United Foods Company (PSC)

FINANCIAL STATEMENTS

31 December 2012

DIRECTORS' REPORT

The Directors are pleased to present their report together with audited financial statements of United Foods Company (PSC) (the "Company") for the year ended 31 December 2012.

Review of the activities

The year 2012 witnessed political unrest in some of the regional countries that has adversely affected the sales of the Company in its key markets and thus lower profits.

Results

The Company posted a net profit of AED 15.4 million (2011 restated: AED 19.6 million) with a turnover of AED 382.22 million (2011: AED 458.09 million). Efforts to consolidate and improve market coverage will be strengthened further in 2013.

	AED
Retained earnings balance brought forward from the year 2011 (as restated)	33,406,069
Net profit for the year 2012	15,417,927
Profit available for appropriation	48,823,996
Appropriations:	
Directors' fee	(1,260,000)
Retained earnings balance as of 31 December 2012	47,563,996

Stock dividend of 10% (2011: Nil) amounting to AED 2,500,000 (2,500,000 ordinary shares of AED 1 each) is proposed.

Directors

The list of Directors of the Company is as follows:

Mr. Ali Bin Humaid Al Owais	- Chairman
Mr. Mohamed Abdel Aziz Ali Abdalla Al Owais	- Executive Vice Chairman
Mr.Mohamed Salim Rashid Abdalla Al Owais	- Vice Chairman
Mr. Abdulla Rahma Al Owais	- Director
Mr. Ali Sultan Abdalla Al Owais	- Director
Mr. Obaid Saeed Al Mulla	- Director
Mr. Fahad Abdul Salam Al Rafi	- Director

Auditors

Ernst & Young was appointed as auditors of the Company for the year ended 31 December 2012 and being eligible, they have offered themselves for reappointment for the year ended 31 December 2013.

For and on behalf of the Board

27 March 2013

ص.ب: ٥٨٣٦، دبي، إ.ع.م.، هاتف: ٣٣٨٢٦٨٨ ٤ ٩٧١+ ، فاكس: ٣٣٨١٩٨٧ ٤ ٩٧١+، البريد الالكتروني: aseel@emirates.net.ae، الموقع الالكتروني: www.aseelandsafi.com
P.O.Box 5836, Dubai, U.A.E., Tel: +971 4 3382 688, Fax: +971 4 3381 987, Email: aseel@emirates.net.ae, visit: www.aseelandsafi.com

ERNST & YOUNG

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
www.ey.com/me

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC)

Report on the Financial Statements

We have audited the accompanying financial statements of United Foods Company (PSC) (the "Company"), which comprise the statement of financial position as at 31 December 2012 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC) (continued)

Other Matter
The financial statements of United Foods Company (PSC) for the year ended 31 December 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 22 March 2012.

Report on Other Legal and Regulatory Requirements
We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the Articles of Association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out; and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

27 March 2013

Dubai, United Arab Emirates

INCOME STATEMENT
For the year ended 31 December 2012

	Notes	*2012 AED*	*2011 AED (Restated)*
Sales		**382,220,158**	458,086,159
Cost of sales	3	**(343,076,585)**	(398,251,908)
Gross profit		**39,143,573**	59,834,251
Selling and distribution expenses	4	**(13,004,017)**	(15,750,169)
Administrative expenses	5	**(11,994,923)**	(10,497,410)
Finance costs	6	**(1,175,170)**	(2,608,839)
Other operating income, net	7	**3,532,457**	4,697,991
Impairment of capital work in progress	8	-	(771,394)
Impairment loss on motor vehicle	8	**(200,802)**	-
Write-off of capital work in progress	8	**(388,249)**	-
Impairment loss on assets held for sale	13	**(494,942)**	-
Compensation for agency termination	21	-	(15,263,200)
Profit for the year		**15,417,927**	19,641,230
Earnings per share in AED	24	**0.57**	0.72

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	***2012 AED***	*2011 AED (Restated)*
Profit for the year		**15,417,927**	19,641,230
Other comprehensive income			
Net movement in available-for-sale investments	9	**46,468**	(169,646)
Total comprehensive income for the year		**15,464,395**	19,471,584

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	*2012 AED*	*2011 AED (Restated)*	*2010 AED*
ASSETS				
Non-current assets				
Property, plant and equipment	8	**60,770,203**	69,153,992	72,256,205
Available-for-sale investments	9	**263,545**	217,077	386,723
		61,033,748	69,371,069	72,642,928
Current assets				
Inventories	10	**92,623,599**	113,094,503	94,429,511
Accounts receivable and prepayments	11	**54,452,578**	50,624,587	50,188,423
Due from related parties	23	**103,437**	3,563,930	339,893
Bank balances and cash	12	**1,917,480**	397,377	247,789
		149,097,094	167,680,397	145,205,616
Assets classified as held for sale	13	**281,000**	-	-
TOTAL ASSETS		**210,411,842**	237,051,466	217,848,544
EQUITY AND LIABILITIES				
Equity				
Share capital	14	**25,000,000**	25,000,000	25,000,000
Statutory reserve	15	**12,500,000**	12,500,000	12,500,000
Regular reserve	16	**12,500,000**	12,500,000	12,500,000
General reserve	17	**65,314,980**	65,314,980	55,314,980
Fair value reserve	18	**(13,148)**	(59,616)	110,030
Retained earnings		**47,563,996**	33,406,069	43,014,839
Total equity		**162,865,828**	148,661,433	148,439,849
LIABILITIES				
Non-current liabilities				
Employees' end of service benefits	20	**2,873,538**	2,538,329	2,479,902
Current liabilities				
Trade and other payables	21	**30,790,050**	33,667,255	39,399,754
Due to a related party	23	**6,880,479**	6,001,530	6,225,137
Bank overdrafts	22	**5,001,947**	3,912,499	11,303,902
Trust receipts	22	**2,000,000**	42,270,420	5,000,000
Bank loans	22	**-**	-	5,000,000
		44,672,476	85,851,704	66,928,793
Total liabilities		**47,546,014**	88,390,033	69,408,695
TOTAL EQUITY AND LIABILITIES		**210,411,842**	237,051,466	217,848,544

Ali Bin Humaid Al Owais
Chairman
27 March 2013

Mohamed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
27 March 2013

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2012

	Notes	*2012* *AED*	*2011* *AED* *(Restated)*
OPERATING ACTIVITIES			
Profit for the year		**15,417,927**	19,641,230
Adjustments for:			
Depreciation	8	**9,291,813**	9,010,463
Loss / (profit) on disposal of property, plant and equipment	7	**14,640**	(107,346)
Impairment loss on assets held for sale	13	**494,942**	-
Impairment loss on motor vehicle	8	**200,802**	-
Impairment of capital work in progress	8	**-**	771,394
Write-off of capital work in progress	8	**388,249**	-
Finance costs	6	**1,175,170**	2,608,839
Provision for employees' end of service benefits	20	**556,751**	507,816
		27,540,294	32,432,396
Working capital changes:			
Inventories		**20,470,904**	(18,664,992)
Accounts receivable and prepayments		**(3,827,991)**	(436,164)
Trade and other payables		**(4,137,205)**	(7,482,499)
Due from related parties		**3,460,493**	(3,252,981)
Due to a related party		**878,949**	(223,607)
		44,385,444	2,372,153
Employees' end of service benefits paid	20	**(221,542)**	(420,445)
Net cash from operating activities		**44,163,902**	1,951,708
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	8	**(2,287,657)**	(6,765,302)
Proceeds from disposal of property, plant and equipment		**-**	193,004
Deposits maturing after three months	12	**(1,500,000)**	-
Net cash used in investing activities		**(3,787,657)**	(6,572,298)
FINANCING ACTIVITIES			
Net movement in trust receipts		**(40,270,420)**	37,270,420
Short term loan repaid during the year		**-**	(5,000,000)
Finance costs paid	6	**(1,175,170)**	(2,608,839)
Dividend paid	19	**-**	(17,500,000)
Net cash (used in) / from financing activities		**(41,445,590)**	12,161,581
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,069,345)**	7,540,991
Cash and cash equivalents at the beginning of the year	12	**(3,515,122)**	(11,056,113)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**(4,584,467)**	(3,515,122)

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital AED	*Statutory reserve AED*	*Regular reserve AED*	*General reserve AED*	*Fair value reserve AED*	*Retained earnings AED*	*Total AED*
Balance as at 1 January 2012 (as restated)	25,000,000	12,500,000	12,500,000	65,314,980	(59,616)	33,406,069	148,661,433
Profit for the year	-	-	-	-	-	15,417,927	15,417,927
Net change in fair value of available-for-sale investments	-	-	-	-	46,468	-	46,468
Total comprehensive income for the year	-	-	-	-	46,468	15,417,927	15,464,395
Directors' fees	-	-	-	-	-	(1,260,000)	(1,260,000)
Balance as at 31 December 2012	**25,000,000**	**12,500,000**	**12,500,000**	**65,314,980**	**(13,148)**	**47,563,996**	**162,865,828**

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital AED	*Statutory reserve AED*	*Regular reserve AED*	*General reserve AED*	*Fair value reserve AED*	*Retained earnings AED*	*Total AED*
Balance as at 1 January 2011	25,000,000	12,500,000	12,500,000	55,314,980	110,030	43,014,839	148,439,849
Profit for the year (as restated) Note 29	-	-	-	-	-	19,641,230	19,641,230
Net change in fair value of available-for-sale investments	-	-	-	-	(169,646)	-	(169,646)
Total comprehensive income for the year (as restated) Note 29	-	-	-	-	(169,646)	19,641,230	19,471,584
Transfer to the general reserve	-	-	-	10,000,000	-	(10,000,000)	-
Directors' fees	-	-	-	-	-	(1,750,000)	(1,750,000)
Dividend paid (note 19)	-	-	-	-	-	(17,500,000)	(17,500,000)
Balance as at 31 December 2011 (as restated) Note 29	25,000,000	12,500,000	12,500,000	65,314,980	(59,616)	33,406,069	148,661,433

The attached notes 1 to 30 form part of these financial statements.

1 ACTIVITIES

United Foods Company (PSC) ("the Company") is a Public Shareholding Company, incorporated on 1 November 1976 by a Decree issued by His Highness, The Ruler of Dubai. On 27 June 1994, the Company amended its status to a public shareholding company to comply with the provisions of the UAE Federal Law No. 8 of 1984 (as amended). The Company listed its shares on the Dubai Financial Market (DFM) in July 2006.

The Company is primarily engaged in the manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products, animal oil and fat manufacturing. The registered address of the Company is P.O. Box 5836, Dubai, UAE.

2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

The financial statements have been prepared on the historical cost basis, modified to include the measurement at fair value of available-for-sale investments.

The financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Company's functional currency.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC Interpretations effective as of 1 January 2012:

New and revised Accounting Standards and Interpretations

(a) Standards, amendments and interpretations effective from 1 January 2012 which are adopted by the Company during 2012

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements: The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the disclosures in its financial statements.

(b) Standards, amendments and interpretations effective in 2012 but not relevant to the Company's operations

The following interpretations of published standards are mandatory for accounting periods beginning on or after 1 January 2012 but are not relevant to the Company's operations:

IAS 12 Income Taxes - Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012); and

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective for annual periods beginning on or after 1 July 2011).

(c) Standards, amendments and Interpretations in issue but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) Standards, amendments and Interpretations in issue but not yet effective (continued)

IAS 1	Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
IAS 19	Employee Benefits (Revised) (effective for annual periods beginning on or after 1 January 2013);
IAS 28	Investments in Associates and Joint Ventures (as revised in 2011) (effective for annual periods beginning on or after 1 January 2013);
IAS 32	Financial Instruments: Presentation (Amendment) — Guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);
IFRS 1	First-time Adoption of International Financial Reporting Standards — Government Loans (Amendments) (effective for annual periods beginning on or after 1 January 2013);
IFRS 7	Financial Instruments: Disclosures — Enhanced Disclosure Requirements about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013);
IFRS 9	Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2015);
IFRS 10	Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013);
IFRS 11	Joint Arrangements (effective for annual periods beginning on or after 1 January 2013);
IFRS 12	Disclosure of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013);
IFRS 13	Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013); and
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013).

The management anticipates that all of the above Standards and Interpretations will be adopted by the Company to the extent applicable to them from their effective dates. The adoption of these Standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Company in the period of their initial application.

(d) Improvements to IFRSs:

In May 2012, the IASB issued its fourth omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

IAS 1 Presentation of Financial Statements: This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

The following interpretations and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

IFRS 1	First-time Adoption of International Financial Reporting Standards;
IAS 32	Financial Instruments, Presentation; and
IAS 34	Interim Financial Reporting.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income
Interest income is recognised as the interest accrues.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	20 years
Plant, machinery and equipments	4 to 10 years
Furniture and fixtures	4 years
Motor vehicles	4 years

Land and capital work-in-progress are not depreciated.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the period the asset is derecognised.

Non-current assets held for sale and discontinued operations
Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
At each reporting date the Company reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those incurred in bringing each product to its present location and condition, as follows:

Raw materials and work-in-progress – purchase cost on weighted average basis;
Spares and consumables – purchase cost on weighted average basis;
Finished goods – cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity and is determined on weighted average basis.

Net realisable value is based on the estimated selling price less any further costs expected to be incurred on disposal. Damaged and obsolete inventories are written off.

Available-for-sale investments
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "fair value reserve" within equity is included in the income statement for the year.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdraft.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is an objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to government pension scheme calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

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

Operating leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Foreign exchange transactions
Transactions in foreign currencies are initially recorded by the Company at its respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and financial liabilities
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant impact on the amounts recognised in the financial statements.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Company has the intention and ability to hold these to maturity.

The Company classifies investments as trading if they are acquired primarily for the purpose of making a short term profit.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss.

All other investments are classified as available-for-sale.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 54,694,659 (2011: AED 49,361,724), and the provision for doubtful debts was AED 1,985,156 (2011: AED 1,422,791). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

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

At the reporting date, gross inventory, excluding goods in transit, were AED 74,920,613 (2011: AED 110,428,381) with provisions for slow moving inventories of AED 855,037 (2011 restated: AED 1,467,128). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives and depreciation of property, plant and equipment
The management periodically reviews estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

3 COST OF SALES

Cost of sales of manufactured goods comprises:

	2012 *AED*	*2011* *AED* *(Restated)*
Materials:		
Opening stock of raw materials	**96,666,597**	66,195,205
Purchases	**264,253,801**	385,036,187
Closing stock of raw materials	**(62,249,373)**	(96,666,597)
	298,671,025	354,564,795
Manufacturing overheads:		
Salaries and wages	**8,049,197**	7,584,607
Fuel and power	**19,547,783**	20,519,886
Repairs and maintenance	**2,461,157**	2,009,352
Depreciation (note 8)	**7,066,843**	6,849,276
Others	**6,190,036**	5,138,927
Total manufacturing cost	**341,986,041**	396,666,843
Opening stock of work-in-progress	**4,585,845**	5,614,225
Closing stock of work-in-progress (note 10)	**(3,201,399)**	(4,585,845)
Cost of goods manufactured	**343,370,487**	397,695,223
Opening stock of finished goods	**9,175,939**	9,732,624
Closing stock of finished goods (note 10)	**(9,469,841)**	(9,175,939)
	343,076,585	398,251,908

4 SELLING AND DISTRIBUTION EXPENSES

	2012 *AED*	*2011* *AED*
Sales agreement costs	**3,656,304**	3,733,674
Staff costs	**2,997,062**	3,155,108
Freight and loading	**2,136,877**	1,950,901
Fuel expense	**1,885,879**	2,080,860
Commission	**548,769**	261,016
Repairs and maintenance	**540,889**	2,270,919
Rent	**509,143**	510,015
Advertisement expenses	**284,867**	1,347,093
Others	**444,227**	440,583
	13,004,017	15,750,169

5 ADMINISTRATIVE EXPENSES

	2012 AED	2011 AED (Restated)
Staff costs	**5,712,083**	3,590,820
Depreciation (note 8)	**2,224,970**	2,161,187
Legal and professional fees	**1,321,196**	2,661,358
Recruitment expenses	**982,940**	675,859
Allowance for doubtful debts (note 11)	**564,805**	332,369
License fees	**317,142**	342,097
Communication expenses	**270,250**	200,165
Printing and stationery	**180,008**	205,293
Others	**421,529**	328,262
	11,994,923	10,497,410

6 FINANCE COSTS

	2012 AED	2011 AED
Interest on bank overdraft and trust receipts	**664,258**	2,212,332
Guarantee commission	**281,113**	21,965
Bank charges	**229,799**	232,042
Interest on short-term loan	**-**	142,500
	1,175,170	2,608,839

7 OTHER OPERATING INCOME

	2012 AED	2011 AED
Transportation, storage, refining and filling charges	**2,076,897**	1,917,026
Sale of by-products, scrap and others	**1,181,805**	1,621,891
(Loss) gain on disposal of property, plant and equipment	**(14,640)**	107,346
Miscellaneous income	**288,395**	1,051,728
	3,532,457	4,697,991

8 PROPERTY PLANT AND EQUIPMENT

2012:

	Land and buildings AED	*Plant machinery, and equipments AED*	*Furniture and fixtures AED*	*Motor vehicles AED*	*Capital work in progress AED*	*Total AED*
Cost:						
At 1 January 2012	64,037,992	101,357,261	3,172,385	16,310,063	2,976,919	187,854,620
Additions	120,500	450,575	528,844	103,500	1,084,238	2,287,657
Transfers	413,195	2,447,720	-	-	(2,860,915)	-
Disposals	-	-	(75,421)	-	-	(75,421)
Adjustments	-	-	-	37,000	-	37,000
Transfer to assets held for sale	-	-	-	(3,719,800)	-	(3,719,800)
Write-off	-	-	-	-	(388,249)	(388,249)
At 31December 2012	**64,571,687**	**104,255,556**	**3,625,808**	**12,730,763**	**811,993**	**185,995,807**
Depreciation and impairment:						
At 1 January 2012 (as restated)	23,459,555	80,733,239	2,874,924	10,861,516	771,394	118,700,628
Charge for the year	2,175,753	4,831,272	151,798	2,132,990	-	9,291,813
Relating to disposals	-	-	(60,781)	-	-	(60,781)
Adjustments	-	-	-	37,000	-	37,000
Relating to transfer to assets held for sale	-	-	-	(2,943,858)	-	(2,943,858)
Impairment	-	-	-	200,802	-	200,802
At 31 December 2012	**25,635,308**	**85,564,511**	**2,965,941**	**10,288,450**	**771,394**	**125,225,604**
Net carrying value						
At 31 December 2012	**38,936,379**	**18,691,045**	**659,867**	**2,442,313**	**40,599**	**60,770,203**

2011:

	Land and buildings AED	*Plant machinery, and equipments AED*	*Furniture and fixtures AED*	*Motor vehicles AED*	*Capital work in progress AED*	*Total AED*
Cost:						
At 1 January 2011	63,477,173	99,460,523	3,081,161	14,139,633	1,668,406	181,826,896
Additions	105,100	1,220,919	153,232	2,846,000	2,440,051	6,765,302
Transfers	455,719	675,819	-	-	(1,131,538)	
Disposals	-	-	(62,008)	(675,570)	-	(737,578)
At 31December 2011	64,037,992	101,357,261	3,172,385	16,310,063	2,976,919	187,854,620
Depreciation and impairment:						
At 1 January 2011	21,328,471	76,109,794	2,753,285	9,379,141	-	109,570,691
Charge for the year	2,131,084	4,623,445	165,174	2,090,760	-	9,010,463
Relating to disposals	-	-	(43,535)	(608,385)	-	(651,920)
Impairment	-	-	-	-	771,394	771,394
At 31 December 2011 (as restated)	23,459,555	80,733,239	2,874,924	10,861,516	771,394	118,700,628
Net carrying value:						
At 31 December 2011 (as restated)	40,578,437	20,624,022	297,461	5,448,547	2,205,525	69,153,992

8 PROPERTY PLANT AND EQUIPMENT (continued)

The Company's building on Sheikh Zayed Road is constructed on land for which freehold rights have been acquired from the Government of Dubai in 2010. The land is registered in the name of the Company.

The Company's building in Jebel Ali Industrial Area is constructed on land taken on lease from the Government of Dubai (Note 25).

As at 31 December 2012, Capital work-in-progress of AED 40,599 pertains to 5% remaining values of filling machines against which 95% impairment loss of AED 771,394 has been recorded in 2011.

The cost of fully depreciated assets still in use as at 31 December 2012 was AED 74.87 million (2011: AED 71.2 million).

The depreciation charge for the year has been allocated as follows:

	2012 *AED*	*2011* *AED*
Cost of sales (note 3)	**7,066,843**	6,849,276
Administrative expenses (note 5)	**2,224,970**	2,161,187
	9,291,813	9,010,463

9 AVAILABLE-FOR-SALE INVESTMENTS

	2012 *AED*	*2011* *AED*
Quoted equity securities	**263,545**	217,077

The movement in available-for-sale investments during the year was as follows:

	2012 *AED*	*2011* *AED*
At 1 January	**217,077**	386,723
Change in fair value (Note 18)	**46,468**	(169,646)
At 31 December	**263,545**	217,077

Determination of fair value and fair value hierarchy

The Company 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 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.

9 AVAILABLE-FOR-SALE INVESTMENTS (continued)

As at 31 December 2012, the Company held the following financial instruments measured at fair value:

31 December 2012

	Level 1	*Level 2*	*Level 3*	*Total*
	AED	***AED***	***AED***	***AED***
Quoted equity securities	**263,545**	-	-	**263,545**

31 December 2011

	Level 1	*Level 2*	*Level 3*	*Total*
	AED	*AED*	*AED*	*AED*
Quoted equity securities	217,077	-	-	217,077

During the years ended 31 December 2012 and 31 December 2011, there were no transfers between the various levels of fair value measurements.

10 INVENTORIES

	2012	*2011*
	AED	*AED*
		(Restated)
Raw materials	**57,175,060**	90,866,809
Finished goods (note 3)	**9,469,841**	9,175,939
Packing materials	**3,936,011**	5,106,513
Work-in-progress (note 3)	**3,201,399**	4,585,845
Spares and consumables	**1,138,302**	693,275
	74,920,613	110,428,381
Less: Provision for slow moving inventories	**(855,037)**	(1,467,128)
	74,065,576	108,961,253
Goods in transit (note 21)	**18,558,023**	4,133,250
	92,623,599	113,094,503

As at 31 December 2012, inventory of AED 855,037 (2011 restated: AED 1,467,128) were impaired. Movements in the provision for slow moving inventories were as follows:

	2012	*2011*
	AED	*AED*
		(Restated)
At 1 January	**1,467,128**	815,533
Charge for the year	**383,000**	1,153,153
Amounts written off	**(995,091)**	(501,558)
At 31 December	**855,037**	1,467,128

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012 *AED*	*2011* *AED*
Trade receivables	**54,694,659**	49,361,724
Less: provision for doubtful debts	**(1,985,156)**	(1,422,791)
	52,709,503	47,938,933
Advances to suppliers	**779,627**	1,018,151
Prepaid expenses	**576,331**	490,499
Staff receivables	**374,747**	306,582
Other receivables	**12,370**	870,422
	54,452,578	50,624,587

As at 31 December 2012, trade accounts receivable at nominal value of AED 1,985,156 (2011: AED 1,422,791) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2012 *AED*	*2011* *AED*
At 1 January	**1,422,791**	1,192,155
Charge for the year (note 5)	**564,805**	332,369
Amounts written off	**(2,440)**	(101,733)
At 31 December	**1,985,156**	1,422,791

As at 31 December, the ageing of unimpaired trade receivables on the basis of invoice date is as follows:

		Past due but not impaired					
	Total *AED*	*0-30 days* *AED*	*30-60 days* *AED*	*60-90 days* *AED*	*90-120 days* *AED*	*120-150 days* *AED*	*>150 days* *AED*
2012	**52,709,503**	**17,191,750**	**13,208,406**	**10,707,769**	**8,640,435**	**1,431,580**	**1,529,563**
2011	47,938,933	18,011,280	13,036,568	9,432,609	4,248,645	2,081,210	1,128,622

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following amounts in the statement of financial position:

	2012 *AED*	*2011* *AED*
Cash in hand	**52,800**	49,820
Bank balances	**364,680**	347,557
Deposits	**1,500,000**	-
	1,917,480	397,377
Bank overdrafts (Note 22)	**(5,001,947)**	(3,912,499)
Less: Deposits with an original maturity of more than three months	**(1,500,000)**	-
Cash and cash equivalents	**(4,584,467)**	(3,515,122)

At 31 December 2012, the Company had available AED 166 million (2011: AED 206.8 million) of undrawn committed borrowing facilities.

Deposits are placed with local banks and accrue interest income at average rate of 3.125%. There was no deposit as on 31 December 2011.

13 ASSETS CLASSIFIED AS HELD FOR SALE

Certain motor vehicles are presented as assets classified as held for sale following the management's commitment on December 2012 to dispose off these assets. The management has identified a buyer and expects to sell these assets during 2013. The impairment of assets held for sale was calculated as the difference between the net book value of these motor vehicles as of 31 December 2012 and the expected selling price, less cost to sell, in an arm's length transaction.

14 SHARE CAPITAL

	2012 *AED*	*2011* *AED*
Authorised, issued and fully paid up		
25 million ordinary shares of AED 1 each		
(2011: 25 million ordinary shares of AED 1 each)	**25,000,000**	25,000,000

15 STATUTORY RESERVE

In accordance with the UAE Company Law No. 8 of 1984 (as amended), a minimum of 10% of the profit of the Company is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. This reserve is not available for distribution except in the circumstances stipulated by the abovementioned Law. As the statutory reserve has reached one half of the paid up share capital, no transfer has been made to statutory reserve during the current year and the previous year.

16 REGULAR RESERVE

In accordance with the Articles of Association of the Company, 10% of the net profit for each year should be transferred to a regular reserve and such transfers cease through a resolution of the usual general assembly upon a suggestion of the board of directors or if it reaches 50% of the paid up capital of the Company. As the regular reserve has reached one half of the paid up share capital, no transfer has been made to regular reserve during the current year and the previous year.

This reserve is to be used for purposes as recommended by the board of directors and approved at the general assembly.

17 GENERAL RESERVE

In accordance with the Articles of Association of the Company, any undistributed net profit may be transferred to the general reserve according to the decisions of the board of directors. In the current year, no transfer has been made to general reserve (2011: AED 10 million transferred to general reserve).

18 FAIR VALUE RESERVE

The fair value reserve represents the unrealised gains and losses arising from changes in the fair value of available-for-sale investments which is recognised in fair value reserve in equity until the investments are sold, collected or otherwise disposed of, or until the investments are determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement.

During the year an unrealised profit of AED 46,468 was recognized to other comprehensive income (2011: unrealized loss of AED 169,646)

19 DIVIDENDS

During the Board of Directors' meeting held on 27 February 2013, the Directors proposed a 10% bonus issue share totaling to AED 2.5 million relating to 2012.

Cash dividends of AED 17.5 million relating to 2010 were paid during 2011.

20 EMPLOYEES' END OF SERVICE BENEFITS

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

	2012 *AED*	*2011* *AED*
Balance at 1 January	**2,538,329**	2,479,902
Provided during the year	**556,751**	507,816
Transfers from a related party	**-**	317,207
Transfers to a related party	**-**	(346,151)
End of service benefits paid	**(221,542)**	(420,445)
Provision as at 31 December	**2,873,538**	2,538,329

21 TRADE AND OTHER PAYABLES

	2012 AED	*2011 AED (Restated)*
Trade payables	**3,511,979**	5,153,443
Advances from customers	**1,304,235**	2,236,073
Dividends payable	**194,050**	213,950
Claims payable (a)	**-**	18,307,689
Directors' fees payable	**1,260,000**	1,750,000
Accrual for goods in transit (note 10)	**18,558,023**	-
Accrued expenses and other payables	**5,961,763**	6,006,100
	30,790,050	33,667,255

(a) In 2010, a customer filed a claim against the Company for AED 60 million in compensation for damages incurred due to alleged breaches. The Company had filed a counter claim for AED 27.5 million as the customer was in breach of his obligations pursuant to a secondary agreement entered into with the Company. In response to the arbitration request received on 14 April 2010, both parties paid their fees and arbitration proceedings commenced.

On 11 March 2012, a judgment was passed by the arbitration tribunal panel whereby it was communicated that the Company has to pay AED 18,307,689 to the customer. An amount of AED 3,044,489 of which was payable to the customer has been adjusted against the compensation amount and accordingly, the Company has recorded an expense of AED 15,263,200 in the 2011 financial statements.

During the year, the claims payable amount was settled in full.

22 BANK BORROWINGS

	2012 AED	*2011 AED*
Bank overdrafts (Note 12)	**5,001,947**	3,912,499
Trust receipts	**2,000,000**	42,270,420
	7,001,947	46,182,919

Borrowings are from local banks and accrue interest at an average rate of 3.5% (2011: 4.12%).

Bank borrowings and facilities of the Company are secured by:
- Assignment of insurance on stock on pari-passu basis; and
- Prior consent of the bank to be obtained for any change in ownership/legal status of the Company.

23 TRANSACTIONS WITH RELATED PARTIES

Related parties represent major shareholders, affiliates, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

23 TRANSACTIONS WITH RELATED PARTIES (continued)

a) Significant transactions with related parties:

Significant transactions with related parties included in the income statement are as follows:

	2012 *AED*	*2011* *AED*
Other related parties		
Sales		
United Kaipara Dairies Co (PSC)	**50,165**	13,244,296
Modern Bakery LLC	**1,663,717**	2,618,637
	1,713,882	15,862,933
Other income		
United Can Company LLC	**1,448**	1,092
Purchase of raw materials and services		
United Kaipara Dairies Co (PSC) - purchases	**-**	47,736,468
United Kaipara Dairies Co (PSC) - services	**99,594**	2,782,425
United Can Company LLC	**26,570,666**	23,219,502
	26,670,260	73,738,395
Purchase of fixed assets from United Kaipara Dairies Co (PSC)	**-**	2,727,835

Compensation of key management personnel
The remuneration of members of key management during the year was as follows:

	2012 *AED*	*2011* *AED*
Short-term employee benefits	**1,918,899**	1,164,516
End of service benefits	**81,642**	-
Bonus	**178,767**	-
	2,179,308	1,164,516

b) Due from related parties:

	2012 *AED*	*2011* *AED*
Other related parties		
United Kaipara Dairies Co (PSC)	**-**	3,418,935
Modern Bakery LLC	**103,437**	144,995
	103,437	3,563,930

For the year ended 31 December 2012, the Company has not recorded any impairment of amounts owed by related parties (2011: AED Nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

23 TRANSACTIONS WITH RELATED PARTIES (continued)

c) Due to a related party:

	2012 *AED*	*2011* *AED*
Other related party		
United Can Company LLC	**6,880,479**	6,001,530

Outstanding balances at the year-end arise in the normal course of business.

24 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Company, net of directors fees, amounting to AED 14,157,927 (2011 restated: AED 17,891,230) by the weighted average number of ordinary shares outstanding during the year of 25,000,000 shares (2011: 25,000,000 shares).

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

25 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 31 December 2012, the Company had contingent liabilities in respect of bank and other guarantees amounting to AED 19,652,869 (2011: AED 1,645,180), from which it is anticipated that no material liabilities will arise.

Legal Claim Contingency
The Company has a few pending litigations that occur in the ordinary course of business. To the extent, the Directors believe appropriate, adequate provisions have been made in the accounts.

Capital commitments
At 31 December 2012, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED nil (2011: AED 1,595,000).

	2012 *AED*	*2011* *AED*
Operating lease commitments		
Future minimum lease payments:		
- within one year	**1,583,874**	909,035
- later than 1 year and no later than 5 years	**4,230,464**	244,905
- more than 5 years	**4,898,080**	-
	10,712,418	1,153,940

The land at Jebel Ali Industrial Area is taken on lease for annual rent of AED 979,616 for 10 years ending January 2023, which can be renewed for further period of 10 years.

26 SEGMENT REPORTING

The Company operates in a single reporting segment primarily engaged in manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products, animal oil and fat manufacturing. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, income statement and notes to the financial statements.

IFRS also requires an entity to report its segment assets and revenues along geographical regions. All significant activities of the Company are performed on an integrated basis in the Middle East 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
Revenue from one customer amounting to AED 69,272,219 (2011: AED 98,165,525) accounts for 10% or more of the Company's total revenues.

27 RISK MANAGEMENT

P

The Company's principal financial instruments comprise trade accounts payable, due to a related party, bank overdraft and trust receipts. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade accounts receivable, trade accounts payable and cash and bank balances, which arise directly from its operations.

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company does not hold or issue derivative financial instruments for speculative purpose.

The Company is mainly exposed to interest rate risk, credit risk, liquidity risk and equity price risk. No changes were made in the risk management objectives and policies during the year ended 31 December 2012. The senior management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

27 RISK MANAGEMENT (continued)

Interest rate risk
The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts and trust receipts).

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

There is no impact on the Company's equity.

	Increase/ decrease in basis points	*Effect on profit for the year AED*
2012		
AED	**+100**	**(70,019)**
AED	**-100**	**70,019**
2011		
AED	+100	(440,889)
AED	- 100	440,889

Credit risk
The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

With respect to credit risk arising from other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2012 AED	*2011 AED*
Trade receivables	**52,709,503**	47,938,933
Advances to suppliers	**779,627**	1,018,151
Staff receivables	**374,747**	306,582
Other receivables	**12,370**	870,422
	53,876,247	50,134,088

27 RISK MANAGEMENT (continued)

Liquidity risk
The Company limits its liquidity risk by ensuring that adequate internally generated funds, bank facilities and funds from the shareholders are available. The Company's terms of sales require amounts to be paid within 30 to 90 days from the date of sale. Trade payables are normally settled within 30 to 90 days from the date of purchase.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2012

	Less than 1 year AED	*1 to 5 years AED*	*>5 years AED*	*Total AED*
Trade and other payables	**29,485,815**	-	-	29,485,815
Due to a related party	**6,880,479**	-	-	6,880,479
Bank overdrafts	**5,001,947**	-	-	5,001,947
Trust receipts	**2,000,000**	-	-	2,000,000
Total	**43,368,241**	-	-	43,368,241

At 31 December 2011

	Less than 1 year AED	*1 to 5 years AED*	*>5 years AED*	*Total AED*
Trade and other payables	31,431,182	-	-	31,431,182
Due to a related party	6,001,530	-	-	6,001,530
Bank overdrafts	3,912,499	-	-	3,912,499
Trust receipts	42,270,420	-	-	42,270,420
Total	83,615,631	-	-	83,615,631

Equity price risk
The Company is exposed to equity securities price risk in respect of investments held by the Company classified as available for sale in the statement of financial position. The Company's investments in equity securities are publicly traded and are listed in stock exchanges in the UAE.

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

At the reporting date, the exposure to listed equity securities at fair value was AED 263,545 (2011: AED 217,077). A decrease of 10% on the market index could have an impact of approximately AED 26,355 (2011: AED 21,707) on the income or equity attributable to the Company, depending on whether the decline is significant or prolonged. An increase of 10% in the value of the listed securities, if not prolonged, would only impact equity but would not have an effect on profit or loss.

Foreign currency risk
The Company is not exposed to any significant foreign currency risk as transactions are mainly in US Dollar and the United Arab Emirates Dirham, which is pegged to the US Dollar.

27 RISK MANAGEMENT (continued)

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. During the year there were no major changes in the objectives, policies or processes. Capital comprises share capital, reserves and retained earnings and is measured at AED 162,865,828 as at 31 December 2012 (2011 restated: AED 148,661,433).

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, accounts receivable, due from other related parties and available-for-sale investments. Financial liabilities consist of bank borrowings, trade and other payables and due to a related party.

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

29 RESTATEMENTS

Due to errors in recording certain assets, liabilities and profits and losses for the year ended 31 December 2011, management has restated prior year's financial statements to correct these errors.

The errors in recording the assets and liabilities and profit and loss in the previous period and their effect on prior year's financial statements are summarized below:

a) Property, plant and equipment:

The capital work in progress contains certain machinery and equipment with a carrying value of AED 811,993. After conducting an assessment, these machinery and equipment have been identified by the management to be impaired since 2011. Management believes that the carrying value of these machinery equipments is 5% of its carrying value. Accordingly, the carrying value of these machinery equipments for the year ended 31 December 2011 is AED 40,599.

The corresponding impairment loss on these machinery equipments of AED 771,394 has been charged in 2011 and the profit for the year ended 31 December 2011 has been adjusted by the same amount.

b) Inventories:

The management has identified old and slow moving items in inventories relating to packing materials amounting to AED 472,000 for the year ended 31 December 2011. A provision for slow moving inventories of AED 280,000 relating to these packing materials has been initially provided. The management has decided to account for the difference of AED 192,000 for the year ended 31 December 2011. Accordingly, the provision for slow moving inventories and cost of sales has been adjusted by the same amount.

c) Trade and other payables:

During the year 2012, management discovered that an evidence indicating that it was probable that the Company will pay compensation in respect of an accident involving one of the Company's tankers was available to the Company's management before the finalization of the 2011 accounts. The management has decided to account for the liability of AED 361,229 in the year ended 31 December 2011. Accordingly, the liability and administrative expenses has been adjusted by the same amount.

29 RESTATEMENTS (continued)

As a result, the carrying values of the relevant accounts as of 31 December 2011 were adjusted as follows:

	Balance as previously reported AED	*Adjustments AED*	*Reclassification AED*	*Balance as restated AED*
At 31 December 2011:				
Property, plant and equipment	69,925,386	(771,394)	-	69,153,992
Inventories	113,286,503	(192,000)	-	113,094,503
Trade and other payables	33,306,026	361,229	-	33,667,255
Retained earnings	34,730,692	(1,324,623)	-	33,406,069
For the year ended 31 December 2011:				
Impairment of capital work in progress	-	(771,394)	-	(771,394)
Cost of sales	(398,059,908)	(192,000)	-	(398,251,908)
Administrative expenses	(10,136,181)	(361,229)	-	(10,497,410)
Profit for the year	20,965,853	(1,324,623)	-	19,641,230

c) Earnings per share:

Due to the restatements in the profit for the year ended 31 December 2011 above, earnings per share for 2011 has been restated from AED 0.84 per share to AED 0.72 per share.

30 FIDUCIARY ASSETS

As at 31 December 2012, the Company held raw materials, in a fiduciary capacity on behalf of third parties amounting to AED 1,136,501 (31 December 2011: nil).