United Foods Company (PSC)

FINANCIAL STATEMENTS

31 DECEMBER 2016

الأغذية المتحدة
United Foods

DIRECTORS' REPORT

The Directors are pleased to present their report together with audited financial statements of United Foods Company (PJSC) (the "Company") for the year ended 31 December 2016.

Review of the activities

The year 2016 was a challenging year globally, and in particular in the region. While the global economic slowdown and political unrest continued to impact business in the region, food sector was severely affected.

Despite these challenges, your company's strategy to diversify and expand in UAE and GCC markets, came to our rescue and helped to improve overall company revenues by 0.5% with UAE registering a growth of 6%.

In the process of increasing the distribution and the customer base in UAE and adding new products to the portfolio, your company has invested in the infrastructure and marketing activities and increased trade spends resulting into increase in operating expenses for the year with a potential for future growth.

Depreciation expenses increased by AED 3.7 million as compared to last year due to new plant in Jabel Ali and distribution infrastructure to cater to new products launched in 2015 and addition of Tahina, Hot Sauces and Ice cream distribution in 2016.

New products sales have grown reasonably well in 2016 and more than doubled than in 2015.

This is in alignment of the company's strategy to diversify and expand 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.

Results

The Company recorded turnover of AED 402,182,162, a growth of 0.5% over 2015 (AED 400,317,535) with an EBIDTA of AED 39,349,669 (2015: AED 37,406,861) and net profit of AED 26,175,288 (2015: AED 27,782,439).

UNITED FOODS COMPANY (PJSC)
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www.unitedfoods.ae

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

الأغذية المتحدة
United Foods

DIRECTORS' REPORT (continued)

	2016 AED
Retained earnings balance brought forward from the year 2015	91,256,405
Net profit for the year 2016	26,175,288
Profit available for appropriation	117,431,693
Appropriations:	
Dividends declared (relating to 2015)	(2,750,000)
Bonus Shares declared (relating to 2015)	(2,750,000)
Transfer to statutory reserve	(1,375,000)
Transfer to regular reserve	(1,375,000)
Directors' remuneration	(1,800,000)
Retained earnings balance as of 31 December 2016	107,381,693

10% cash dividend and a totaling to AED 3,025,000 is proposed relating to the year 2016 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 2016 and being eligible, they have offered themselves for reappointment for the year ending 31 December 2017.

For and on behalf of the Board

7/2/ 2017

ISO 22000 BUREAU VERITAS Certification
HACCP BUREAU VERITAS Certification

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Building a better working world

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of United Foods Company (PSC) (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of income and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

Revenue is a material and an important determinant of the Company's performance and profitability. This gives rise to the inherent risk that revenue recognised is overstated in order to present more profitable results for the year. The Company generates revenue from sale of goods when the significant risks and rewards of ownerships is transferred to customers (refer note 2.3 to the financial statements for the revenue recognition policy). Given the magnitude of the amount and inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.

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

Revenue recognition (continued)

To address the above risk, we performed the following procedures among others:

- Tested the design and operating effectiveness of controls in respect of the Company's revenue and accounts receivable processes;
- Performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculation of the accruals for rebates and discounts.
- Performed analytical procedures, including gross profit margin analysis and obtained explanations for significant variances as compared to previous year;
- Performed sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period;
- Inquired of management at different levels and departments of their knowledge of fraud risk and actual fraud instances; and
- Performed journal entries testing for accounts related to identified risks of material misstatement and verified them with supporting documents.

Accounts receivables

As at 31 December 2016, the Company had trade receivables of AED 71 million, before provisions for doubtful debts of AED 1.1 million (refer note 9 to the financial statements), which is significant to the Company as it represents approximately 26% of the total assets of the Company. In addition, the consumer product industry continues to be impacted by macroeconomic challenges which increases the risk of the collectability of trade receivables.

There is a risk that trade receivables are overstated and provision for doubtful debts is understated.

The determination as to whether a trade receivable is collectable involves management judgement. The specific factors that management considers include the age of the balance, location of the customer, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the counterparty. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's overall balance. We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved.

To address the above risk, we performed the following procedures among others:

- Requested direct confirmations for a selected sample of customers of the Company to confirm their respective outstanding balances. In the absence of reply from customers, we performed the alternative procedures by reference to invoice testing and subsequent cash collections from the respective customers;
- Reviewed the management's assessment of recoverability of accounts receivable through detailed analysis of ageing of accounts receivable, and also assessed the adequacy of any related provisions;
- Inquired of management about any past due accounts receivable with no subsequent collections and management's plan for recovering these receivables; and
- Inquired of management about disputes, if any, with customers during the year and reviewed any related uncollected amounts to assess their recoverability.

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

Inventories

As at 31 December 2016, the gross inventory balance amounts to AED 57.3 million, before the provision for slow moving inventories of AED 1.3 million (refer note 8 to the financial statements), which were significant to the Company as it represents approximately 21% of the total assets of the Company. Due to the significance of the inventory balance and related estimation involved, this is considered as a key audit matter.

To address the above risk, we performed the following procedures among others:

- Attended and observed physical inventory count performed by the store and finance department at year end;

- Assessed the process, methods and assumptions used to develop the provision for slow moving, excess or obsolete items;

- Tested the reliability of the underlying data used by management to calculate the inventory obsolescence provisions; and

- Performed net realisable value test to ensure that inventories are measured at the lower of cost and net realisable value.

Fixed Asset capitalisation

During the year, the Company capitalised significant amounts relating to construction of building, plant and equipment in a new facility in Jebel Ali, refer note 4 to the financial statements. The assessment and timing of whether assets meet the capitalisation criteria set out in IAS 16 Property, Plant and Equipment requires significant management judgement as described in the Company's significant accounting policies, refer note 2.3 to the financial statements. In addition, there are a number of other areas where management judgement impacts the carrying value of property, plant and equipment such as timeliness of transfer of assets from work in progress to assets in use, its proper classification and useful life determination, refer note 2.4 to the financial statements.

As a result, there is a risk that expenditures on tangible non-current assets are not capitalised in accordance with accounting policies of the Company and that assets not yet in use are not fully recoverable.

To address the above risk, we performed the following procedures among others:

- Tested a sample of additions to building, plant and equipment during the year and agreed the amount to supporting documents including management's assessment as to whether the amount capitalised met the recognition criteria set forth in IAS 16 Property, Plant and Equipment.

- Tested a sample of transfers of assets from work in progress to asset category when they are ready for use and assessed the timeliness of such transfers; and

- Evaluated the judgements made by management for the appropriateness of asset lives applied in the calculation of depreciation by comparing with that of existing assets.

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

Other information

Management is responsible for the other information. Other information consists of the information included in the Company's 2016 Annual Report, other than the financial statements and our auditors' report thereon. We obtained the report of the Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Company's 2016 Annual Report after the date of our auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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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) the Company has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015;

iv) the financial information included in the Directors' report is consistent with the books of account of the Company;

v) investments in shares and stocks during the year ended 31 December 2016 are disclosed in note 6 and 7 to the financial statements;

vi) note 20 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 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position; and

viii) the Company made no social contribution during the year.

For Ernst & Young

Ashraf Abu Sharkh
Partner
Registration No. 690

19 February 2017

Dubai, United Arab Emirates

STATEMENT OF INCOME
For the year ended 31 December 2016

	Notes	2016 AED	2015 AED
Sales		**402,182,158**	400,317,536
Cost of sales		**(321,098,200)**	(322,154,766)
Gross profit		**81,083,958**	78,162,770
Selling and distribution expenses		**(41,932,269)**	(36,645,070)
Administrative expenses		**(15,279,470)**	(14,601,198)
Finance costs		**(718,175)**	(825,112)
Gain on derecognition of available for sale investment	6	**1,797,151**	-
Other income, net		**1,224,093**	1,691,049
Profit for the year	3	**26,175,288**	27,782,439
Earnings per share in AED	16	**0.81**	0.86

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	***2016*** ***AED***	*2015* *AED*
Profit for the year		**26,175,288**	27,782,439
Other comprehensive loss			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments	6	**1,800,114**	(195,511)
Change in fair value of available-for-sale investment reclassified to profit and loss on derecognition	6	**(1,797,151)**	-
Share of other comprehensive income of associate	7	**48,089**	-
Other comprehensive income for the year		**51,052**	(195,511)
Total comprehensive income for the year		**26,226,340**	27,586,928

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

United Foods Company (PSC)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	*2016* *AED*	*2015* *AED*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**122,673,744**	123,692,035
Intangible asset	5	**657,613**	1,108,569
Available-for-sale investments	6	**325,289**	322,326
Investment in an associate	7	**13,629,132**	-
		137,285,778	125,122,930
Current assets			
Inventories	8	**57,689,126**	65,183,699
Accounts receivable and prepayments	9	**73,989,586**	74,865,139
Amount due from a related party	20	**286,625**	223,152
Bank balances and cash	10	**4,935,213**	5,386,574
		136,900,550	145,658,564
TOTAL ASSETS		**274,186,328**	270,781,494
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**30,250,000**	27,500,000
Statutory reserve	12	**15,125,000**	13,750,000
Regular reserve	13	**15,125,000**	13,750,000
General reserve	14	**65,314,980**	65,314,980
Fair value reserve	15	**96,685**	45,633
Retained earnings		**107,381,693**	91,256,405
Total equity		**233,293,358**	211,617,018
LIABILITIES			
Non-current liability			
Employees' end of service benefits	17	**5,318,574**	4,516,670
Current liabilities			
Trade and other payables	18	**30,187,264**	32,694,070
Amount due to a related party	20	**18,751**	1,862,071
Trust receipts	19	**5,368,381**	20,091,665
		35,574,396	54,647,806
Total liabilities		**40,892,970**	59,164,476
TOTAL EQUITY AND LIABILITIES		**274,186,328**	270,781,494

Ali Bin Humaid Al Owais
Chairman
7/2/ 2017

Mohamed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
7/2/ 2017

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Notes	*2016* *AED*	*2015* *AED*
OPERATING ACTIVITIES			
Profit for the year		**26,175,288**	27,782,439
Adjustments for:			
Depreciation	4	**12,024,691**	8,264,050
Amortisation	5	**452,456**	530,320
Net loss /(gain) on disposal of property, plant and equipment		**27,838**	(233,198)
Assets written off	4	**-**	1,796
Finance costs		**718,175**	825,112
Provision for employees' end of service benefits	17	**1,125,989**	1,116,135
Gain on avaialable for sale investment	6	**(1,797,151)**	-
Share of profit in an associate	7	**(3,809)**	-
		38,723,477	38,286,654
Working capital changes:			
Inventories		**7,494,573**	(1,303,200)
Accounts receivable and prepayments		**875,553**	(4,860,461)
Trade and other payables		**(4,306,806)**	10,646,431
Amount due from a related party		**(63,473)**	(33,385)
Amount due to a related party		**(1,843,320)**	1,628,884
		40,880,004	44,364,923
Employees' end of service benefits paid	17	**(324,085)**	(478,499)
Net cash from operating activities		**40,555,919**	43,886,424
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(11,097,788)**	(47,372,797)
Purchase of intangible assets	5	**(1,500)**	(196,223)
Proceeds from disposal of property, plant and equipment		**63,550**	240,205
Purchase of available-for-sale investments	6	**(11,780,083)**	-
Net cash used in investing activities		**(22,815,821)**	(47,328,815)
FINANCING ACTIVITIES			
Trust receipt obtained		**112,616,939**	119,690,683
Trust receipt paid		**(127,340,223)**	(114,158,294)
Finance costs paid		**(718,175)**	(825,112)
Dividends paid		**(2,750,000)**	(2,706,964)
Net cash (used in) /from financing activities		**(18,191,459)**	2,000,313
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(451,361)**	(1,442,078)
Cash and cash equivalents at 1 January		**3,886,574**	5,328,652
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**3,435,213**	3,886,574

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	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 2016	27,500,000	13,750,000	13,750,000	65,314,980	45,633	91,256,405	211,617,018
Profit for the year	-	-	-	-	-	26,175,288	26,175,288
Other comprehensive gain for the year	-	-	-	-	51,052	-	51,052
Total comprehensive income for the year	-	-	-	-	51,052	26,175,288	26,226,340
Dividend declared and paid (Note 11)	-	-	-	-	-	(2,750,000)	(2,750,000)
Bonus shares declared	2,750,000	-	-	-	-	(2,750,000)	-
Transfer to statutory reserve (Note 12)	-	1,375,000	-	-	-	(1,375,000)	-
Transfer to regular reserve (Note 13)	-	-	1,375,000	-	-	(1,375,000)	-
Directors' remuneration	-	-	-	-	-	(1,800,000)	(1,800,000)
Balance as at 31 December 2016	**30,250,000**	**15,125,000**	**15,125,000**	**65,314,980**	**96,685**	**107,381,693**	**233,293,358**

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	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 11)	-	-	-	-	-	(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

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. (2) of 2015. The Company's shares are listed on the Dubai Financial Market (DFM) since July 2006.

The Company is primarily engaged in the manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products and fat including trading of food products. 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 has progressed on adoption of the new law and continuously assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on 30 June 2017.

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 2015, except for the adoption of new standards and interpretations effective for annual period beginning on or after as of 1 January 2016, 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 2016, 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 2016

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Improvements 2012-2014 Cycle :
  - 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 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- IFRS 14 Regulatory Deferral Accounts

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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 15 Revenue from Contracts with Customers (1 January 2018)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 7 Disclosure Initiative - Amendments to IAS 7 (1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (1 January 2017)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2 (1 January 2018)
- IFRS 16 Leases (1 January 2019)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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 rebates, discounts and 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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial assets (continued)

Cash and cash equivalents (continued)

Derecognition of financial assets (continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 71,019,374 (2015: AED 71,518,141), and the provision for doubtful debts was AED 1,123,699 (2015: AED 328,050). 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 57,272,006 (2015: AED 60,467,245) with provisions for slow moving inventories of AED 1,292,191 (2015: AED 837,098). 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:

	2016 *AED*	*2015* *AED*
Staff cost	**34,050,842**	31,455,911
Rental - operating leases	**1,877,986**	2,579,114
Inventories charged to cost of sales	**286,810,552**	290,692,249

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 2016	85,137,459	146,631,212	3,930,343	12,420,076	20,409,055	268,528,145
Additions	-	-	630,888	1,426,500	9,040,400	11,097,788
Disposals	-	(292,949)	(62,554)	(1,112,727)	-	(1,468,230)
Transferred	447,023	14,860,369	-	-	(15,307,392)	-
At 31 December 2016	**85,584,482**	**161,198,632**	**4,498,677**	**12,733,849**	**14,142,063**	**278,157,703**
Depreciation and impairment:						
At 1 January 2016	32,141,127	99,118,462	3,315,753	9,489,374	771,394	144,836,110
Charge for the year	2,986,184	7,290,783	396,544	1,351,180	-	12,024,691
Relating to disposals	-	(205,415)	(58,700)	(1,112,727)	-	(1,376,842)
At 31 December 2016	**35,127,311**	**106,203,830**	**3,653,597**	**9,727,827**	**771,394**	**155,483,959**
Net carrying value						
At 31 December 2016	**50,457,171**	**54,994,802**	**845,080**	**3,006,022**	**13,370,669**	**122,673,744**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	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 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 31December 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

The Company's building on Sheikh Zayed Road is constructed on land for which owned rights were 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 13,370,669 (2015: AED 19,637,661) as at 31 December 2016 pertains to the expenditures incurred for the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 421,172 (2015: AED 1,915,323) as at 31 December 2016. 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 2016 was AED 111.7 million (2015: AED 86.01 million).

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

	2016 AED	*2015 AED*
Cost of sales	**9,076,864**	6,169,034
Selling and distribution expenses	**2,557,980**	1,791,954
Administrative expenses	**389,847**	303,062
	12,024,691	8,264,050

5 INTANGIBLE ASSET

	2016 AED	2015 AED
Cost:		
At 1 January	**2,164,518**	2,019,795
Additions	**1,500**	196,223
Write offs	-	(51,500)
At 31December	**2,166,018**	2,164,518
Amortisation:		
At 1 January	**1,055,949**	577,129
Charge for the year	**452,456**	530,320
Relating to write offs	-	(51,500)
At 31December	**1,508,405**	1,055,949
Net carrying amount:		
At 31December	**657,613**	1,108,569

6 AVAILABLE-FOR-SALE INVESTMENTS

	2016 AED	2015 AED
Quoted equity securities (in the UAE) at Fair value	**325,289**	322,326

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

	2016 AED	2015 AED
At 1 January	**322,326**	517,837
Acquired during the year (Note 6.1)	**6,080,849**	-
Change in fair value	**1,800,114**	(195,511)
Transferred to investment in associate (Note 7)	**(7,878,000)**	-
At 31 December	**325,289**	322,326

6.1 On 29 June 2016, the Company purchased 6,000,000 shares at AED 1 per share, totaling to AED 6.08 million, representing 20% of the share capital of Emirates Refreshment Company (PJSC) ("ERC"), an entity listed on the Dubai Financial Market. The investment was recognized as available-for-sale investment as the management concluded that the Company did not have significant influence over ERC as of 30 September 2016. Further, the Company acquire another 14.46% share holding in ERC (note 7) and thereby this investment became an investment in associate. The Company reocgnised the fair value gain of AED 1,797,151 on available for sale investment upon derecognition and immediately before recognition of the investment as an associate. On recognition of the investment as an associate, the Company reclassified the fair value gain of AED 1,797,151 on available for investment to profit and loss account.

7 INVESTMENT IN ASSOCIATE

	2016 *AED*	*2015* *AED*
First tranche of the investment (Note 6)	**7,878,000**	-
Second tranche of the investment (Note 7.1)	**5,699,234**	-
	13,577,234	-
Share of total comprehensive income of associate	**51,898**	-
At 31 December	**13,629,132**	-

7.1 On 24 October 2016, the Company purchased an additional 4,339,050 shares of ERC at AED 1.3 per share, totaling AED 5.7 million, representing 14.46% of the share capital of ERC. On acquisition of additional shares, the Company recognised the total investment in shares of ERC as an investment in associate.

In accounting for this acquisition in its financial statements for the year ended 31 December 2016, the Company was able to determine its share of provisional fair values of ERC's net assets to be AED 13,577,234 which is equivalent to initially recognise amount of investment in associate. The Company intends to finalise the purchase price allocation of the identifiable assets, liabilities and contingent liabilities of ERC within twelve months of the date of ERC becoming associate as permitted by International Financial Reporting Standards. The Company's share of the carrying value of the net assets of ERC at the reporting date were AED 17,222,891. The difference, between the carrying value of investment in associate at the reporting date and the carrying value of the Company's share in the net assets of ERC at the reporting date, represents lower provisional fair valuation of net assets of ERC which will be finalised in due course. Share of profit of associate for the year amounting to AED 3,809 is recorded in other income and share of other comprehensive income of associate amounting to AED 48,089 for the year is recorded in other comprehensive income of the Company.

8 INVENTORIES

	2016 *AED*	*2015* *AED*
Raw materials	**28,494,096**	40,369,827
Finished goods	**15,236,951**	11,440,247
Packing materials	**3,302,288**	3,371,497
Work-in-progress	**8,635,031**	3,810,624
Spares and consumables	**1,603,640**	1,475,050
	57,272,006	60,467,245
Less: provision for slow moving inventories	**(1,292,191)**	(837,098)
	55,979,815	59,630,147
Goods in transit (Note 18)	**1,709,311**	5,553,552
	57,689,126	65,183,699

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

	2016 *AED*	*2015* *AED*
At 1 January	**837,098**	1,857,975
Charge for the year	**455,093**	555,815
Amounts written off	-	(1,576,692)
At 31 December	**1,292,191**	837,098

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016 *AED*	*2015* *AED*
Trade receivables	**71,019,374**	71,518,141
Less: provision for doubtful debts	**(1,123,699)**	(328,050)
	69,895,675	71,190,091
Advances to suppliers	**642,293**	425,362
Prepaid expenses	**2,969,620**	2,642,779
Staff receivables	**100,270**	169,033
Other receivables	**381,728**	437,874
	73,989,586	74,865,139

As at 31 December 2016, trade receivables at nominal value of AED 1,123,699 (2015: AED 328,050) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2016 *AED*	*2015* *AED*
At 1 January	**328,050**	2,847,717
Charge for the year	**1,374,715**	374,616
Amounts written off	**(579,066)**	(2,894,283)
At 31 December	**1,123,699**	328,050

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 2016, 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*
2016	**69,895,675**	**64,334,635**	**2,871,380**	**835,284**	**28,394**	**334,233**	**384,926**	**1,106,823**
2015	71,190,091	64,477,381	4,388,000	648,324	560,806	324,306	244,668	546,606

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

10 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:

	2016 *AED*	*2015* *AED*
Cash in hand	**120,536**	177,213
Bank balances	**3,314,677**	3,709,361
Deposits	**1,500,000**	1,500,000
	4,935,213	5,386,574
Less: deposits with an original maturity of more than three months	**(1,500,000)**	(1,500,000)
Cash and cash equivalents	**3,435,213**	3,886,574

Deposits are placed with local banks and accrue interest at prevailing market rates.

11 SHARE CAPITAL

	2016	*2015*
	AED	*AED*
Authorised, issued and fully paid up		
30.25 million ordinary shares of AED 1 each (31 December 2015: 27.5 million shares of AED 1 each)	**30,250,000**	27,500,000

As proposed by the Board of Directors in their meeting on 9 February 2016 and approved by the shareholders in Annual General Meeting on 19 March 2016, the Company:

- paid 10% cash dividends totaling to AED 2,750,000; and
- issued 10% bonus shares totaling to 2,750,000 shares having par value of AED 1. The Company increased the authorized, issued and paid up share capital by AED 2,750,000 for such issue and complied with legal and secretarial requirements.

During the Board of Directors' meeting held on 7 February 2017, the Directors proposed a 10% cash dividend totaling to AED 3,025,000 relating to 2016 subject to approval by the Shareholders in the Annual General Meeting.

12 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. The Company transferred AED 1,375,000 from the retained earnings to statutory reserve to increase the statutory reserve to 50% of share capital increased during the year (Note 10). No transfer was made during 2015 as the reserve had already reached 50% of the share capital as at 31 December 2015. This reserve is not available for distribution except in the circumstances stipulated by the law.

13 REGULAR RESERVE

In accordance with the Articles of Association of the Company, 10% of the net profit for each year should be transferred to a regular reserve and such transfers cease through a resolution of the usual general assembly upon a suggestion of the board of directors or if it reaches 50% of the paid up capital of the Company. The Company transferred AED 1,375,000 from the retained earnings to regular reserve to increase the regular reserve to 50% of share capital increased during the year (Note 10). No transfer was made during 2015 as the reserve had already reached 50% of the share capital as at 31 December 2015.

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

14 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.

15 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.

Movements in the fair value reserve recognised in the statement of financial position are as follows:

		2016 *AED*	*2015* *AED*
Balance at 1 January		**45,633**	241,144
Net change in fair value of available-for-sale investment carried at fair value	6	**2,963**	(195,511)
Share of other comprehensive income of associate	7	**48,089**	-
Balance as at 31 December		**96,685**	45,633

16 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 24,375,288 (2015: AED 25,982,439) by the weighted average number of ordinary shares outstanding during the year of 30,250,000 shares (2015: 30,250,000 shares). The weighted average number of ordinary shares outstanding for 2015 are adjusted for bonus shares issued during the year (Note 10).

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

17 EMPLOYEES' END OF SERVICE BENEFITS

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

	2016 *AED*	*2015* *AED*
Provision at 1 January	**4,516,670**	3,879,034
Provided during the year	**1,125,989**	1,116,135
End of service benefits paid	**(324,085)**	(478,499)
Provision as at 31 December	**5,318,574**	4,516,670

18 TRADE AND OTHER PAYABLES

	2016 *AED*	*2015* *AED*
Trade payables	**13,185,208**	12,451,980
Advances from customers	**1,014,352**	2,163,969
Dividends payable	**136,864**	185,934
Directors' remuneration payable	**1,805,000**	1,807,500
Accrual for goods in transit (Note 8)	**1,540,646**	1,593,146
Accrued expenses and other payables	**12,505,194**	14,491,541
	30,187,264	32,694,070

Accrued expenses and other payables include retention payables of AED 1,236,945 (2015: AED 4,801,654) towards capital work-in-progress for the expansion of factory and warehouse facility in Jebel Ali Industrial Area.

19 TRUST RECEIPTS

	2016	*2015*
	AED	*AED*
Trust receipts payable	**5,368,381**	20,091,665

Trusts receipts are from local bank and accrue interest at market prevailing rates.

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.

20 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 board of directors.

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

	2016	*2015*
	AED	*AED*
Other related parties:		
Sales to	**1,369,650**	1,290,734
Purchase of raw materials and services	**8,371,366**	24,744,030

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

Due from a related party:

	2016	*2015*
	AED	*AED*
Other related party	**286,625**	223,152

Due to a related party:

	2016	*2015*
	AED	*AED*
Other related party	**18,751**	1,862,071

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2016, the Company has not recorded any impairment of amounts owed by related parties (2015: AED Nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

20 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2016 *AED*	*2015* *AED*
Short-term benefits	**3,689,296**	3,739,296
Directors' sitting fees	**37,500**	62,500
End of service benefits	**123,907**	111,500
	3,850,703	3,913,296

21 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 31 December 2016, the Company had contingent liabilities in respect of bank amounting to AED 262,167 (2015: AED 331,691), 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 management believe appropriate, adequate provisions have been made in the accounts.

Guarantees
At 31 December 2016, the Company had guarantees with the bank amounting to AED 2,070,000 (2015: AED 1,570,000), from which it is anticipated that no material liabilities will arise.

Capital commitments
At 31 December 2016, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 2,353,982 (2015: AED 8,707,356).

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:

	2016 *AED*	*2015* *AED*
Within one year	**1,629,443**	1,633,589
After 1 year but not more than five years	**4,427,689**	4,445,069
More than five years	**1,020,433**	2,000,049
	7,077,565	8,078,707

22 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 and fat including trading of food products. 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
During the year ended 31 December 2016, revenue from no customer accounts for 10% or more of the Company's total revenue (2015: Revenue from one customer amounted to AED 41,028,648 accounted for more than 10% of the Company's revenue).

23 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 2016 and 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.

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*
2016		
AED	**+100**	**(38,684)**
AED	**-100**	**38,684**
2015		
AED	+100	(185,917)
AED	-100	185,917

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.

	2016 AED	*2015 AED*
Bank balances and deposits	**4,814,677**	5,209,361
Trade receivables	**69,895,675**	71,190,091
Due from a related party	**286,625**	223,152
Staff receivables	**100,270**	169,033
Other receivables	**381,728**	437,874
	75,478,975	77,229,511

23 RISK MANAGEMENT (continued)

Liquidity risk
The Company limits its liquidity risk by ensuring that adequate internally generated funds, bank facilities and funds from the shareholders are available. The Company's terms of sales require amounts to be paid within the range of 30 to 120 days from the date of sale. Trade payables are normally settled within 30 to 90 days from the date of purchase.

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

At 31 December 2016

	Less than 1 year AED	***1 to 5 years AED***	***>5 years AED***	***Total AED***
Trade and other payables	**27,372,912**	-	-	**27,372,912**
Amount due to a related party	**18,751**	-	-	**18,751**
Trust receipts	**5,475,749**	-	-	**5,475,749**
Total	**32,867,412**	-	-	**32,867,412**

At 31 December 2015

	Less than 1 year AED	*1 to 5 years AED*	*>5 years AED*	*Total AED*
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

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 325,289 (2015: AED 322,326). A decrease of 10% in the market index could have an impact of approximately AED 32,529 (2015: AED 32,233) 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 233,244,309 as at 31 December 2016 (2015: AED 211,617,018).

24 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 2016, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2016 AED	***Level 1 AED***	***Level 2 AED***	***Level 3 AED***
Quoted equity securities				
Investments and Financial Services Sector	**312,500**	**312,500**	-	-
Marine Terminal Operations Sector	**12,789**	**12,789**	-	-
Total	**325,289**	**325,289**	-	-

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

Assets measured at fair value

	31 December 2015 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
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	-	-

During the years ended 31 December 2016 and 31 December 2015, there were no transfers between the various levels of fair value measurements.

25 FIDUCIARY ASSETS

As at 31 December 2016, the Company held 18 MT (2015: 424 MT) raw materials, in a fiduciary capacity on behalf of third parties.