United Foods Company (PSC)

FINANCIAL STATEMENTS

31 DECEMBER 2013

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 2013.

Review of the activities

The year 2013 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 14,406,608 (2012: AED 15,417,927) with a turnover of AED 370,118,820 (2012: AED 382,220,158). Efforts to consolidate and improve market coverage will be strengthened further in 2014.

	2013 AED
Retained earnings balance brought forward from the year 2012	47,563,996
Net profit for the year 2013	14,406,608
Profit available for appropriation	61,970,604
Appropriations:	
Bonus shares issued	(2,500,000)
Transfer to statutory reserve	(1,250,000)
Transfer to legal reserve	(1,250,000)
Directors' fees	(1,000,000)
Retained earnings balance as of 31 December 2013	55,970,604

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. Muhannad Saif Abdulrahman Al Ashram	- Director
Mr. Khalid Al Shamsi	- Director

Auditors

Ernst & Young was appointed as auditors of the Company for the year ended 31 December 2013 and being eligible, they have offered themselves for reappointment for the year ending 31 December 2014.

For and on behalf of the Board

23 March 2014

Building a better working world

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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 2013 and the statement of income, 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 the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and of the Articles of Association of the Company, 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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 of 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

Signed by
Anthony O'Sullivan
Partner
Registration No. 687
23 March 2014
Dubai, United Arab Emirates

INCOME STATEMENT
For the year ended 31 December 2013

	Notes	2013 AED	2012 AED
Sales		**370,046,867**	382,220,158
Cost of sales		**(324,400,599)**	(343,086,555)
Gross profit		**45,646,268**	39,133,603
Selling and distribution expenses		**(21,064,012)**	(14,994,068)
Administrative expenses		**(11,925,193)**	(9,994,902)
Finance costs		**(1,035,068)**	(1,175,170)
Other operating income, net		**2,784,613**	3,532,457
Impairment loss on motor vehicle	4	**-**	(200,802)
Write-off of capital work in progress	4	**-**	(388,249)
Impairment loss on assets classified as held for sale	9	**-**	(494,942)
Profit for the year	3	**14,406,608**	15,417,927
Earnings per share in AED	15	**0.49**	0.51

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	*2013* *AED*	*2012* *AED*
Profit for the year		**14,406,608**	15,417,927
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments	5	**366,889**	46,468
Other comprehensive income for the year		**366,889**	46,468
Total comprehensive income for the year		**14,773,497**	15,464,395

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 AED	2012 AED
ASSETS			
Non-current assets			
Property, plant and equipment	4	**56,409,097**	60,770,203
Available-for-sale investments	5	**630,434**	263,545
		57,039,531	61,033,748
Current assets			
Inventories	6	**79,967,981**	92,623,599
Accounts receivable and prepayments	7	**75,262,623**	54,452,578
Due from related parties	19	**70,067**	103,437
Bank balances and cash	8	**6,942,471**	1,917,480
		162,243,142	149,097,094
Assets classified as held for sale	9	-	281,000
TOTAL ASSETS		**219,282,673**	210,411,842
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**27,500,000**	25,000,000
Statutory reserve	11	**13,750,000**	12,500,000
Regular reserve	12	**13,750,000**	12,500,000
General reserve	13	**65,314,980**	65,314,980
Fair value reserve	14	**353,741**	(13,148)
Retained earnings		**55,970,604**	47,563,996
Total equity		**176,639,325**	162,865,828
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	16	**3,503,215**	2,873,538
Current liabilities			
Trade and other payables	17	**22,950,416**	30,790,050
Due to a related party	19	**3,940,015**	6,880,479
Bank overdrafts	18	-	5,001,947
Trust receipts	18	**12,249,702**	2,000,000
		39,140,133	44,672,476
Total liabilities		**42,643,348**	47,546,014
TOTAL EQUITY AND LIABILITIES		**219,282,673**	210,411,842

Ali Bin Humaid Al Owais
Chairman
23 March 2014

Mohamed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
23 March 2014

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Notes	*2013* *AED*	*2012* *AED*
OPERATING ACTIVITIES			
Profit for the year		**14,406,608**	15,417,927
Adjustments for:			
Depreciation	4	**8,825,898**	9,291,813
(Gain) loss on disposal of property, plant and equipment		**(87,600)**	14,640
Impairment loss on assets classified as held for sale	9	**-**	494,942
Impairment loss on motor vehicle	4	**-**	200,802
Write-off of property, plant and equipment	4	**4,200**	388,249
Finance costs		**1,035,068**	1,175,170
Provision for employees' end of service benefits	16	**932,120**	556,751
		25,116,294	27,540,294
Working capital changes:			
Inventories		**12,655,618**	20,470,904
Accounts receivable and prepayments		**(20,810,045)**	(3,827,991)
Trade and other payables		**(8,839,634)**	(4,137,205)
Due from related parties		**33,370**	3,460,493
Due to a related party		**(2,940,464)**	878,949
		5,215,139	44,385,444
Employees' end of service benefits paid	16	**(302,443)**	(221,542)
Net cash from operating activities		**4,912,696**	44,163,902
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(4,511,244)**	(2,287,657)
Proceeds from disposal of property, plant and equipment		**129,852**	-
Proceeds from sale of assets classified as held for sale		**281,000**	-
Deposits maturing after three months	8	**-**	(1,500,000)
Net cash used in investing activities		**(4,100,392)**	(3,787,657)
FINANCING ACTIVITIES			
Net movement in trust receipts		**10,249,702**	(40,270,420)
Finance costs paid		**(1,035,068)**	(1,175,170)
Net cash from (used in) financing activities		**9,214,634**	(41,445,590)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**10,026,938**	(1,069,345)
Cash and cash equivalents at 1 January		**(4,584,467)**	(3,515,122)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**5,442,471**	(4,584,467)

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	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 2013	25,000,000	12,500,000	12,500,000	65,314,980	(13,148)	47,563,996	162,865,828
Profit for the year	-	-	-	-	-	14,406,608	14,406,608
Change in fair value of available-for-sale investments	-	-	-	-	366,889	-	366,889
Total comprehensive income for the year	-	-	-	-	366,889	14,406,608	14,773,497
Bonus shares issued (Note 10)	2,500,000	-	-	-	-	(2,500,000)	-
Transfer to statutory reserve	-	1,250,000	-	-	-	(1,250,000)	-
Transfer to regular reserve	-	-	1,250,000	-	-	(1,250,000)	-
Directors' fees	-	-	-	-	-	(1,000,000)	(1,000,000)
Balance as at 31 December 2013	**27,500,000**	**13,750,000**	**13,750,000**	**65,314,980**	**353,741**	**55,970,604**	**176,639,325**

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	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	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 24 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 applicable requirements of the UAE Commercial Companies Law 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 2013:

New and amended standards and interpretations
The Company applied, for the first time, certain standards and amendments that require additional disclosure to be made. This is mainly in respect of IFRS 13 Fair Value Measurement.

Several other amendments apply for the first time in 2013. However, they do not impact the financial statements of the Company. These are listed below:

- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 19 Employee Benefits (Revised 2011)
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets
- IAS 1 Clarification of the requirement for comparative information (Amendment)

The nature and the impact of the new standards and amendments applicable to the Company are described below:

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 also requires additional disclosures.

The application of IFRS 13 has not impacted the fair value measurements carried out by the Company. Additional disclosures where required, which are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 23.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)
IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance.

Standards issued 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.

The nature and the impact of the new standards and amendments applicable to the Company are described below:

IFRS 9 Financial Instruments
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 has not yet been specified. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

Several other amendments issued but not yet effective up to the date of issuance of the Company's financial statements which do not impact the Company's financial statements are listed below:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IFRIC Interpretation 21 Levies (IFRIC 21)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:
- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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

The Company classifies all other liabilities as non-current.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement
The Company measures financial instruments, such as, derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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.

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial instruments-initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Company's financial assets include available-for-sale investments, bank balances and cash, accounts receivable and amounts due from related parties.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

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)

Financial instruments-initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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

- The rights to receive cash flows from the asset have expired;
- 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 either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.

The Company's financial liabilities include bank overdrafts, trust receipts, accounts payable and amounts due to related parties.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

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.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where 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 statement of comprehensive income.

iii) Offsetting of financial instruments

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

iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

2.4 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.

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.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)
Impairment of accounts receivable (continued)
At the reporting date, gross trade accounts receivable were AED 63,927,636 (2012: AED 54,694,659), and the provision for doubtful debts was AED 2,267,717 (2012: AED 1,985,156). 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 74,897,991 (2012: AED 74,920,613) with provisions for slow moving inventories of AED 987,551 (2012: AED 855,037). 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 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2013 AED	*2012 AED*
Staff costs	**21,693,596**	16,758,342
Rental - operating lease	**1,365,978**	509,143

4 PROPERTY PLANT AND EQUIPMENT

	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 2013	64,571,687	104,255,556	3,625,808	12,730,763	811,993	185,995,807
Additions	27,500	411,974	2,433,144	1,155,522	483,104	4,511,244
Disposals	-	-	(51,214)	(307,000)	-	(358,214)
Write-off	-	-	(4,200)	-	-	(4,200)
At 31December 2013	**64,599,187**	**104,667,530**	**6,003,538**	**13,579,285**	**1,295,097**	**190,144,637**
Depreciation and impairment:						
At 1 January 2013	25,635,308	85,564,511	2,965,941	10,288,450	771,394	125,225,604
Charge for the year	2,168,453	4,655,316	439,953	1,562,176	-	8,825,898
Relating to disposals	-	-	(42,712)	(273,250)	-	(315,962)
At 31 December 2013	**27,803,761**	**90,219,827**	**3,363,182**	**11,577,376**	**771,394**	**133,735,540**
Net carrying value						
At 31 December 2013	**36,795,426**	**14,447,703**	**2,640,356**	**2,001,909**	**523,703**	**56,409,097**

4 PROPERTY PLANT AND EQUIPMENT (continued)

	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	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

The Company's building on Sheikh Zayed Road is constructed on land for which owned 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 20).

Capital work-in-progress of AED 523,703 as at 31 December 2013 pertains to the expenditures incurred for the expansion of factory and warehouse facility.

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

The cost of fully depreciated assets still in use as at 31 December 2013 was AED 78.59 million (2012: AED 74.87 million).

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

	2013 AED	*2012 AED*
Cost of sales	**6,462,171**	6,831,909
Selling and distribution expenses	**1,931,228**	2,234,955
Administrative expenses	**432,499**	224,949
	8,825,898	9,291,813

5 AVAILABLE-FOR-SALE INVESTMENTS

	2013 AED	2012 AED
Quoted equity securities	**630,434**	263,545

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

	2013 AED	2012 AED
At 1 January	**263,545**	217,077
Change in fair value (Note 14)	**366,889**	46,468
At 31 December	**630,434**	263,545

6 INVENTORIES

	2013 AED	2012 AED
Raw materials	**42,131,784**	57,175,060
Finished goods	**14,136,087**	9,469,841
Packing materials	**4,372,002**	3,936,011
Work-in-progress	**12,708,502**	3,201,399
Spares and consumables	**1,549,616**	1,138,302
	74,897,991	74,920,613
Less: provision for slow moving inventories	**(987,551)**	(855,037)
	73,910,440	74,065,576
Goods in transit (Note 17)	**6,057,541**	18,558,023
	79,967,981	92,623,599

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 AED	2012 AED
Trade receivables	**63,927,636**	54,694,659
Less: provision for doubtful debts	**(2,267,717)**	(1,985,156)
	61,659,919	52,709,503
Advances to suppliers	**11,388,580**	272,783
Prepaid expenses	**1,268,082**	576,331
Staff receivables	**244,565**	374,747
Other receivables	**701,477**	519,214
	75,262,623	54,452,578

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 December 2013, trade receivables at nominal value of AED 2,267,717 (2012: AED 1,985,156) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2013 *AED*	*2012* *AED*
At 1 January	**1,985,156**	1,422,791
Charge for the year	**360,000**	564,805
Amounts written off	**(77,439)**	(2,440)
At 31 December	**2,267,717**	1,985,156

The Company's terms of sales require amounts to be paid within the range of 30 to 120 days from the date of sale. As at 31 December 2013, the ageing of unimpaired trade receivables on the basis of due dates is as follows:

			Past due but not impaired					
	Total *AED*	*Neither past due nor impaired* *AED*	*<30 days* *AED*	*30-60 days* *AED*	*60-90 days* *AED*	*90-120 days* *AED*	*120-150 days* *AED*	*>150 days* *AED*
2013	**61,659,919**	**52,815,939**	**3,606,224**	**2,592,123**	**658,289**	**565,631**	**309,609**	**1,112,104**
2012*	52,709,503	-	17,191,750	13,208,406	10,707,769	8,640,435	1,431,580	1,529,563

* The ageing of unimpaired trade receivables as at 31 December 2012 were based on invoice dates and were not comparable with the ageing of unimpaired trade receivables as at 31 December 2013.

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.

8 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:

	2013 *AED*	*2012* *AED*
Cash in hand	**94,344**	52,800
Bank balances	**5,348,127**	364,680
Deposits	**1,500,000**	1,500,000
	6,942,471	1,917,480
Bank overdrafts (Note 18)	**-**	(5,001,947)
Less: deposits with an original maturity of more than three months	**(1,500,000)**	(1,500,000)
Cash and cash equivalents	**5,442,471**	(4,584,467)

At 31 December 2013, the Company had available AED 215 million (2012: AED 166 million) of undrawn committed borrowing facilities.

Deposits are placed with local banks and accrue interest income at average rate of 2.313% (2012: 3.125%).

9 ASSETS CLASSIFIED AS HELD FOR SALE

Certain motor vehicles were presented as assets classified as held for sale as of 31 December 2012 following the management's commitment on December 2012 to dispose these assets. 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.

During the year, the assets classified as held for sale were disposed.

10 SHARE CAPITAL

	2013 *AED*	*2012* *AED*
Authorised, issued and fully paid up		
27.5 million ordinary shares of AED 1 each (2012: 25 million ordinary shares of AED 1 each)	**27,500,000**	25,000,000

During the Board of Directors' meeting held on 27 February 2013, the Directors proposed a 10% bonus share issue totaling to AED 2.5 million relating to 2012. The bonus share issue was approved by the shareholders in the Annual General Meeting held on 24 April 2013.

During the Board of Directors' meeting held on 23 March 2014, the Directors proposed a 10% cash dividend totaling to AED 2.75 million relating to 2013.

11 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. The transfer to statutory reserve in 2013 was limited to AED 1,250,000 as the reserve has already reached 50% of the share capital. This reserve is not available for distribution except in the circumstances stipulated by the above-mentioned law.

12 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. The transfer to regular reserve in 2013 was limited to AED 1,250,000 as the reserve has already reached 50% of the share capital.

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

13 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. No transfer has been made to general reserve during the current year and the previous year.

14 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 366,889 was recognized to other comprehensive income (2012: unrealized profit of AED 46,468)

15 EARNINGS PER SHARE

Basic and diluted 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 13,406,608 (2012: AED 14,157,927) by the weighted average number of ordinary shares outstanding during the year of 27,500,000 shares (2012: 27,500,000 shares).

The weighted average number of shares outstanding during the year ended 31 December 2012 has been amended for the bonus shares issued during 2013 (Note 10).

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

16 EMPLOYEES' END OF SERVICE BENEFITS

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

	2013 AED	*2012 AED*
Balance at 1 January	**2,873,538**	2,538,329
Provided during the year	**932,120**	556,751
End of service benefits paid	**(302,443)**	(221,542)
Provision as at 31 December	**3,503,215**	2,873,538

17 TRADE AND OTHER PAYABLES

	2013 AED	*2012 AED*
Trade payables	**6,675,507**	3,511,979
Advances from customers	**1,739,779**	1,304,235
Dividends payable	**194,050**	194,050
Directors' fees payable	**1,000,000**	1,260,000
Accrual for goods in transit (Note 6)	**6,057,541**	18,558,023
Accrued expenses and other payables	**7,283,539**	5,961,763
	22,950,416	30,790,050

18 BANK BORROWINGS

	2013 AED	*2012 AED*
Bank overdrafts (Note 8)	-	5,001,947
Trust receipts	**12,249,702**	2,000,000
	12,249,702	7,001,947

Borrowings are from local banks and accrue interest at an average rate of 3.17% (2012: 3.5%).

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.

19 RELATED PARTY TRANSACTIONS AND BALANCES

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.

a) Significant transactions with related parties:

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

	2013 *AED*	*2012* *AED*
Other related parties		
Sales		
United Kaipara Dairies Co (PSC)	-	50,165
Modern Bakery LLC	**1,336,944**	1,663,717
	1,336,944	1,713,882
Other income		
United Can Company LLC	-	1,448
Purchase of raw materials and services		
United Kaipara Dairies Co (PSC) - services	-	99,594
United Can Company LLC	**24,419,522**	26,570,666
	24,419,522	26,670,260

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

	2013 *AED*	*2012* *AED*
Short-term employee benefits	**2,680,039**	1,918,899
End of service benefits	**105,065**	81,642
Bonus	**330,000**	178,767
	3,115,104	2,179,308

b) Due from a related party:

	2013 *AED*	*2012* *AED*
Other related party		
Modern Bakery LLC	**70,067**	103,437

c) Due to a related party:

	2013 *AED*	*2012* *AED*
Other related party		
United Can Company LLC	**3,940,015**	6,880,479

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2013, the Company has not recorded any impairment of amounts owed by related parties (2012: 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.

20 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 31 December 2013, the Company had contingent liabilities in respect of bank and other guarantees amounting to AED 1,412,000 (2012: AED 19,652,869), 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 2013, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 15,810,378 (2012: AED Nil).

Operating lease commitments

	2013 *AED*	*2012* *AED*
Future minimum lease payments:		
- within one year	**1,173,981**	1,583,874
- later than 1 year and no later than 5 years	**4,022,464**	4,230,464
- more than 5 years	**3,959,281**	4,898,080
	9,155,726	10,712,418

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

21 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 38,079,139 (2012: AED 69,272,219) accounts for 10% or more of the Company's total revenues.

22 RISK MANAGEMENT

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.

22 RISK MANAGEMENT (continued)

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 2013. The senior management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

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*
2013		
AED	**+100**	**(122,497)**
AED	**-100**	**122,497**
2012		
AED	+100	(70,019)
AED	-100	70,019

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 and available-for-sale investments, 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.

	2013 AED	*2012 AED*
Bank balances and deposits	**6,848,127**	1,864,680
Available-for-sale investments	**630,434**	263,545
Trade receivables	**61,659,919**	52,709,503
Advances to suppliers	**11,388,580**	272,783
Staff receivables	**244,565**	374,747
Other receivables	**701,477**	519,214
	81,473,102	56,004,472

22 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 the range of 30 to 120 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 2013

	Less than 1 year AED	*1 to 5 years AED*	*>5 years AED*	*Total AED*
Trade and other payables	**21,210,637**	-	-	**21,210,637**
Due to a related party	**3,940,015**	-	-	**3,940,015**
Trust receipts	**12,267,303**	-	-	**12,267,303**
Total	**37,417,955**	-	-	**37,417,955**

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	2,000,662	-	-	2,000,662
Total	43,368,903	-	-	43,368,903

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 630,434 (2012: AED 263,545). A decrease of 10% in the market index could have an impact of approximately AED 63,043 (2012: AED 26,355) 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, 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.

22 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 176,639,325 as at 31 December 2013 (2012: AED 162,865,828).

23 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 a related party 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.

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.

As at 31 December 2013, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2013 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
Quoted equity securities				
Investments and Financial Services Sector	**617,500**	**617,500**	-	-
Marine Terminal Operations Sector	**12,934**	**12,934**	-	-

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

Assets measured at fair value

	31 December 2012 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
Quoted equity securities				
Investments and Financial Services Sector	255,000	255,000	-	-
Marine Terminal Operations Sector	8,545	8,545	-	-

During the years ended 31 December 2013 and 31 December 2012, there were no transfers between the various levels of fair value measurements.

24 FIDUCIARY ASSETS

As at 31 December 2013, the Company held raw materials, in a fiduciary capacity on behalf of third parties, amounting to AED 1,469,091 (31 December 2012: AED 1,136,501).