17	-	15,000
Accumulated losses	17	(4,137)	(127,857)
Fair value reserve		54	249
		<u>28,759</u>	<u>15,483</u>
Non-current liability			
Staff terminal benefits	18	6,158	7,829
Current liabilities			
Short-term borrowings	19	48,681	47,910
Trade and other payables	20	35,598	44,115
Provision for tax	21	862	735
		<u>85,141</u>	<u>92,760</u>
Total liabilities		<u><u>91,299</u></u>	<u><u>100,589</u></u>
Total equity and liabilities		<u><u>120,058</u></u>	<u><u>116,072</u></u>

These financial statements were authorized for issue on behalf of the Board of Directors on 27 FEB 2016


Chairman


Director

The notes set out on pages 9 to 34 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 and 3.

Unikai Foods (P.J.S.C) and its subsidiary
(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Consolidated statement of cash flows
for the year ended 31 December 2015

	2015 AED 000	2014 AED 000
Cash flows from operating activities		
Profit/(loss) for the period before tax	13,699	(65,588)
<i>Adjustments for:</i>		
Depreciation	6,049	10,859
Amortization of intangible assets	550	551
Impairment losses on assets held for sale	-	1,605
Finance costs	2,641	1,411
Dividend income	(329)	(341)
Credit balances written back	-	(229)
Other receivables written off	-	759
Provision for impairment of property, plant and equipment	-	3,285
(Reversal of)/provision for impairment of trade receivables	(1,092)	3,014
Provision for staff terminal benefits	188	1,587
(Reversal of)/provision for slow moving inventories	(3,419)	12,734
Gain on disposal of property, plant and equipment (net)	(3,475)	(951)
Gain on disposal of assets held for sale	(467)	-
	<u>14,345</u>	<u>(31,304)</u>
<i>Changes in:</i>		
- inventories	754	9,077
- trade and other receivables	(7,865)	14,121
- trade and other payables	(8,517)	3,329
Employee end-of-service benefits paid	(1,859)	(2,103)
Taxes paid	(101)	-
	<u>(3,243)</u>	<u>(6,880)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	8,874	1,062
Proceeds from disposal of assets held for sale	2,187	-
Acquisition of property, plant and equipment	(6,727)	(2,977)
Dividend received	329	341
	<u>4,663</u>	<u>(1,574)</u>
Net cash from/(used in) investing activities		
Cash flows from financing activities		
Net movement in bank borrowings	15,378	13,932
Dividend paid	-	(10)
Interest paid	(2,641)	(1,411)
	<u>12,737</u>	<u>12,511</u>
Net cash from financing activities		
Net increase in cash and cash equivalents	<u>14,157</u>	<u>4,057</u>
Cash and cash equivalents at the beginning of the period	(17,824)	(21,881)
	<u>(3,667)</u>	<u>(17,824)</u>
Cash and cash equivalents at end of period		
<i>Cash and cash equivalents comprise:</i>		
Cash in hand and at bank (note 14)	1,188	1,638
Bank overdraft (note 19)	(4,855)	(19,462)
	<u>(3,667)</u>	<u>(17,824)</u>

The notes set out on pages 9 to 34 are an integral part of these financial statements.

The independent auditors' report is set out on pages 2 and 3.

Unikai Foods (P.J.S.C) and its subsidiary
(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Share capital AED 000	Legal reserve AED 000	Restricted reserve AED 000	General reserve AED 000	Fixed assets replacement reserve AED 000	Accumulated losses AED 000	Fair value reserve AED 000	Total AED 000
At 1 January 2014	30,250	13,965	576	83,300	15,000	(62,041)	362	81,412
Total comprehensive income for the year								
Loss for the year	-	-	-	-	-	(65,816)	-	(65,816)
Net change in fair value of available for sale investments	-	-	-	-	-	-	(113)	(113)
Total comprehensive income for the year	-	-	-	-	-	(65,816)	(113)	(65,929)
At 31 December 2014	30,250	13,965	576	83,300	15,000	(127,857)	249	15,483
At 1 January 2015	30,250	13,965	576	83,300	15,000	(127,857)	249	15,483
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	13,471	-	13,471
Net change in fair value of available for sale investments	-	-	-	-	-	-	(195)	(195)
Total comprehensive income for the year	-	-	-	-	-	13,471	(195)	13,276
Other equity movement								
Transfers to accumulated losses (refer note 17)	-	(13,965)	-	(83,300)	(15,000)	112,265	-	-
Transfers to legal reserve and statutory reserve	-	900	216	900	-	(2,016)	-	-
At 31 December 2015	30,250	900	792	900	-	(4,137)	54	28,759

The notes set out on pages 9 to 34 are an integral part of these consolidated financial statements.

Unikai Foods (P.J.S.C) and its subsidiary (formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Notes to the consolidated financial statements for the year ended 31 December 2015

1. Reporting entity

Unikai Foods (P.J.S.C) (formerly United Kaipara Dairies Company (P.S.C.)) ("the Company") is a Public Shareholding Company incorporated on 11 April 1977 by a Decree from His Highness, The Ruler of Dubai. The Company holds 100% equity in Unikai and Company LLC ("the Subsidiary"), registered as a limited liability company in the Sultanate of Oman under Commercial Register No. 3/74. The Company and its Subsidiary are collectively referred to as "the Group". The legal status of the Subsidiary is set out in note 19. The Company is listed on the Dubai Financial Market.

The Group is engaged in the manufacturing of dairy, juice and ice cream products and import of various kinds of food products for distribution throughout the Gulf and other countries. The trading activities of the Group are carried on in the name of "Unikai International". The registered address of the Company is P.O. Box 6424, Dubai, UAE.

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

Business reorganization

During the current year, the Group has continued and initiated new steps to reorganize business including seeking additional financing from banks to remedy situation.

At the Extra Ordinary General Meeting held on 25 March 2015, the shareholders approved to transfer general reserve, fixed assets replacement reserve and legal reserve amounting to AED 83.3 million, AED 15 million and AED 14 million, respectively, to accumulated losses (refer note 17). Furthermore, shareholders have resolved to continue operations of the Group.

The Group has accumulated losses of AED 4.1 million as at 31 December 2015 (31 December 2014: AED 127.8 million).

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of UAE Federal Law No. (2) of 2015.

UAE Federal Law No. 2 of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained.

Basis of measurement

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

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

(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Notes (continued)

2. Basis of preparation (continued)

Functional and presentation currency

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

Use of estimates and judgments

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are discussed in note 28.

3. Significant accounting policies

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

Basis of consolidation

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

Subsidiaries

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

Transactions eliminated on consolidation

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

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

(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Notes (continued)

3. Significant accounting policies (continued)

Revenue

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

Dividend income

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

Rental income

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

Property, plant and equipment and depreciation

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

The estimated useful lives of property, plant and equipment are as follows:

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

Unikai Foods (P.J.S.C) and its subsidiary
(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Notes *(continued)*

3. Significant accounting policies *(continued)*

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

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

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

Intangible assets

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

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

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

Inventories

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

Raw materials, spare parts and consumables

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

Finished goods and semi-finished goods

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

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

(formerly United Kaipara Dairies Company (P.S.C.) and its subsidiary)

Notes (continued)

3. Significant accounting policies (continued)

Assets held for sale

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

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

Financial instruments

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

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

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

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

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

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

(ii) Non-derivative financial assets – measurement

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

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

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Notes (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

(ii) Non-derivative financial assets – measurement (continued)

Cash and cash equivalents

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

Available-for-sale financial assets

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

Available-for-sale financial assets comprise equity securities.

(iii) Non-derivative financial liabilities - measurement

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

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

Financial liabilities comprise trade and other payables and bank borrowings.

(iv) Share capital

Ordinary shares

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

Impairment

(i) Non-derivative financial assets

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

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

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Notes (continued)

3. Significant accounting policies (continued)

Impairment (continued)

(i) Non-derivative financial assets (continued)

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

Financial assets measured at amortized cost

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

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

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

Available-for-sale financial assets

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

(ii) Non-financial assets

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

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

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

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Notes (continued)

3. Significant accounting policies (continued)

Impairment (continued)

(ii) Non-financial assets (continued)

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

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

Staff terminal benefits

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

Provisions

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

Leases

Operating lease

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

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

Foreign currency

Foreign currency transactions

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

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

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Notes (continued)

3. Significant accounting policies (continued)

Foreign currency (continued)

Foreign currency transactions (continued)

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

Foreign operations

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

Finance income and finance cost

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

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

Taxation

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

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

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

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

Earnings per share

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

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Notes (continued)

3. Significant accounting policies (continued)

Government grants

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

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning on 1 January 2015, and have not been applied in preparing these consolidated financial statements. Of particular relevance to the Group are:

- *IFRS 9 Financial instruments*

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

- *IFRS 15 Revenue from contracts with customers*

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

- *IFRS 16 Leases*

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 *Leases*. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided IFRS 15 *Revenue from Contract with Customers* is also applied by the Group.

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

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Notes *(continued)*

4. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

Credit risk

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

Trade receivables

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Group's credit risk management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the Group, issued by high credit quality financial institutions

Cash at banks

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

Liquidity risk

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

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

Market risks

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

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Notes (continued)

4. Financial risk management (continued)

Market risks (continued)

Currency risk

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

Interest rate risk

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

Capital management

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

5. Cost of sales

	2015 AED 000	2014 AED 000
Manufacturing:		
Raw material, packing materials and stores and spares consumed	116,555	174,639
Utilities	12,659	10,455
Staff costs	9,717	10,970
Depreciation (refer note 9)	3,812	6,659
Other direct costs	16,093	8,106
	<hr/>	<hr/>
	158,836	210,829
Changes in inventories of semi-finished and finished goods	688	190
	<hr/>	<hr/>
(A)	159,524	211,019
	<hr/>	<hr/>
Trading:		
Inventories, beginning of the year	7,872	5,880
Purchases (including direct expenses)	32,888	50,792
Inventories, end of the year	(6,618)	(7,872)
	<hr/>	<hr/>
(B)	34,142	48,800
	<hr/>	<hr/>
(A) + (B)	193,666	259,819
	<hr/>	<hr/>

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

6. Administrative and distribution expenses

	2015 AED 000	2014 AED 000
Staff costs	41,750	48,146
Advertisement and other selling expenses	18,969	9,204
Commercial vehicle expenses	14,973	19,512
Operating lease expenses	3,752	3,622
Depreciation (refer note 9)	2,237	4,200
Utilities	1,326	1,026
Amortisation of intangible assets (refer note 10)	550	551
Provision for impairment of property, plant and equipment	-	3,284
Cost on cancellation of purchase contracts	-	3,241
Impairment of assets held for sale	-	1,605
Other receivables written off	-	759
(Reversal)/provision for impairment of trade receivables	(1,092)	3,014
Other expenses	17,922	17,400
	<u>100,387</u>	<u>115,564</u>

7. Finance cost

	2015 AED 000	2014 AED 000
On bank loans and overdrafts	<u>2,641</u>	<u>1,411</u>

8. Other income

	2015 AED 000	2014 AED 000
Profit on disposal of property plant and equipment	3,942	951
Net exchange gains	380	162
Dividend income	328	341
Sale of scrap	254	273
Credit balances written back	-	229
Rental income	1,000	1,000
Miscellaneous income	281	316
	<u>6,185</u>	<u>3,272</u>

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Notes (continued)

9. Property, plant and equipment

	Land and buildings AED 000	Plant and equipment AED 000	Transportation and distribution equipment AED 000	Furniture, fixtures and office equipment AED 000	Capital work-in- progress AED 000	Total AED 000
Cost						
At 1 January 2014	59,051	86,697	62,551	10,920	802	220,021
Additions	130	510	1,194	243	900	2,977
Transfers	-	1,687	-	15	(1,702)	-
Disposals	-	(587)	(11,034)	(433)	-	(12,054)
Reclassification to assets held for sale (refer note 15)	-	-	(4,883)	-	-	(4,883)
At 31 December 2014	59,181	88,307	47,828	10,745	-	206,061
At 1 January 2015	59,181	88,307	47,828	10,745	-	206,061
Additions	-	653	5,842	232	-	6,727
Disposals	-	(11,714)	(26,816)	(35)	-	(38,565)
Reclassification to assets held for sale (refer note 15)	(12,409)	(19,401)	-	(2,879)	-	(34,689)
At 31 December 2015	46,772	57,845	26,854	8,063	-	139,534
Depreciation and impairment						
At 1 January 2014	34,339	67,488	55,605	6,930	-	164,362
Charge for the year	2,086	4,573	2,658	1,542	-	10,859
On disposals	-	(581)	(10,937)	(425)	-	(11,943)
Impairment losses	2,830	273	-	182	-	3,285
Reclassification to assets held for sale (refer note 15)	-	-	(1,558)	-	-	(1,558)
At 31 December 2014	39,255	71,753	45,768	8,229	-	165,005
At 1 January 2015	39,255	71,753	45,768	8,229	-	165,005
Charge for the year	1,317	2,515	1,051	1,166	-	6,049
On disposals	-	(11,511)	(21,625)	(30)	-	(33,166)
Reclassification to assets held for sale (refer note 15)	(6,048)	(12,633)	-	(2,559)	-	(21,240)
At 31 December 2015	34,524	50,124	25,194	6,806	-	116,648
Net book value						
At 31 December 2015	12,248	7,721	1,660	1,257	-	22,886
At 31 December 2014	19,926	16,554	2,060	2,516	-	41,056

(a) Depreciation has been allocated as follows:

	2015 AED 000	2014 AED 000
Cost of sales (refer note 5)	3,812	6,659
Administrative and distribution expenses (refer note 6)	2,237	4,200
	<u>6,049</u>	<u>10,859</u>

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Notes (continued)

9. Property, plant and equipment (continued)

- (b) The Government of Dubai has granted a land to the Group for setting up manufacturing facilities that has been recorded at a nominal value.
- (c) Land and buildings comprise of certain buildings constructed on land leased to the Group. The lease is renewable every year and management believes that the lease would be available to the Group on an on-going basis in the foreseeable future.
- (d) During the previous year, as a part of its strategy, the Group identified its manufacturing operations in Sohar Oman as non-profitable. The operations were temporarily closed on 30 October 2014. The Group provided for an impairment loss of AED 3.29 million against buildings, plant and equipment and furniture, fixtures and office equipment in Oman during the previous year.

During the current year, the Directors approved the permanent closure of the Group's Sohar factory in Oman and decided to dispose off the factory assets. Consequently, assets with net book value of AED 13.45 million were reclassified from 'Property, plant and equipment' under non-current assets to 'Assets held for sale' under current assets. The efforts to sell the abovementioned assets are ongoing and the sale is expected to complete within twelve months from May 2015. Also refer note 15.

- (e) During the previous year, the Group also decided to rationalize its fleet of transport and distribution equipment and accordingly planned to dispose off of its fleet of transportation and distribution equipment relating to operations Oman. Consequent to the decision, these were classified as 'Assets held for sale' and carried at lower of carrying value and fair value less cost to sell as at 31 December 2014. Also refer note 15.
- (f) Plant and equipment are mortgaged against bank facilities (note 19).

10. Intangible assets

	AED 000
Cost	
At 31 December 2015 and 2014	2,205
Amortization	
At 1 January 2014	643
Charge for the year	551
At 31 December 2014	1,194
As at 1 Jan 2015	1,194
Charge for the year	550
	1,744
Net book value	
At 31 December 2015	461
At 31 December 2014	1,011

Intangible assets include rights to use software.

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Notes (continued)

11. Available-for-sale investments

	2015 AED 000	2014 AED 000
Opening balance	6,095	6,208
Change in fair value	(195)	(113)
	<u>-----</u>	<u>-----</u>
Closing balance	<u>5,900</u>	<u>6,095</u>
	<u>=====</u>	<u>=====</u>

These include investments amounting to AED 5.6 million made in unquoted equity shares of Rawabi Emirates PJSC and Emirates Poultry Company (31 December 2014: AED 5.6 million). Since the investments in Rawabi Emirates PJSC and Emirates Poultry Company do not have a quoted market price in any active market, the fair value cannot be reliably measured and are stated at cost less impairment losses, if any.

12. Inventories

	2015 AED 000	2014 AED 000
Raw materials and packing materials	26,263	26,716
Semi-finished goods	705	935
Finished goods	7,100	7,558
Trading stocks	6,618	7,872
Consumable stores and spare parts	6,601	7,971
	<u>-----</u>	<u>-----</u>
	47,287	51,052
Less: Provision for slow moving inventories	(10,355)	(17,515)
	<u>-----</u>	<u>-----</u>
	36,932	33,537
Goods-in-transit	401	1,131
	<u>-----</u>	<u>-----</u>
	<u>37,333</u>	<u>34,668</u>
	<u>=====</u>	<u>=====</u>

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

	2015 AED 000	2014 AED 000
At 1 January	17,515	5,407
(Reversal)/provision made during the year recorded under cost of sales	(3,419)	12,734
Inventory written off	(3,741)	(626)
	<u>-----</u>	<u>-----</u>
At 31 December	<u>10,355</u>	<u>17,515</u>
	<u>=====</u>	<u>=====</u>

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

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Notes (continued)

13. Trade and other receivables

	2015 AED 000	2014 AED 000
Trade receivables	37,407	31,999
Less: provision for impairment of trade receivables	(6,495)	(7,587)
	<u>30,912</u>	<u>24,412</u>
Advances, deposits and prepayments	7,929	5,472
	<u>38,841</u>	<u>29,884</u>

The trade receivables are assigned as security against bank borrowings (note 19).

14. Cash in hand and at bank

	2015 AED 000	2014 AED 000
Cash in hand	501	497
Bank balance in current accounts	687	1,141
	<u>1,188</u>	<u>1,638</u>

15. Assets held for sale

	2015 AED 000	2014 AED 000
Buildings, plant and equipment, and furniture, fixtures and office equipment (refer to (i) note below)	13,449	-
Transportation and distribution equipment (refer to (ii) note below)	-	1,720
	<u>13,449</u>	<u>1,720</u>

- i) During the current year, the Directors approved the closure of the Group's Sohar factory in Oman and also decided to dispose off the factory assets ("disposal group"). Consequently, assets having a net book value of AED 13.45 million were reclassified from 'Property, plant and equipment' under non-current assets to 'Assets held for sale' under current assets. The efforts to sell the abovementioned assets are ongoing and the sale is expected to complete within twelve months from May 2015. Also refer note 9.

Measurement of fair value

The valuation of buildings was carried out by an independent registered valuer in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors based on sales comparison approach. In case of plant and equipment, and furniture, fixtures and office equipment, management has carried out an internal valuation based on existing conditions and discussions with potential buyers on sales comparison basis. The non-recurring fair value measurement for the disposal group has been categorized as a Level 3 fair value as inputs used for determining fair values are not based on observable market data.

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Notes (continued)

15. Assets held for sale (continued)

- ii) During the previous year the Directors had resolved to dispose of transportation equipment amounting to AED 1.72 million of the Sohar operations in Oman. Consequent to the decision, these were classified as 'Assets held for sale' and carried at lower of carrying value and fair value less cost to sell. The Group recognized an impairment loss of AED 1.61 million during the previous year against these assets.

16. Share capital

	2015 AED 000	2014 AED 000
<i>Issued and fully paid up:</i>		
30.25 million ordinary shares of AED 1 each		
(2014: 302.50 thousand ordinary shares of AED 100 each)	<u>30,250</u>	<u>30,250</u>

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

17. Accumulated losses and reserves

Accumulated losses

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

Legal reserve

In accordance with the Articles of Association of entities within the Group and Article 103 of the UAE Federal Law No. (2) of 2015, a minimum of 10% of the net profit of the individual entities, to which law is applicable, is allocated every year to a non-distributable legal reserve. Such transfer may be discontinued when the legal reserve equals 50% of the paid up share capital of the respective individual entities. This reserve is non-distributable except in certain circumstances as mentioned in the above-mentioned law. During the current year AED 0.9 million (2014: Nil) has been transferred to legal reserve.

General reserve

Further, in accordance with the Articles of Association of the Company, 10% of the profit for the year is required to be transferred to a general reserve. However, as per the Articles of Association, the transfer may be discontinued upon a resolution passed at the Ordinary General Meeting if proposed by the Board of Directors. During the current year AED 0.9 million (2014: Nil) has been transferred to general reserve.

Restricted reserve

In accordance with the Law of the country where the subsidiary company is registered, during the current year, AED 0.2 million (2014: Nil) has been transferred to restricted reserve. This reserve is non-distributable except in certain circumstances as mentioned in the relevant law.

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Notes (continued)

18. Provision for staff terminal benefits

	2015 AED 000	2014 AED 000
Balance at 1 January	7,829	8,340
Provision made during the year	188	1,587
Transfer to a related party	-	5
Payments made during the year	(1,859)	(2,103)
	-----	-----
Balance at 31 December	6,158	7,829
	=====	=====

19. Short-term borrowings

	2015 AED 000	2014 AED 000
Trust receipts	28,826	28,448
Bank overdraft	4,855	19,462
Term loan (refer (i) note below)	15,000	-
	-----	-----
	48,681	47,910
	=====	=====

- i) During the current year, the Group has negotiated with a bank to convert an amount of AED 15 million of their outstanding overdraft balances to a long term loan facility which carries interest at normal commercial terms. Term loan is repayable in 24 equal monthly installments commencing from 15 January 2016. Due to non-compliance with a banking covenant, the loan has been reclassified as short term (refer note (iii) below).
- ii) Bank borrowings are mainly secured by mortgages over plant and machinery, hypothecation of inventories and assignment of receivables and promissory notes.
- iii) Bank borrowings are also subject to certain financial covenants including minimum tangible worth of AED 27 million, current ratio of 1.67:1 and leverage ratio not to exceed 3:1. As at the reporting date, the Group has not complied with certain financial covenants as specified in the facility letters with the bank. However, based on the relationship with the creditor banks, the Group's Directors have confirmed that the above mentioned non-compliance is not likely to affect the continuation of the Group's bank facilities and hence will not have a significant impact on the operations.

20. Trade and other payables

	2015 AED 000	2014 AED 000
Trade payables	20,950	28,900
Accrued expenses	14,390	14,533
Dividends payable	258	277
Advance received from customers	-	169
Other payables	-	236
	-----	-----
	35,598	44,115
	=====	=====

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Notes (continued)

21. Provision for tax

	2015 AED 000	2014 AED 000
At 1 January	735	507
Provision made during the year	228	228
Payment made during the year	(101)	-
	----	----
At 31 December	<u>862</u>	<u>735</u>

The provision for tax is in respect of Oman operations. The Subsidiary is liable to income tax in accordance with the income tax laws of the Sultanate of Oman depending on the level of its taxable profit. In the opinion of the management the provision for taxation of AED 0.8 million as at reporting date is adequate to meet the Group's tax liabilities.

22. Related party transactions and balances

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

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

	2015 AED 000	2014 AED 000
Purchases from a related party - United Cans Company LLC	182	225
Transfer of provision for staff terminal benefits	-	5
	=====	=====

Compensation to key management personnel is as follows:

Short term benefits	2,064	1,749
Provision towards staff terminal benefits	48	52
	=====	=====

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

	2015 AED 000	2014 AED 000
Trade and other payables		
- Key management personnel	349	166
- United Cans Company LLC	65	33
	----	----
	<u>414</u>	<u>199</u>

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Notes (continued)

23. Contingent liabilities and commitments

	2015 AED 000	2014 AED 000
Letter of credit	4,080	4,400
Unutilized balances of commercial letters of credit	<u>11,483</u>	<u>4,106</u>

Legal cases

There are few legal cases against the Group by ex-employees, as well as counter cases by the Group against ex-employees. All these cases are now pending before the Court for its hearings and final decisions. During the current period, based on the court ruling, the Group has paid the balance amount as final settlement for one of the outstanding legal cases. The management has reviewed the status of all of these legal cases and believes that no further provision is required as at 31 December 2015.

Commitments

Capital commitments

There is no capital commitment outstanding as at 31 December 2015 (2014: Nil).

Operating lease commitments

Future minimum lease payments under operating leases are as follows:

	2015 AED'000	2014 AED'000
Less than one year	11,154	7,254
Between one and five years	29,428	21,365
More than five years	914	1,006
	<u>41,496</u>	<u>29,625</u>

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

24. Subsidiary

The Company holds 100% of the shares (2% held by Directors for beneficial interest of the Company) of the Subsidiary, registered as a limited liability Company in the Sultanate of Oman under the Oman Commercial Register Law No. 3/74. Principal activity of the Subsidiary is trading in dairy, juice, ice cream and other food products.

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Notes (continued)

25. Basic earnings per share

	2015	2014
Net profit/(loss) attributable to owners of the Company (AED 000)	13,471	(65,816)
Weighted average number of shares outstanding ('000)	30,250	30,250
Basic earnings per share in AED	<u>0.445</u>	<u>(2.176)</u>

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

26. Segment reporting

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

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

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

Major customers

During the year ended 31 December 2015, there were no customers of the Group with the revenues greater than 10% of the total revenue of the Group (2014: Nil).

27. Financial instruments

a) Credit risk

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

	2015 AED 000	2014 AED 000
Trade and other receivables	30,912	24,412
Bank balance in current accounts	687	1,141
	<u>31,599</u>	<u>25,553</u>

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

	2015 AED 000	2014 AED 000
Oman (Middle East)	11,732	10,897
Other Middle East countries	-	6
Asian countries	-	99
	<u>-</u>	<u>105</u>

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Notes (continued)

27. Financial instruments (continued)

a) Credit risk (continued)

The age of trade receivables at the reporting date was:

	2015 Gross AED 000	2015 Impairment AED 000	2014 Gross AED 000	2014 Impairment AED 000
0-30 days from invoice date	6,503	-	8,101	-
30-60 days from invoice date	10,586	-	8,301	-
61-90 days from invoice date	8,631	-	5,520	-
Over 90 days from invoice date	11,687	6,495	10,077	7,587
	<u>37,407</u>	<u>6,495</u>	<u>31,999</u>	<u>7,587</u>

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

	2015 AED 000	2014 AED 000
Balance at 1 January	7,587	4,589
(Reversal)/provision made during the year	(1,092)	3,014
Amount written off	-	(16)
Balance at 31 December	<u>6,495</u>	<u>7,587</u>

b) Liquidity risk

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

31 December 2015	Carrying amount AED 000	Contractual cash flows AED 000	Less than 1 year AED 000	Between 1 to 2 years AED 000	More than 2 years AED 000
Non-derivative financial liabilities					
Short-term borrowings	48,681	50,047	50,047	-	-
Trade and other payables	35,598	35,598	35,598	-	-
	<u>84,279</u>	<u>85,645</u>	<u>85,645</u>	<u>-</u>	<u>-</u>
31 December 2014	Carrying amount AED 000	Contractual cash flows AED 000	Less than 1 year AED 000	Between 1 to 2 years AED 000	More than 2 years AED 000
Non-derivative financial liabilities					
Short-term borrowings	47,910	47,910	47,910	-	-
Trade and other payables	44,115	44,115	44,115	-	-
	<u>92,025</u>	<u>92,025</u>	<u>92,025</u>	<u>-</u>	<u>-</u>

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

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Notes (continued)

27. Financial instruments (continued)

c) Market risk

Interest rate risk

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

	Carrying amount	
	2015 AED 000	2014 AED 000
Variable rate instruments		
Financial liabilities	48,681	47,910
	<u>=====</u>	<u>=====</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss	
	100 bp increase AED 000	100 bp decrease AED 000
31 December 2015	(487)	487
	<u>=====</u>	<u>=====</u>
31 December 2014	(479)	479
	<u>=====</u>	<u>=====</u>

d) Fair values

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

Fair value hierarchy

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

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

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Notes (continued)

27. Financial instruments (continued)

d) Fair values (continued)

31 December 2015

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

31 December 2014

	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Available for sale investments	518	-	5,577	6,095

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

During the year ended 31 December 2015 and year ended 31 December 2014, there were no transfers between the various levels of fair value measurements.

28. Significant accounting estimates and judgements

Estimating useful lives of property, plant and equipment

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

Provision for inventory

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

Impairment losses on receivables

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

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Notes (continued)

28. Significant accounting estimates and judgements (continued)

Impairment losses on available for sale financial assets

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

Impairment losses on property, plant and equipment

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

29. Comparative information

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