

United Foods Company (PSC)

FINANCIAL STATEMENTS

31 DECEMBER 2015



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 2015.

Review of the activities

The year 2015, turned out to be a year of major milestone with the commencement of commercial production from new Fats manufacturing facility at Jebel Ali in the last quarter of the year. In its continuous endeavor to strengthen the brand value, company has introduced Olive oil and Olives along with new Veg Ghee transfat free variant under its flagship brand of ASEEL.

This is in alignment of the company's strategy of focused approach in expanding the core business by increasing the customer and distribution base in the local UAE as the No.1 priority market as well as expansion to the new markets.

Despite economic slowdown in the region and the free fall of ghee sales in Syria and other war affected countries, your company achieved sales volumes of 78,871MT a growth of 3.4% over the previous year.

Results

The company has an excellent year in improving its margins considerably on the back of increased volumes and lower costs. Net Profit registered a stupendous growth of 72% and soared to AED 27,782,439 (2014: AED 16,133,362).

The Company recorded turnover of AED 400,317,536, a decline of 4.6% over 2014 (AED 419,498,058). The decline in turnover is mainly driven by drop in prices of oil and commodities internationally.

The Company is continuing to pursue its strategy for sustainable and profitable growth in its core business by diversifying and adding new products and categories to its portfolio. Focus will remain to capitalize on the distribution growth potential in UAE and pursuing growth opportunities in GCC and exploring new markets.

Consolidation of manufacturing facility at Jebel Ali is in progress and expected to complete by end of 2016 with the relocation of complete Al Quoz plant and it will further help to improve operational efficiencies.





الأغذية المتحدة United Foods

DIRECTORS' REPORT (continued)

2015
AED

Retained earnings balance brought forward from the year 2014	68,023,966
Net profit for the year 2015	27,782,439
Profit available for appropriation	95,806,405
Appropriations:	
Dividends declared (relating to 2014)	(2,750,000)
Directors' remuneration	(1,800,000)
Retained earnings balance as of 31 December 2015	91,256,405

10% cash dividend totaling to AED 2,750,000 is proposed relating to the year 2015 subject to approval by the shareholders in the Annual General Meeting.

10% Bonus shares are proposed to be issued subject to approval by the shareholders in the Annual General Meeting.

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. Khalid Al Shamsi	- Director

Auditors

Ernst & Young was appointed as auditors of the Company for the year ended 31 December 2015 and being eligible, they have offered themselves for reappointment for the year ending 31 December 2016.

For and on behalf of the Board

9/2 2016



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 2015, and the statement of income, statement of other 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 notes.

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 in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of 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

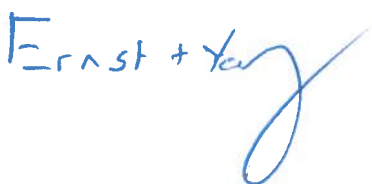
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Report on other legal and regulatory requirements

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

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, and the Articles of Association of the Company;
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the report of the Board of Directors is consistent with the books of account of the Company;
- v) the company has not purchased or invested in any shares or stocks during the financial year ended 31 December 2015;
- vi) note 19 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and
- viii) the Company made no social contributions during the year.



Signed by
Anthony O'Sullivan
Partner
Registration No. 687
9 February 2016
Dubai, United Arab Emirates

United Foods Company (PSC)

STATEMENT OF INCOME

For the year ended 31 December 2015

	<i>Notes</i>	<i>2015 AED</i>	<i>2014 AED</i>
Sales		400,317,536	419,498,058
Cost of sales		(322,154,766)	(360,988,604)
Gross profit		78,162,770	58,509,454
Selling and distribution expenses		(36,645,070)	(30,232,756)
Administrative expenses		(14,601,198)	(13,047,073)
Finance costs		(825,112)	(727,843)
Other income, net		1,691,049	1,631,580
Profit for the year	3	27,782,439	16,133,362
Earnings per share in AED	15	0.94	0.54

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

United Foods Company (PSC)

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 AED	2014 AED
Profit for the year		<u>27,782,439</u>	<u>16,133,362</u>
Other comprehensive loss			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net (loss) on change in fair value of available-for-sale investments	6	<u>(195,511)</u>	<u>(112,597)</u>
Other comprehensive loss for the year		<u>(195,511)</u>	<u>(112,597)</u>
Total comprehensive income for the year		<u><u>27,586,928</u></u>	<u><u>16,020,765</u></u>

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

United Foods Company (PSC)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 AED	2014 AED
ASSETS			
Non-current assets			
Property, plant and equipment	4	123,692,035	84,592,091
Intangible asset	5	1,108,569	1,442,666
Available-for-sale investments	6	322,326	517,837
		<u>125,122,930</u>	<u>86,552,594</u>
Current assets			
Inventories	7	65,183,699	63,880,499
Accounts receivable and prepayments	8	74,865,139	70,004,678
Amount due from a related party	19	223,152	189,767
Bank balances and cash	9	5,386,574	6,828,652
		<u>145,658,564</u>	<u>140,903,596</u>
TOTAL ASSETS		<u>270,781,494</u>	<u>227,456,190</u>
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	45,633	241,144
Retained earnings		91,256,405	68,023,966
Total equity		<u>211,617,018</u>	<u>188,580,090</u>
LIABILITIES			
Non-current liability			
Employees' end of service benefits	16	4,516,670	3,879,034
Current liabilities			
Trade and other payables	17	32,694,070	20,204,603
Amount due to a related party	19	1,862,071	233,187
Trust receipts	18	20,091,665	14,559,276
		<u>54,647,806</u>	<u>34,997,066</u>
Total liabilities		<u>59,164,476</u>	<u>38,876,100</u>
TOTAL EQUITY AND LIABILITIES		<u>270,781,494</u>	<u>227,456,190</u>

Ali Bin Humaid Al Owais
Chairman

9/2/2016

Mohamed Salim Rashid Abdalla Al Owais
Vice Chairman

9/2/2016

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

United Foods Company (PSC)

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	<i>Notes</i>	<i>2015 AED</i>	<i>2014 AED</i>
OPERATING ACTIVITIES			
Profit for the year		27,782,439	16,133,362
Adjustments for:			
Depreciation	4	8,264,050	8,230,550
Amortisation	5	530,320	398,783
Gain on disposal of property, plant and equipment		(233,198)	(97,783)
Assets written off	4	1,796	-
Gain on reversal of impairment on motor vehicle	4	-	(200,801)
Finance costs		825,112	727,843
Provision for employees' end of service benefits	16	1,116,135	837,820
		38,286,654	26,029,774
Working capital changes:			
Inventories		(1,303,200)	16,087,482
Accounts receivable and prepayments		(4,860,461)	3,102,514
Trade and other payables		10,646,431	(4,075,813)
Amount due from a related party		(33,385)	(119,700)
Amount due to a related party		1,628,884	(3,706,828)
		44,364,923	37,317,429
Employees' end of service benefits paid	16	(478,499)	(462,001)
Net cash from operating activities		43,886,424	36,855,428
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(47,372,797)	(35,821,207)
Purchase of intangible assets	5	(196,223)	(298,744)
Proceeds from disposal of property, plant and equipment		240,205	318,973
Net cash used in investing activities		(47,328,815)	(35,800,978)
FINANCING ACTIVITIES			
Trust receipt obtained		119,690,683	153,425,237
Trust receipt paid		(114,158,294)	(151,115,663)
Finance costs paid		(825,112)	(727,843)
Dividends paid		(2,706,964)	(2,750,000)
Net cash from/ (used in) financing activities		2,000,313	(1,168,269)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,442,078)	(113,819)
Cash and cash equivalents at 1 January		5,328,652	5,442,471
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	3,886,574	5,328,652

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

United Foods Company (PSC)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	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 2015	27,500,000	13,750,000	13,750,000	65,314,980	241,144	68,023,966	188,580,090
Profit for the year	-	-	-	-	-	27,782,439	27,782,439
Other comprehensive loss for the year	-	-	-	-	(195,511)	-	(195,511)
Total comprehensive income for the year	-	-	-	-	(195,511)	27,782,439	27,586,928
Dividend declared and paid (Note 10)	-	-	-	-	-	(2,750,000)	(2,750,000)
Directors' remuneration	-	-	-	-	-	(1,800,000)	(1,800,000)
Balance as at 31 December 2015	27,500,000	13,750,000	13,750,000	65,314,980	45,633	91,256,405	211,617,018

	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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

I 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. (2) of 2015. 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 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 Federal Law No. (2) of 2015. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Company is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on 30 June 2016.

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 AND DISCLOSURES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the previous year financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective for annual period beginning on or after as of 1 January 2015, as listed below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and interpretation apply for the first time in 2015, they do not have a material impact on the financial statements of the Company.

New standards and interpretations effective for annual period beginning on or after 1 January 2015

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements 2010-2012 Cycle:
 - 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:
 - IFRS 3 Business Combinations
 - IFRS 13 Fair Value Measurement
 - IAS 40 Investment Property

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.

- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests (1 January 2016)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective (continued)

- Amendments to IAS 16 Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation (1 January 2016)
- Amendments to IAS 38 Intangible Assets: Clarification of Acceptable Methods of Amortisation (1 January 2016)
- Amendments to IAS 41 Agriculture: Bearer Plants (1 January 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (1 January 2016)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (1 January 2016)
- Annual improvements 2012-2014 cycle (1 July 2016)
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
 - IFRS 7 Financial Instruments: Disclosures
 - IAS 19 Employee Benefits
 - IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative (1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (1 January 2016)

The Company is currently assessing the impact of these standards on the future financial statements and intends to adopt these standards, if applicable, when they become effective.

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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 – purchase cost on weighted average basis;

Spares and consumables – purchase cost on weighted average basis;

Finished goods and work-in-progress – 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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 71,518,141 (2014: AED 68,292,078), and the provision for doubtful debts was AED 328,050 (2014: AED 2,847,717). 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 60,467,245 (2014: AED 62,898,970) with provisions for slow moving inventories of AED 837,098 (2014: AED 1,857,975). 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:

	2015	2014
	AED	AED
Staff cost	31,455,911	27,362,827
Rental - operating leases	2,579,114	2,280,789
Inventories charged to cost of sales	290,692,249	325,368,822

United Foods Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

4 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings AED</i>	<i>Plant machinery and equipment AED</i>	<i>Furniture, fixtures and office equipment AED</i>	<i>Motor vehicles AED</i>	<i>Capital work-in- progress AED</i>	<i>Total AED</i>
Cost:						
At 1 January 2015	64,599,187	105,120,210	4,522,081	11,459,635	37,445,159	223,146,272
Additions	-	-	102,827	2,256,800	45,013,170	47,372,797
Disposals	-	-	(20,760)	(1,296,359)	-	(1,317,119)
Write offs	-	-	(673,805)	-	-	(673,805)
Transferred	20,538,272	41,511,002	-	-	(62,049,274)	-
At 31 December 2015	85,137,459	146,631,212	3,930,343	12,420,076	20,409,055	268,528,145
Depreciation and impairment:						
At 1 January 2015	29,864,114	94,510,334	3,607,438	9,800,901	771,394	138,554,181
Charge for the year	2,277,013	4,608,128	401,084	977,825	-	8,264,050
Relating to disposals	-	-	(20,760)	(1,289,352)	-	(1,310,112)
Relating to write offs	-	-	(672,009)	-	-	(672,009)
At 31 December 2015	32,141,127	99,118,462	3,315,753	9,489,374	771,394	144,836,110
Net carrying value						
At 31 December 2015	52,996,332	47,512,750	614,590	2,930,702	19,637,661	123,692,035
	<i>Land and buildings AED</i>	<i>Plant machinery and equipment AED</i>	<i>Furniture, fixtures and office equipment AED</i>	<i>Motor vehicles AED</i>	<i>Capital work-in- progress AED</i>	<i>Total AED</i>
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 31 December 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

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).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Capital work-in-progress of AED 19,637,661 (2014: AED 36,673,765) as at 31 December 2015 pertains to the expenditures incurred for the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 1,915,323 (2014: AED 8,093,872) as at 31 December 2015. 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.

The cost of fully depreciated assets still in use as at 31 December 2015 was AED 86.01 million (2014: AED 82.67 million).

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

	<i>2015 AED</i>	<i>2014 AED</i>
Cost of sales	6,169,034	6,267,264
Selling and distribution expenses	1,791,954	1,607,637
Administrative expenses	303,062	355,649
	<u>8,264,050</u>	<u>8,230,550</u>

5 INTANGIBLE ASSET

	<i>Software AED</i>	<i>Total AED</i>
Cost:		
At 1 January 2015	2,019,795	2,019,795
Additions	196,223	196,223
Write offs	(51,500)	(51,500)
At 31December 2015	<u>2,164,518</u>	<u>2,164,518</u>
Amortisation:		
At 1 January 2015	577,129	577,129
Charge for the year	530,320	530,320
Relating to write offs	(51,500)	(51,500)
At 31December 2015	<u>1,055,949</u>	<u>1,055,949</u>
Net carrying amount:		
At 31December 2015	<u>1,108,569</u>	<u>1,108,569</u>
	<i>Software AED</i>	<i>Total AED</i>
Cost:		
At 1 January 2014	1,721,051	1,721,051
Additions	298,744	298,744
At 31December 2014	<u>2,019,795</u>	<u>2,019,795</u>
Amortisation:		
At 1 January 2014	178,346	178,346
Charge for the year	398,783	398,783
At 31December 2014	<u>577,129</u>	<u>577,129</u>
Net carrying amount:		
At 31December 2014	<u>1,442,666</u>	<u>1,442,666</u>

United Foods Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

6 AVAILABLE-FOR-SALE INVESTMENTS

	<i>2015 AED</i>	<i>2014 AED</i>
Quoted equity securities	<u>322,326</u>	<u>517,837</u>

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

	<i>2015 AED</i>	<i>2014 AED</i>
At 1 January	517,837	630,434
Change in fair value (Note 14)	<u>(195,511)</u>	<u>(112,597)</u>
At 31 December	<u>322,326</u>	<u>517,837</u>

7 INVENTORIES

	<i>2015 AED</i>	<i>2014 AED</i>
Raw materials	40,369,827	41,527,229
Finished goods	11,440,247	8,476,577
Packing materials	3,371,497	4,188,912
Work-in-progress	3,810,624	7,310,542
Spares and consumables	1,475,050	1,395,710
	<u>60,467,245</u>	<u>62,898,970</u>
Less: provision for slow moving inventories	<u>(837,098)</u>	<u>(1,857,975)</u>
	59,630,147	61,040,995
Goods in transit (Note 17)	<u>5,553,552</u>	<u>2,839,504</u>
	<u>65,183,699</u>	<u>63,880,499</u>

Movements in the provision for slow moving inventories were as follows:

	<i>2015 AED</i>	<i>2014 AED</i>
At 1 January	1,857,975	987,551
Charge for the year	555,815	874,725
Amounts written off	<u>(1,576,692)</u>	<u>(4,301)</u>
At 31 December	<u>837,098</u>	<u>1,857,975</u>

United Foods Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Trade receivables	71,518,141	68,292,078
Less: provision for doubtful debts	(328,050)	(2,847,717)
	<u>71,190,091</u>	<u>65,444,361</u>
Advances to suppliers	425,362	2,031,135
Prepaid expenses	2,642,779	1,787,267
Staff receivables	169,033	104,473
Other receivables	437,874	637,442
	<u>74,865,139</u>	<u>70,004,678</u>

As at 31 December 2015, trade receivables at nominal value of AED 328,050 (2014: AED 2,847,717) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
At 1 January	2,847,717	2,267,717
Charge for the year	374,616	580,000
Amounts written off	(2,894,283)	-
	<u>328,050</u>	<u>2,847,717</u>

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 2015, the ageing of unimpaired trade receivables on the basis of due dates is as follows:

		<i>Neither past due nor impaired AED</i>	<i>Past due but not impaired</i>					
<i>Total AED</i>			<i><30 days AED</i>	<i>30-60 days AED</i>	<i>60-90 days AED</i>	<i>90-120 days AED</i>	<i>120-150 days AED</i>	<i>>150 days AED</i>
2015	71,190,091	64,477,381	4,388,000	648,324	560,806	324,306	244,668	546,606
2014	65,444,361	61,694,663	1,904,826	394,109	292,098	133,182	222,893	802,590

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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:

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Cash in hand	177,213	76,054
Bank balances	3,709,361	5,252,598
Deposits	1,500,000	1,500,000
	<u>5,386,574</u>	<u>6,828,652</u>
Less: deposits with an original maturity of more than three months	(1,500,000)	(1,500,000)
Cash and cash equivalents	<u>3,886,574</u>	<u>5,328,652</u>

Deposits are placed with local banks and accrue interest at an average rate of 2.00% (2014: 1.84%).

10 SHARE CAPITAL

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
<i>Authorised, issued and fully paid up</i>		
27.5 million ordinary shares of AED 1 each	<u>27,500,000</u>	<u>27,500,000</u>

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. The dividend was approved by the shareholders in the Annual General Meeting held on 19 March 2015 and was paid during the year.

During the Board of Directors' meeting held on 9 February 2016, the Directors proposed a 10% cash dividend totaling to AED 2.75 million and 10% Bonus Shares relating to 2015 subject to approval by the Shareholders in the Annual General Meeting.

11 STATUTORY RESERVE

In accordance with the UAE Federal Law No. (2) of 2015, 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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 195,511 was recognised in other comprehensive income (2014: unrealised profit of AED 112,597).

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 25,982,439 (2014: AED 14,803,362) by the weighted average number of ordinary shares outstanding during the year of 27,500,000 shares (2014: 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:

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Balance at 1 January	3,879,034	3,503,215
Provided during the year	1,116,135	837,820
End of service benefits paid	(478,499)	(462,001)
Provision as at 31 December	<u>4,516,670</u>	<u>3,879,034</u>

17 TRADE AND OTHER PAYABLES

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Trade payables	12,451,980	5,500,710
Advances from customers	2,163,969	677,385
Dividends payable	185,934	142,898
Directors' remuneration payable	1,807,500	1,330,000
Accrual for goods in transit (Note 7)	1,593,146	2,839,504
Accrued expenses and other payables	14,491,541	9,714,106
	<u>32,694,070</u>	<u>20,204,603</u>

Accrued expenses and other payables include retention payables of AED 4,801,654 (2014: AED 2,144,699) towards capital work-in-progress for the expansion of factory and warehouse facility in Jebel Ali Industrial Area .

18 TRUST RECEIPTS

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Trust receipts payable	<u>20,091,665</u>	<u>14,559,276</u>

Trust receipts are from local banks and accrue interest at an average rate of 2.00% (2014: 2.00%).

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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:

	2015 AED	2014 AED
Other related parties:		
<i>Sales</i>	1,290,734	1,086,128
<i>Other income</i>	-	900
<i>Purchase of raw materials and services</i>	24,744,030	21,056,726

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

Due from a related party:

	2015 AED	2014 AED
<i>Other related party</i>	223,152	189,767

Due to a related party:

	2015 AED	2014 AED
<i>Other related party</i>	1,862,071	233,187

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2015, the Company has not recorded any impairment of amounts owed by related parties (2014: 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:

	2015 AED	2014 AED
Short-term benefits	3,739,296	3,235,650
Directors' sitting fees	62,500	67,500
End of service benefits	111,500	86,499
	3,913,296	3,389,649

20 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 31 December 2015, the Company had contingent liabilities in respect of bank amounting to AED 331,691 (2014: AED Nil), 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.

Guarantees

At 31 December 2015, the Company had guarantees with the bank amounting to AED 1,570,000 (2014: AED 1,512,000), from which it is anticipated that no material liabilities will arise.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

20 CONTINGENCIES AND COMMITMENTS (continued)

Capital commitments

At 31 December 2015, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 8,707,356 (2014: AED 29,113,321).

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:

	2015 AED	2014 AED
Within one year	1,633,589	1,138,648
After 1 year but not more than five years	4,445,069	3,918,464
More than five years	2,000,049	2,979,665
	<u>8,078,707</u>	<u>8,036,777</u>

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 41,028,648 (2014: AED 71,147,350) 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 2015. 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

22 RISK MANAGEMENT (continued)

Interest rate risk (continued)

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.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year</i>
2015		
AED	+100	(185,917)
AED	-100	185,917
2014		
AED	+100	(130,593)
AED	-100	130,593

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.

	<i>2015 AED</i>	<i>2014 AED</i>
Bank balances and deposits	5,386,574	6,828,652
Available-for-sale investments	322,326	517,837
Trade receivables	71,190,091	65,444,361
Due from a related party	223,152	189,767
Advances to suppliers	425,362	2,031,135
Staff receivables	169,033	104,473
Other receivables	437,874	637,442
	78,154,412	75,753,667

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

22 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2015

	<i>Less than 1 year AED</i>	<i>1 to 5 years AED</i>	<i>>5 years AED</i>	<i>Total AED</i>
Trade and other payables	30,530,101	-	-	30,530,101
Amount due to a related party	1,862,071	-	-	1,862,071
Trust receipts	20,146,850	-	-	20,146,850
Total	52,539,022	-	-	52,539,022

At 31 December 2014

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

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 322,326 (2014: AED 517,837). A decrease of 10% in the market index could have an impact of approximately AED 32,233 (2014: AED 51,784) 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 211,617,018 as at 31 December 2015 (2014: AED 188,580,090).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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.

As at 31 December 2015, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 December 2015 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>
Quoted equity securities				
Investments and Financial Services Sector	307,500	307,500	-	-
Marine Terminal Operations Sector	14,826	14,826	-	-
Total	322,326	322,326	-	-

As at 31 December 2014, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 December 2014 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>
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	-	-

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

24 FIDUCIARY ASSETS

As at 31 December 2015, the Company held raw materials, in a fiduciary capacity on behalf of third parties, amounting to AED 949,121 (2014: AED 2,282,457).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

25 COMPARATIVE INFORMATION

During the current 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:

	<i>As previously reported AED</i>	<i>Reclassifications AED</i>	<i>As reported now AED</i>
<i>Statement of income</i>			
Sales	418,158,148	1,339,910	419,498,058
Cost of sales	(361,723,036)	734,432	(360,988,604)
Selling and distribution expenses	(29,669,330)	(563,426)	(30,232,756)
General and administrative expenses	(12,876,068)	(171,005)	(13,047,073)
Other income	2,971,491	(1,339,911)	1,631,580