

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

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2019

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

Introduction

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

Scope of Review

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

Conclusion

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

Other Matters

We draw attention to the fact that the consolidated financial statements of the Group as at and for the year ended 31 December 2018 were audited by another auditor who issued an unmodified audit report on those statements on 10 March 2019. Furthermore, the interim condensed consolidated financial statements of the Group as at and for the three-month and nine-month periods ended 30 September 2018 were reviewed by another auditor who issued a review conclusion on those statements on 11 November 2018.

For Ernst & Young



Signed by
Ashraf Abu Sharkh
Partner
Registration No. 690

10 November 2019

Dubai, United Arab Emirates

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the Three-month and Nine months period ended 30 September 2019 (Unaudited)

	<i>Notes</i>	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Revenue		86,434	92,035	243,675	269,651
Cost of sales		(54,795)	(63,466)	(159,008)	(193,592)
Gross profit		31,639	28,569	84,667	76,059
Administrative, selling and distribution expenses	3	(24,525)	(28,390)	(73,184)	(86,207)
Impairment reversal /(loss) on trade receivables		-	-	1,593	(1,600)
Operating profit/(loss) for the period		7,114	179	13,076	(11,748)
Finance costs, net		(3,038)	(2,201)	(8,633)	(6,810)
Gain on fair valuation of investment property		-	1,800	-	1,800
Loss on fair valuation of investments		(2)	-	(3)	(1)
Other income	4	1,079	665	3,332	3,020
Profit / (loss) for the period before tax		5,153	443	7,772	(13,739)
Tax expense		(95)	(415)	(285)	(415)
Profit / (loss) for the period		5,058	28	7,487	(14,154)
Profit / (loss) attributable to: Owners of the Company		5,058	28	7,487	(14,154)
Earnings per share					
Earnings / (loss) per share-basic (AED)	19	0.16	0.00	0.23	(0.44)

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

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the Three-month and Nine months period ended 30 September 2019 (Unaudited)

	<i>Notes</i>	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Profit / (loss) for the period		5,058	28	7,487	(14,154)
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Revaluation of a building	5	-	-	-	6,188
Other comprehensive income for the period		-	-	-	6,188
Total comprehensive income / (loss) for the period		5,058	28	7,487	(7,966)
Total comprehensive profit / (loss) attributable to: Owners of the Company		5,058	28	7,487	(7,966)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		30 September 2019 AED 000 (Unaudited)	31 December 2018 AED 000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	5	34,850	35,590
Investment properties	6	30,600	30,600
Right-of-use assets	7	55,175	-
		<u>120,625</u>	<u>66,190</u>
Current assets			
Inventories	8	36,340	34,170
Trade and other receivables	9	70,538	64,716
Investments at fair value through profit or loss	10	17,297	17,300
Due from a related party	17	79	198
Cash in hand and at bank	11	14,507	16,673
		<u>138,761</u>	<u>133,057</u>
TOTAL ASSETS		<u>259,386</u>	<u>199,247</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		32,368	32,368
Statutory reserve		2,366	2,366
Restricted reserve		792	792
Revaluation surplus		6,188	6,188
Accumulated losses		(12,157)	(19,644)
Total equity		<u>29,557</u>	<u>22,070</u>
Non-current liabilities			
Employees' end of service benefits		7,573	7,527
Lease liabilities	16	44,485	-
		<u>52,058</u>	<u>7,527</u>
Current liabilities			
Borrowings	13	98,650	118,176
Trade and other payables	14	61,939	49,196
Due to related parties	17	1,619	1,576
Lease liabilities	16	14,576	-
Provision for Income tax	15	987	702
		<u>177,771</u>	<u>169,650</u>
Total Liabilities		<u>229,829</u>	<u>177,177</u>
TOTAL EQUITY AND LIABILITIES		<u>259,386</u>	<u>199,247</u>

Director

Director

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine-month period ended 30 September 2019 (Unaudited)

	Share capital AED '000	Statutory reserve AED '000	Restricted reserve AED '000	Revaluation surplus AED '000	Accumulated losses AED '000	Total AED '000
Balance as at 1 January 2019	32,368	2,366	792	6,188	(19,644)	22,070
Profit for the period	-	-	-	-	7,487	7,487
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	7,487	7,487
Balance as at 30 September 2019	32,368	2,366	792	6,188	(12,157)	29,557

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the Nine-month period ended 30 September 2019 (Unaudited)

	Share capital AED '000	Statutory reserve AED '000	Restricted reserve AED '000	Revaluation surplus AED '000	Retained earnings/ (accumulated losses) AED '000	Fair value reserve AED '000	Total AED '000
Balance as at 1 January 2018 – as previously reported	32,368	2,366	792	-	1,659	(1)	37,184
<i>Adjustment on initial application of IFRS 9:</i>							
Recognition of expected credit losses	-	-	-	-	(7,598)	-	(7,598)
Change in fair value of investments	-	-	-	-	8,291	1	8,292
Total adjustment on initial application of IFRS 9	-	-	-	-	693	1	694
Adjusted balance as at 1 January 2018	32,368	2,366	792	-	2,352	-	37,878
Loss for the period	-	-	-	-	(14,154)	-	(14,154)
Other comprehensive income	-	-	-	6,188	-	-	6,188
Total comprehensive income for the period	-	-	-	6,188	(14,154)	-	(7,996)
Dividends declared and transferred to other payables (note 12)	-	-	-	-	(1,457)	-	(1,457)
Directors' fee payable (note 12)	-	-	-	-	(147)	-	(147)
Balance as at 30 September 2018	32,368	2,366	792	6,188	(13,406)	-	28,308

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine-month period ended 30 September 2019 (Unaudited)

		Nine-month period ended 30 September	
	Notes	2019 AED'000	2018 AED'000
OPERATING ACTIVITIES			
Profit / (loss) for the period before tax		7,772	(13,739)
Adjustments for:			
Depreciation	5	5,294	3,764
Depreciation on right to use assets	7	8,554	-
Impairment (reversal) / loss on trade receivables		(1,593)	1,600
Gain on fair value of investment property		-	(1,800)
Loss on fair valuation of investments		3	1
Gain on disposal of property, plant and equipment		(48)	(90)
Finance costs, net		8,633	6,810
Provision for employees' end of service benefits		846	952
		<u>29,461</u>	<u>(2,502)</u>
Working capital changes:			
Inventories		(2,170)	16,408
Trade and other receivables		(4,497)	(7,386)
Due from a related party		119	36
Trade and other payables		12,743	(6,692)
Due to related parties		43	1,334
		<u>35,699</u>	<u>1,198</u>
Cash generated from operations		(800)	(620)
Employees' end-of-service benefits paid		-	(147)
Directors' fee paid			
		<u>34,899</u>	<u>431</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(4,560)	(9,611)
Proceeds from disposal of property, plant and equipment		54	151
		<u>(4,506)</u>	<u>(9,460)</u>
FINANCING ACTIVITIES			
Borrowings, net		(4,673)	8,077
Dividend paid		-	(1,457)
Finance cost paid		(6,567)	(6,948)
Lease liabilities paid		(6,466)	-
		<u>(17,706)</u>	<u>(328)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>12,687</u>	<u>(9,357)</u>
Cash and cash equivalents at 1 January		1,090	1,357
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	11	<u>13,777</u>	<u>(8,000)</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

1 ACTIVITIES

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

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

The interim condensed consolidated financial statements have been approved by the Board of Directors on 10 November 2019.

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

Basis of preparation

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

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

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

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

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

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

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

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**New standards, interpretations and amendments thereof, adopted by the Group (continued)****IFRS 16 Leases (continued)**

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

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

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

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

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

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

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

Following is the impact on the interim condensed consolidated statement of income for the nine-month and three-month periods ended 30 September 2019:

	<i>Nine-month period AED'000 (Unaudited)</i>	<i>Three-month period AED'000 (Unaudited)</i>
Depreciation expense on right-of-use assets (under IFRS 16)	(8,554)	(3,120)
Finance costs (under IFRS 16)	(2,067)	(742)
Rental – operating lease (under IAS 17)	9,527	3,291
Net impact on profit for the period	(1,094)	(571)

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

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

IFRS 16 Leases (continued)

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

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

3 ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Staff salaries and benefits	12,335	13,819	36,706	41,591
Advertisement and other selling expenses	123	229	372	1,616
Commercial vehicle expenses	3,384	7,935	10,913	23,408
Depreciation	710	720	2,151	2,207
Depreciation on right of use assets	3,120	-	8,554	-
Other expenses	4,853	5,687	14,488	17,385
	24,525	28,390	73,184	86,207

4 OTHER INCOME

Other income for the nine-month period ended 30 September 2019 mainly includes rental income amounting to AED 2.7 million (Nine-month period ended 30 September 2018: AED 2.1 million) and three-month period ended 30 September 2019 mainly include rental income amounting to AED 0.88 million (Three-month period ended 30 September 2018: AED 0.85 million)

5 PROPERTY, PLANT AND EQUIPMENT

Additions (unaudited)

During the nine-month period ended 30 September 2019, the Group acquired assets amounting to AED 4.6 million (Nine-month period ended 30 September 2018: AED 9.6 million). The depreciation expense amounted to AED 5.3 million (Nine-month period ended 30 September 2018: AED 3.76 million)

Transfer to investment property (unaudited)

During the period ended 30 September 2018, the Group reclassified a labor accommodation building from property, plant and equipment to investment property as a result of change in the use of the property. The property has been let to a third party. As at the date of transfer, the fair value of the property was measured and the resulting gain of AED 6.2 million was recognized in other comprehensive income. This has been presented as the revaluation surplus under equity in statement of financial position.

6 INVESTMENT PROPERTIES

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

7 RIGHT-OF-USE ASSETS

	30 September 2019 AED 000 (Unaudited)	31 December 2018 AED 000 (Audited)
At 1 January (Note 2)	46,330	-
Additions during the period	17,910	-
Less: depreciation for the period	(8,554)	-
Less: retirement during the period	(511)	-
At the end of the period	55,175	-

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

8 INVENTORIES

	30 September 2019 AED 000 (Unaudited)	31 December 2018 AED 000 (Audited)
Raw materials and packing materials	14,847	15,259
Semi-finished goods	1,706	1,706
Finished goods	5,973	6,771
Trading goods	4,912	5,166
Consumables stores and spare parts	6,472	6,556
	33,910	35,458
Less: Provision for slow-moving inventories	(1,194)	(1,288)
	32,716	34,170
Goods-in-transit	3,624	-
	36,340	34,170

9 TRADE AND OTHER RECEIVABLES

	30 September 2019 AED 000 (Unaudited)	31 December 2018 AED 000 (Audited)
Trade receivables	78,924	88,869
Less: Provision for expected credit losses	(14,780)	(28,434)
	64,144	60,435
Advances, deposits and prepayments	6,394	4,281
	70,538	64,716

During the period ended 30 September 2019, the group written off receivables of AED 11,460 thousand (for the year ended 31 December 2018: AED Nil) against allowance for expected credit losses and made reversal of AED 2,194 thousand (for the year ended 31 December 2018: AED Nil) resulting from improved recoveries of long outstanding receivables during the period.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Opening balance	17,300	5,595
<i>Adjustment on initial application of IFRS 9 recorded in equity:</i>		
Change in fair value	-	8,292
<i>Included in profit or loss:</i>		
Change in fair value	(3)	3,413
Closing balance	17,297	17,300

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

11 CASH AND CASH EQUIVALENTS

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

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Cash in hand	877	591
Bank balances	13,630	16,082
	14,507	16,673
Bank overdrafts (note 13)	(730)	(15,583)
Cash and cash equivalents	13,777	1,090

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

12 DIVIDEND AND DIRECTORS' FEE

Dividend declared

At the Annual General Meeting held on 22 March 2018, the shareholders approved a 4.5% cash dividend totaling to an amount of AED 1.5 million. The dividend was paid during the period. At the Annual General Meeting held on 24 April 2019, no dividend was approved for the year ended 31 December 2018.

Directors' fee

At the Annual General Meeting held on 22 March 2018, the shareholders also approved the directors' fee amounting to AED 0.15 million for the year ended 31 December 2017. The director's fee was paid during the period. At the Annual General Meeting held on 24 April 2019, no director's fee was approved for the year ended 31 December 2018.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

13 BORROWINGS

	<i>30 September 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
Long term borrowings:		
Term loan	67,554	46,253
Less: short term portion of term loans	(67,554)	(46,253)
	<hr/>	<hr/>
Long term portion of term loans	-	-
	<hr/>	<hr/>
Short term borrowings:		
Trust receipts	30,366	56,340
Bank overdrafts	730	15,583
Current portion of term loans	67,554	46,253
	<hr/>	<hr/>
	98,650	118,176
	<hr/>	<hr/>

During the period, the Group has restructured certain facilities with one of its lenders for trust receipts of AED 30,887 thousand, overdraft of AED 8,261 thousand term loan of AED 7,592 thousand and related costs for another term loan of AED 46,740 thousand, to be repaid in 46 monthly installments of AED 1,000 thousand each commenced on 25 August 2019, with final installment of AED 740 thousand on maturity of loan. The loan carries interest at the rate of 1 month EIBOR plus 3.75%.

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

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

14 TRADE AND OTHER PAYABLES

	<i>30 September 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
Trade payables	52,218	35,751
Accruals and other payables (Note 17)	9,465	12,869
Dividend payable	256	256
Advance received from customers	-	320
	<hr/>	<hr/>
	61,939	49,196
	<hr/>	<hr/>

15 PROVISION FOR INCOME TAX

The provision for taxation is in respect of the Group's operations carried out by a subsidiary in the Sultanate of Oman ("Oman"). The Subsidiary is liable to income tax in accordance with the income tax laws of the Oman depending on the level of its taxable profit. In the opinion of the management the provision for taxation of AED 0.99 million (31 December 2018: AED 0.7 million) as at reporting date is adequate to meet the Group's tax liabilities.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

16 LEASED LIABILITIES

	<i>AED (Unaudited)</i>
At 1 January 2019 (Note 2)	46,062
Additions during the period	17,910
Add: finance cost	2,066
Less: payments during the period, net of prepayments and accruals adjustment	(6,466)
Less: retirements during the period	(511)
At 30 September 2019	<u>59,061</u>

Presented on consolidated statement of financial position as follows:

	<i>AED (Unaudited)</i>
Current	14,576
Non-current	44,485
At 30 September 2019	<u>59,061</u>

17 RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant related party transactions during the period were as follows:

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Purchases from related parties	2,240	809	3,786	3,764
Sales to related parties	87	194	450	649

Compensation to key management personnel is as follows:

	<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Short term benefits	547	537	2,120	2,060
Provision towards staff terminal benefits	12	17	46	52

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>30 September 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
Due from a related party		
- Abjar Group	79	198
	<u>79</u>	<u>198</u>
	<i>30 September 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
Due to related parties		
- United Foods PJSC	60	269
- Innovation Direct Employment Services	1,559	1,307
	<u>1,619</u>	<u>1,576</u>
Other payables		
- Key management personnel	317	479
	<u>317</u>	<u>479</u>

Other payables to key management personnel are included in other payables under 'Trade and other payables' (Note 14).

18 CONTINGENCIES AND COMMITMENTS

	<i>30 September 2019 AED 000 (Unaudited)</i>	<i>31 December 2018 AED 000 (Audited)</i>
Letters of guarantee	4,058	4,058
Letters of credit	6,858	7,041
	<u>10,916</u>	<u>11,100</u>

Legal cases

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

Capital Commitments

The capital commitments outstanding as at 30 September 2019 amount to AED 7.5 million (31 December 2018: AED 9.35 million) representing costs to be incurred towards construction of warehouses and cooling system for the plant.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Unaudited)

19 BASIC EARNINGS PER SHARE

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2019 AED 000</i>	<i>2018 AED 000</i>	<i>2019 AED 000</i>	<i>2018 AED 000</i>
Net profit/(loss) attributable to owners of the Company (AED '000)	5,058	28	7,487	(14,154)
Weighted average number of shares outstanding (including bonus shares ('000))	32,368	32,368	32,368	32,368
Profit/(loss) per share - basic (AED)	0.16	0.00	0.23	(0.44)

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

20 SEGMENTAL REPORTING

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

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

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

Major customers

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

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial risk management

Financial instruments comprise financial assets and financial liabilities.

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

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

Fair value hierarchy

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

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

21 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy (continued)**

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

Assets measured at fair value

	<i>30 September 2019 AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Investments at FVTPL (Unaudited)	<u>17,297</u>	<u>10</u>	<u>-</u>	<u>17,287</u>
	<i>31 December 2018 AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Investments at FVTPL (Audited)	<u>17,300</u>	<u>12</u>	<u>-</u>	<u>17,288</u>

22 SEASONALITY

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

23 OTHER AND COMPARATIVE INFORMATION**Other information**

During the period, a 50% Excise Tax applicable from 1 December 2019 on production of sugar sweetened beverages is announced by the UAE Government. Subsequent to the period end, the Group has initiated the process for registration of its products subject to Excise Tax.

Comparative information

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