United Foods Company (PSC)

FINANCIAL STATEMENTS

31 DECEMBER 2014

الأغذية المتحدة
United Foods

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 2014.

Review of the activities

The year 2014, Company witnessed a strong growth in sales despite unrest in some of the key markets in the region. During the year, our focus remained on expanding our core business by increasing the customer and distribution base in the existing markets as well as expansion to new markets in line with our strategic direction.

Results

The Company recorded turnover of AED 418,158,148, a growth of 13% over 2013 (AED 370,046,867). Net profit increased to AED 16,133,362 (2013: AED 14,406,608) registering a growth of 12%.

The Company is continuing to pursue its strategy for sustainable and profitable growth in its core business by diversifying and adding new products to its portfolio. Focus will remain to capitalize on the growth potential in UAE and pursuing growth opportunities from new markets and GCC. We are consolidating manufacturing operations at one location by relocating Al Quoz plant to Jebel Ali and enhancing manufacturing capabilities by adding new state-of-the art manufacturing plant. Our facility located in Jebel Ali, will be a state-of-the-art factory, designed to achieve operational and cost efficiencies with the environment, our customers and future growth in mind.

	2014 AED
Retained earnings balance brought forward from the year 2013	55,970,604
Net profit for the year 2014	16,133,362
Profit available for appropriation	72,103,966
Appropriations:	
Dividends declared (relating to 2013)	(2,750,000)
Directors' remuneration	(1,330,000)
Retained earnings balance as of 31 December 2014	68,023,966

A 10% cash dividend totaling to AED 2.75 million is proposed relating to the year 2014 subject to approval by the shareholders in the Annual General Meeting.

الأغذية المتحدة
United Foods

DIRECTORS' REPORT (continued)

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. Ahmed Abdullah Sultan 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 2014 and being eligible, they have offered themselves for reappointment for the year ending 31 December 2015.

For and on behalf of the Board

12th Feb 2015

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شركة الأغذية المتحدة (ش.م.ع.)
ص.ب ٥٨٣٦، دبي، الإمارات العربية المتحدة
هاتف: ٠٠٩٧١٤٣٣٨٢٦٨٨
فاكس: ٠٠٩٧١٤٣٣٨١٩٨٧

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 2014, and the statement of income, statement of other comprehensive income, statement of cash flows and statement of changes in equity 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' judgement, 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 2014, 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
12 February 2015
Dubai, United Arab Emirates

STATEMENT OF INCOME
For the year ended 31 December 2014

	Notes	2014 AED	2013 AED
Sales		**418,158,148**	370,046,867
Cost of sales		**(361,723,036)**	(324,400,599)
Gross profit		**56,435,112**	45,646,268
Selling and distribution expenses		**(29,669,330)**	(21,064,012)
Administrative expenses		**(12,876,068)**	(11,925,193)
Finance costs		**(727,843)**	(1,035,068)
Other income, net		**2,971,491**	2,784,613
Profit for the year	3	**16,133,362**	14,406,608
Earnings per share in AED	15	**0.54**	0.49

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Note	*2014* *AED*	*2013* *AED*
Profit for the year		**16,133,362**	14,406,608
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net (loss)/gain on change in fair value of available-for-sale investments	6	**(112,597)**	366,889
Other comprehensive income for the year		**(112,597)**	366,889
Total comprehensive income for the year		**16,020,765**	14,773,497

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	*2014* *AED*	*2013* *AED*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**84,592,091**	57,021,823
Intangible asset	5	**1,442,666**	1,542,705
Available-for-sale investments	6	**517,837**	630,434
		86,552,594	59,194,962
Current assets			
Inventories	7	**63,880,499**	79,967,981
Accounts receivable and prepayments	8	**70,004,678**	73,107,192
Due from a related party	19	**189,767**	70,067
Bank balances and cash	9	**6,828,652**	6,942,471
		140,903,596	160,087,711
TOTAL ASSETS		**227,456,190**	219,282,673
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**27,500,000**	27,500,000
Statutory reserve	11	**13,750,000**	13,750,000
Regular reserve	12	**13,750,000**	13,750,000
General reserve	13	**65,314,980**	65,314,980
Fair value reserve	14	**241,144**	353,741
Retained earnings		**68,023,966**	55,970,604
Total equity		**188,580,090**	176,639,325
LIABILITIES			
Non-current liability			
Employees' end of service benefits	16	**3,879,034**	3,503,215
Current liabilities			
Trade and other payables	17	**20,204,603**	22,950,416
Due to a related party	19	**233,187**	3,940,015
Trust receipts	18	**14,559,276**	12,249,702
		34,997,066	39,140,133
Total liabilities		**38,876,100**	42,643,348
TOTAL EQUITY AND LIABILITIES		**227,456,190**	219,282,673

Ali Bin Humaid Al Owais
Chairman
12th FEB 2015

Mohamed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
12th FEB 2015

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2014

	Notes	*2014* *AED*	*2013* *AED*
OPERATING ACTIVITIES			
Profit for the year		**16,133,362**	14,406,608
Adjustments for:			
Depreciation	4	**8,230,550**	8,699,358
Amortisation	5	**398,783**	126,540
Gain on disposal of property, plant and equipment		**(97,783)**	(87,600)
Gain on reversal of impairment on motor vehicle	4	**(200,801)**	-
Write-off of property, plant and equipment	4	**-**	4,200
Finance costs		**727,843**	1,035,068
Provision for employees' end of service benefits	16	**837,820**	932,120
		26,029,774	25,116,294
Working capital changes:			
Inventories		**16,087,482**	12,655,618
Accounts receivable and prepayments		**3,102,514**	(18,654,614)
Trade and other payables		**(4,075,813)**	(8,839,634)
Due from related parties		**(119,700)**	33,370
Due to a related party		**(3,706,828)**	(2,940,464)
		37,317,429	7,370,570
Employees' end of service benefits paid	16	**(462,001)**	(302,443)
Net cash from operating activities		**36,855,428**	7,068,127
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(35,821,207)**	(5,002,500)
Purchase of intangible assets	5	**(298,744)**	(1,664,175)
Proceeds from disposal of property, plant and equipment		**318,973**	129,852
Proceeds from sale of assets classified as held for sale		**-**	281,000
Net cash used in investing activities		**(35,800,978)**	(6,255,823)
FINANCING ACTIVITIES			
Net movement in trust receipts		**2,309,574**	10,249,702
Finance costs paid		**(727,843)**	(1,035,068)
Dividends paid		**(2,750,000)**	-
Net cash (used in)/ from financing activities		**(1,168,269)**	9,214,634
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(113,819)**	10,026,938
Cash and cash equivalents at 1 January		**5,442,471**	(4,584,467)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**5,328,652**	5,442,471

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2014

	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 2014	27,500,000	13,750,000	13,750,000	65,314,980	353,741	55,970,604	176,639,325
Profit for the year	-	-	-	-	-	16,133,362	16,133,362
Other comprehensive loss for the year	-	-	-	-	(112,597)	-	(112,597)
Total comprehensive income for the year	-	-	-	-	(112,597)	16,133,362	16,020,765
Dividend declared and paid (Note 10)	-	-	-	-	-	(2,750,000)	(2,750,000)
Directors' remuneration	-	-	-	-	-	(1,330,000)	(1,330,000)
Balance as at 31 December 2014	**27,500,000**	**13,750,000**	**13,750,000**	**65,314,980**	**241,144**	**68,023,966**	**188,580,090**

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2014

	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
Other comprehensive income for the year	-	-	-	-	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' remuneration	-	-	-	-	-	(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 25 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

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective as of 1 January 2014:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – Exception to the Consolidation Requirement for Investment Entities
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 Financial Instruments: Presentation
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 21 Levies
- Annual Improvements 2010-2012 Cycle:
  - Amendments to IFRS 13 Fair Value Measurement – Immaterial Effect of Discounting of Short-Term Receivables and Payables
- Annual Improvements 2011-2013 Cycle:
  - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Application of a Current Standard or a New Standard that is not yet Mandatory

The adoption of the above standards or interpretation did not have any material impact on the financial statements of the Company

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective are disclosed below. These standards and interpretations will become effective for annual periods beginning on or after the dates as respectively mentioned there against. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (1 January 2016)
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (1 July 2014)
- Annual Improvements 2010-2012 Cycle (1 July 2014), includes:
  - IFRS 2 Share-based Payment
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IAS 16 Property, Plant and Equipment
  - IAS 38 Intangible Assets
  - IAS 24 Related Party Disclosures
- Annual Improvements 2011-2013 Cycle (1 July 2014), includes:
  - IFRS 3 Business Combinations
  - IFRS 13 Fair Value Measurement
  - IAS 40 Investment Property
- IFRS 15 Revenue from Contracts with Customers (1 January 2017)
- Amendments to IFRS 11 Joint Arrangements (1 January 2016)
- Amendments to IAS 16 Property, Plant and Equipment (1 January 2016)
- Amendments to IAS 38 Intangible Assets (1 January 2016)
- Amendments to IAS 41 Agriculture (1 January 2016)
- Amendments to IAS 27 (1 January 2016)

These standards, interpretations and improvements are not expected to a have a material impact on the financial statements of the Company.

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
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 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 revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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 equipment	4 to 10 years
Furniture, fixtures and office equipment	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 statement of income in the period the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of income in the expense category consistent with the function of the intangible asset.

Amortisation is calculated on a straight line basis over the estimated useful life of 4 years to their residual values.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

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 statement of income.

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 statement of income.

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 statement of income 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial assets (continued)

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.

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 statement of income. 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 statement of income;
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)

ii) Financial liabilities (continued)

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

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Interest bearing borrowings
All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method.

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.

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

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

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 and commitments
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 statement of income on a straight-line basis over the lease term.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
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.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 68,292,078 (2013: AED 63,927,636), and the provision for doubtful debts was AED 2,847,717 (2013: AED 2,267,717). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

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 62,894,757 (2013: AED 74,897,991) with provisions for slow moving inventories of AED 1,853,762 (2013: AED 987,551). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of income.

Useful lives and depreciation of property, plant and equipment and intangible assets

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:

	2014 *AED*	*2013* *AED*
Employee expenses	**25,745,733**	21,693,596
Rental - operating leases	**2,280,789**	1,365,978
Inventories charged to cost of sales	**325,442,222**	284,120,329

4 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings AED	*Plant machinery and equipment AED*	*Furniture, fixtures and office equipment AED*	*Motor vehicles AED*	*Capital work-in-progress AED*	*Total AED*
Cost:						
At 1 January 2014	64,599,187	104,667,530	4,282,487	13,579,285	3,450,528	190,579,017
Additions	-	672,182	239,594	914,800	33,994,631	35,821,207
Disposals	-	(219,502)	-	(3,034,450)	-	(3,253,952)
At 31December 2014	**64,599,187**	**105,120,210**	**4,522,081**	**11,459,635**	**37,445,159**	**223,146,272**
Depreciation and impairment:						
At 1 January 2014	27,803,761	90,219,827	3,184,836	11,577,376	771,394	133,557,194
Charge for the year	2,060,353	4,462,437	422,602	1,285,158	-	8,230,550
Relating to disposals	-	(171,930)	-	(2,860,832)	-	(3,032,762)
Reversal of impairment	-	-	-	(200,801)	-	(200,801)
At 31 December 2014	**29,864,114**	**94,510,334**	**3,607,438**	**9,800,901**	**771,394**	**138,554,181**
Net carrying value						
At 31 December 2014	**34,735,073**	**10,609,876**	**914,643**	**1,658,734**	**36,673,765**	**84,592,091**

	Land and buildings AED	*Plant machinery and equipment AED*	*Furniture, fixtures and office equipment AED*	*Motor vehicles AED*	*Capital work-in-progress AED*	*Total AED*
Cost:						
At 1 January 2013	64,571,687	104,255,556	3,568,932	12,730,763	811,993	185,938,931
Additions	27,500	411,974	768,969	1,155,522	2,638,535	5,002,500
Disposals	-	-	(51,214)	(307,000)	-	(358,214)
Write-off	-	-	(4,200)	-	-	(4,200)
At 31December 2013	64,599,187	104,667,530	4,282,487	13,579,285	3,450,528	190,579,017
Depreciation and impairment:						
At 1 January 2013	25,635,308	85,564,511	2,914,135	10,288,450	771,394	125,173,798
Charge for the year	2,168,453	4,655,316	313,413	1,562,176	-	8,699,358
Relating to disposals	-	-	(42,712)	(273,250)	-	(315,962)
At 31 December 2013	27,803,761	90,219,827	3,184,836	11,577,376	771,394	133,557,194
Net carrying value						
At 31 December 2013	36,795,426	14,447,703	1,097,651	2,001,909	2,679,134	57,021,823

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 36,673,765 (2013: AED 2,679,134) as at 31 December 2014 pertains to the expenditures incurred for the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 8,093,872 (2013: AED 2,155,431) as at 31 December 2014. It also includes capital work-in-progress of AED 40,599 pertaining to 5% remaining values of filling machines against which 95% impairment loss of AED 771,394 was recorded in 2011.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

The cost of fully depreciated assets still in use as at 31 December 2014 was AED 82.67 million (2013: AED 78.59 million).

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

	2014 *AED*	*2013* *AED*
Cost of sales	**6,267,264**	6,462,171
Selling and distribution expenses	**1,607,637**	1,931,228
Administrative expenses	**355,649**	305,959
	8,230,550	8,699,358

5 INTANGIBLE ASSET

	Software *AED*	*Total* *AED*
Cost:		
At 1 January 2014	1,721,051	1,721,051
Additions	298,744	298,744
At 31December 2014	**2,019,795**	**2,019,795**
Amortisation:		
At 1 January 2014	178,346	178,346
Charge for the year	398,783	398,783
At 31December 2014	**577,129**	**577,129**
Net carrying amount:		
At 31December 2014	**1,442,666**	**1,442,666**

	Software *AED*	*Total* *AED*
Cost:		
At 1 January 2013	56,876	56,876
Additions	1,664,175	1,664,175
At 31December 2013	1,721,051	1,721,051
Amortisation:		
At 1 January 2013	51,806	51,806
Charge for the year	126,540	126,540
At 31December 2013	178,346	178,346
Net carrying amount:		
At 31December 2013	1,542,705	1,542,705

6 AVAILABLE-FOR-SALE INVESTMENTS

	2014 AED	2013 AED
Quoted equity securities	**517,837**	630,434

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

	2014 AED	2013 AED
At 1 January	**630,434**	263,545
Change in fair value (Note 14)	**(112,597)**	366,889
At 31 December	**517,837**	630,434

7 INVENTORIES

	2014 AED	2013 AED
Raw materials	**41,523,016**	42,131,784
Finished goods	**8,476,577**	14,136,087
Packing materials	**4,188,912**	4,372,002
Work-in-progress	**7,310,542**	12,708,502
Spares and consumables	**1,395,710**	1,549,616
	62,894,757	74,897,991
Less: provision for slow moving inventories	**(1,853,762)**	(987,551)
	61,040,995	73,910,440
Goods in transit (Note 17)	**2,839,504**	6,057,541
	63,880,499	79,967,981

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 AED	2013 AED
Trade receivables	**68,292,078**	63,927,636
Less: provision for doubtful debts	**(2,847,717)**	(2,267,717)
	65,444,361	61,659,919
Advances to suppliers	**2,031,135**	9,233,149
Prepaid expenses	**1,787,267**	1,268,082
Staff receivables	**104,473**	244,565
Other receivables	**637,442**	701,477
	70,004,678	73,107,192

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 December 2014, trade receivables at nominal value of AED 2,847,717 (2013: AED 2,267,717) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2014 *AED*	*2013* *AED*
At 1 January	**2,267,717**	1,985,156
Charge for the year	**580,000**	360,000
Amounts written off	**-**	(77,439)
At 31 December	**2,847,717**	2,267,717

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 2014, 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*
2014	**65,444,361**	**61,694,663**	**1,904,826**	**394,109**	**292,098**	**133,182**	**222,893**	**802,590**
2013	61,659,919	52,815,939	3,606,224	2,592,123	658,289	565,631	309,609	1,112,104

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

9 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:

	2014 *AED*	*2013* *AED*
Cash in hand	**76,054**	94,344
Bank balances	**5,252,598**	5,348,127
Deposits	**1,500,000**	1,500,000
	6,828,652	6,942,471
Less: deposits with an original maturity of more than three months	**(1,500,000)**	(1,500,000)
Cash and cash equivalents	**5,328,652**	5,442,471

Deposits are placed with local banks and accrue interest at an average rate of 1.84% (2013: 2.31%).

10 SHARE CAPITAL

	2014 AED	2013 AED
Authorised, issued and fully paid up		
27.5 million ordinary shares of AED 1 each	**27,500,000**	27,500,000

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. The dividend was approved by the shareholders in the Annual General Meeting held on 24 April 2014 and was paid during the year. During the Board of Directors' meeting held on 12 February 2015, the Directors proposed a 10% cash dividend totaling to AED 2.75 million relating to 2014.

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 shares were approved by the shareholders in the Annual General Meeting held on 24 April 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. No transfer has been made during the year 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 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. No transfer has been made during the year 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 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 are recognised under 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 statement of income.

During the year an unrealised loss of AED 112,597 was recognised in other comprehensive income (2013: unrealised profit of AED 366,889).

15 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year of the Company, net of Directors' remuneration, amounting to AED 14,803,362 (2013: AED 13,406,608) by the weighted average number of ordinary shares outstanding during the year of 27,500,000 shares (2013: 27,500,000 shares).

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:

	2014 *AED*	*2013* *AED*
Balance at 1 January	**3,503,215**	2,873,538
Provided during the year	**837,820**	932,120
End of service benefits paid	**(462,001)**	(302,443)
Provision as at 31 December	**3,879,034**	3,503,215

17 TRADE AND OTHER PAYABLES

	2014 *AED*	*2013* *AED*
Trade payables	**5,500,710**	6,675,507
Advances from customers	**677,385**	1,739,779
Dividends payable	**142,898**	194,050
Directors' remuneration payable	**1,330,000**	1,000,000
Accrual for goods in transit (Note 7)	**2,839,504**	6,057,541
Accrued expenses and other payables	**9,714,106**	7,283,539
	20,204,603	22,950,416

Accrued expenses and other payables include retention payables of AED 2,144,699 (2013: AED Nil) towards capital work-in-progress for the expansion of factory and warehouse facility in Jebel Ali Industrial Area .

18 TRUST RECEIPTS

	2014 *AED*	*2013* *AED*
Trust receipts payable	**14,559,276**	12,249,702

Trust receipts are from local banks and accrue interest at an average rate of 2.00% (2013: 3.17%).

Trust receipts and other bank 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.

Transactions with related parties included in the statement of income are as follows:

	2014 *AED*	*2013* *AED*
Other related parties:		
Sales	**1,086,128**	1,336,944
Other income	**900**	-
Purchase of raw materials and services	**21,056,726**	24,419,522

19 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Balances with related parties included in the statement of financial position are as follows:

Due from a related party:

	2014 *AED*	*2013* *AED*
Other related party	**189,767**	70,067

Due to a related party:

	2014 *AED*	*2013* *AED*
Other related party	**233,187**	3,940,015

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2014, the Company has not recorded any impairment of amounts owed by related parties (2013: 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.

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

	2014 *AED*	*2013* *AED*
Short-term benefits	**3,235,650**	3,010,039
Directors' sitting fees	**67,500**	-
End of service benefits	**86,499**	105,065
	3,389,649	3,115,104

20 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 31 December 2014, the Company had contingent liabilities in respect of bank and other guarantees amounting to AED 1,512,000 (2013: AED 1,412,000), 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 2014, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 29,113,321 (2013: AED 15,810,378).

Operating lease commitments
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 a further period of 10 years. The future aggregate minimum lease payments on the land and other leases under non-cancellable operating leases are as follows:

	2014 *AED*	*2013* *AED*
Within one year	**1,138,648**	1,173,981
After 1 year but not more than five years	**3,918,464**	4,022,464
More than five years	**2,979,665**	3,959,281
	8,036,777	9,155,726

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, statement of income, statement of other comprehensive income 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 71,147,350 (2013: AED 38,079,139) accounts for more than 10% of the Company's total revenues.

22 RISK MANAGEMENT

The Company's principal financial liabilities comprise trade and other payable, due to a related party and trust receipts. The Company has various financial assets such as accounts receivable, due from a related party and cash and bank balances. Both financial assets and liabilities 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, equity price risk and foreign currency risk. No changes were made in the risk management objectives and policies during the year ended 31 December 2014. 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 and trust receipts).

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

The sensitivity of the statement of 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*
2014		
AED	**+100**	**(130,593)**
AED	**-100**	**130,593**
2013		
AED	+100	(107,497)
AED	-100	107,497

22 RISK MANAGEMENT (continued)

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. Certain category of customers are covered through credit insurance and most of the export sales customers are covered either through letter of credit or bank guarantees.

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.

	2014 ***AED***	*2013* *AED*
Bank balances and deposits	**6,752,598**	6,848,127
Available-for-sale investments	**517,837**	630,434
Trade receivables	**65,444,361**	61,659,919
Due from a related party	**189,767**	70,067
Advances to suppliers	**2,031,135**	9,233,149
Staff receivables	**104,473**	244,565
Other receivables	**637,442**	701,477
	75,677,613	79,387,738

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 2014

	Less than 1 year AED	***1 to 5 years AED***	***>5 years AED***	***Total AED***
Trade and other payables	**19,527,218**	-	-	**19,527,218**
Due to a related party	**233,187**	-	-	**233,187**
Trust receipts	**14,583,541**	-	-	**14,583,541**
Total	**34,343,946**	-	-	**34,343,946**

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

22 RISK MANAGEMENT (continued)

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 517,837 (2013: AED 630,434). A decrease of 10% in the market index could have an impact of approximately AED 51,784 (2013: AED 63,043) 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.

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 188,580,090 as at 31 December 2014 (2013: AED 176,639,325).

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 trust receipts, 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.

23 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)
As at 31 December 2014, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2014 *AED*	*Level 1* *AED*	*Level 2* *AED*	*Level 3* *AED*
Quoted equity securities				
Investments and Financial Services Sector	**502,500**	**502,500**	-	-
Marine Terminal Operations Sector	**15,337**	**15,337**	-	-
Total	**517,837**	**517,837**	-	-

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	-	-
Total	630,434	630,434	-	-

During the years ended 31 December 2014 and 31 December 2013, there were no transfers between the various levels of fair value measurements.

24 FIDUCIARY ASSETS

As at 31 December 2014, the Company held raw materials, in a fiduciary capacity on behalf of third parties, amounting to AED 2,282,457 (2013: AED 1,469,091).

25 COMPARATIVE INFORMATION

During the year, certain account balances of prior year were reclassified to improve the quality of information presented. Such reclassifications do not affect previously reported profit and equity. The details are as follows:

Statement of Financial Position:
In the prior year, capital advances amounting to AED 2,155,431 was presented under accounts receivable and prepayments. These have been now been presented as capital work-in-progress under property, plant and equipment.

In the prior year, capitalised software license amounting to AED 1,542,705 was presented under property, plant and equipment. These have been now been separately presented as intangible assets.