United Foods Company (PSC)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2018

EY
Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF UNITED FOODS COMPANY (PSC)

Introduction

We have reviewed the accompanying interim condensed financial statements of United Foods Company (PSC) (the "Company") which comprise the interim condensed statement of financial position as at 30 June 2018 and the related interim condensed statements of income and comprehensive income for the three-month and six-month periods then ended and, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

Signed by
Ashraf Abu Sharkh
Partner
Registration No.: 690

11 August 2018

Dubai, United Arab Emirates

INTERIM CONDENSED STATEMENT OF INCOME
For the period ended 30 June 2018 (Unaudited)

		Six months ended		*Three months ended*	
	Notes	***30 June 2018 AED***	*30 June 2017 AED*	***30 June 2018 AED***	*30 June 2017 AED*
Sales (gross)		**253,745,630**	245,730,728	**129,434,812**	130,005,702
Less: Discount and marketing expense		**(8,135,685)**	(9,387,011)	**(4,799,684)**	(6,092,797)
Revenue		**245,609,945**	236,343,717	**124,635,128**	123,912,905
Cost of sales		**(209,462,117)**	(200,185,305)	**(107,130,600)**	(105,703,379)
GROSS PROFIT		**36,147,828**	36,158,412	**17,504,528**	18,209,526
Selling and distribution expenses		**(17,631,428)**	(15,292,402)	**(8,615,093)**	(7,723,329)
General and administrative expenses		**(8,067,237)**	(7,998,777)	**(4,014,105)**	(4,176,956)
Finance expense		**(481,376)**	(233,923)	**(291,789)**	(155,395)
Other expense	14	**(400,000)**	-	**(400,000)**	-
Other income		**1,902,472**	1,381,537	**1,094,045**	1,214,435
Profit before the results of associate		**11,470,259**	14,014,847	**5,277,586**	7,368,281
Share of results of an associate	5B	**(1,050,291)**	(360,576)	**(317,887)**	104,708
PROFIT FOR THE PERIOD	3	**10,419,968**	13,654,271	**4,959,699**	7,472,989
Earnings per share in AED	8	**0.34**	0.45	**0.16**	0.25

The attached notes 1 to 14 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2018 (Unaudited)

	Six months ended		*Three months ended*	
	30 June 2018 AED	*30 June 2017 AED*	***30 June 2018 AED***	*30 June 2017 AED*
Profit for the period	**10,419,968**	13,654,271	**4,959,699**	7,472,989
Other comprehensive income				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Change in fair value of investment securities measured at FVOCI, equity securities	**(38,960)**	-	**(17,135)**	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Change in fair value of available for sale investment	-	(32,510)	-	(35,424)
Share of other comprehensive income of an associate	**(171,554)**	(83,353)	**(62,041)**	(85,492)
Other comprehensive income	**(210,514)**	(115,863)	**(79,176)**	(120,916)
Total comprehensive income for the period	**10,209,454**	13,538,408	**4,880,523**	7,352,073

The attached notes 1 to 14 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	*30 June 2018 AED (Unaudited)*	*31 December 2017 AED (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**117,303,260**	118,264,775
Intangible asset		**593,213**	576,844
Investment at fair value through other comprehensive income	5A	**259,298**	298,258
Investment in an associate	5B	**14,672,203**	15,894,047
		132,827,974	135,033,924
Current assets			
Inventories		**83,355,061**	62,527,261
Accounts receivable and prepayments		**94,579,991**	80,819,343
Amounts due from related parties	9	**286,554**	217,000
Bank balances and cash	6	**19,214,955**	23,031,298
		197,436,561	166,594,902
TOTAL ASSETS		**330,264,535**	301,628,826
EQUITY AND LIABILITIES			
Equity			
Share capital	7	**30,250,000**	30,250,000
Statutory reserve		**15,125,000**	15,125,000
Regular reserve		**15,125,000**	15,125,000
General reserve		**65,314,980**	65,314,980
Fair value reserve		**(154,502)**	56,012
Retained earnings		**134,231,466**	126,836,498
Total equity		**259,891,944**	252,707,490
LIABILITIES			
Non-current liability			
Employees' end of service benefits		**6,449,662**	5,920,943
Current liabilities			
Trade and other payables		**53,318,011**	42,952,070
Amounts due to a related party	9	**48,323**	48,323
Trust receipts		**10,556,595**	-
		63,922,929	43,000,393
Total liabilities		**70,372,591**	48,921,336
TOTAL EQUITY AND LIABILITIES		**330,264,535**	301,628,826

Ali Bin Humaid Al Owais
Chairman
11/8/ 2018

Mohammed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
11/8/ 2018

The attached notes 1 to 14 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2018 (Unaudited)

2018:	*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 2018	30,250,000	15,125,000	15,125,000	65,314,980	56,012	126,836,498	252,707,490
Profit for the period	-	-	-	-	-	10,419,968	10,419,968
Other comprehensive income	-	-	-	-	(210,514)	-	(210,514)
Total comprehensive income for the period	-	-	-	-	(210,514)	10,419,968	10,209,454
Dividends declared (Note 7)	-	-	-	-	-	(3,025,000)	(3,025,000)
Balance as at 30 June 2018	**30,250,000**	**15,125,000**	**15,125,000**	**65,314,980**	**(154,502)**	**134,231,466**	**259,891,944**

The attached notes 1 to 14 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2018 (Unaudited)

2017:	*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 2017	30,250,000	15,125,000	15,125,000	65,314,980	96,685	107,381,693	233,293,358
Profit for the period	-	-	-	-	-	13,654,271	13,654,271
Other comprehensive income	-	-	-	-	(115,863)	-	(115,863)
Total comprehensive income for the period	-	-	-	-	(115,863)	13,654,271	13,538,408
Dividends declared (Note 7)	-	-	-	-	-	(3,025,000)	(3,025,000)
Balance as at 30 June 2017	30,250,000	15,125,000	15,125,000	65,314,980	(19,178)	118,010,964	243,806,766

The attached notes 1 to 14 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the period ended 30 June 2018 (Unaudited)

	Notes	*Six months ended* 30 June 2018 AED	*Six months ended* 30 June 2017 AED
OPERATING ACTIVITIES			
Profit for the period		**10,419,968**	13,654,271
Adjustments for:			
Depreciation		**5,867,198**	5,814,481
Amortisation		**253,450**	208,714
Loss on disposal of property, plant and equipment		**(97,290)**	286
Finance cost		**481,376**	233,923
Provision for employees' end of service benefits		**598,056**	498,787
Share of results of associate		**1,050,291**	360,576
		18,573,049	20,771,038
Working capital changes:			
Inventories		**(20,827,800)**	(22,474,597)
Accounts receivable and prepayments		**(13,760,648)**	(30,198,938)
Trade and other payables		**10,365,941**	22,715,440
Due from a related party		**(69,554)**	73,770
Due to a related party		**-**	29,572
		(5,719,012)	(9,083,715)
Employees' end of service benefits paid		**(69,336)**	(185,138)
Net cash used in from operating activities		**(5,788,348)**	(9,268,853)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(4,908,256)**	(3,297,066)
Purchase of intangible assets		**(269,819)**	(42,347)
Proceed from disposal of property, plant and equipment		**99,865**	-
Dividend received from associate		**-**	1,033,905
Net cash used in investing activities		**(5,078,210)**	(2,305,508)
FINANCING ACTIVITIES			
Trust receipts obtained		**64,913,661**	60,273,619
Trust receipts paid		**(54,357,070)**	(47,564,911)
Finance costs paid		**(481,376)**	(233,923)
Dividends paid		**(3,025,000)**	(3,025,000)
Net cash generated from financing activities		**7,050,215**	9,449,785
(DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,816,343)**	(2,124,576)
Cash and cash equivalents at 1 January		**21,531,298**	3,435,213
CASH AND CASH EQUIVALENTS AT 30 JUNE	6	**17,714,955**	1,310,637

The attached notes 1 to 14 form part of these interim condensed 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 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

Basis of preparation
The interim condensed financial statements for the three months period ended 30 June 2018 have been prepared in accordance with IAS 34 "*Interim Financial Reporting*".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2017.

In addition, results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

New standards, interpretations and amendments thereof, adopted by the Company
The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 – Revenue from Contracts with customers
This standard on revenue recognition replaces IAS 11, 'Construction Contracts' and IAS 18, 'Revenue' and related interpretations. IFRS 15 is more prescriptive, provides detailed guidance on revenue recognition and reduces the use of judgement in applying the revenue recognition policies and practices as compared to the replaced IFRS and related interpretations. It establishes a five step model to account for revenue arising from contracts with customers.

Revenue is recognised when a customer obtains control of goods or services. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or services. The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services in an amount that reflects the consideration to which the entity to be entitled in exchange for those goods or services.

The Company has adopted IFRS 15 using the full retrospective method of adoption. However, as contracts entered with customers are for the period starting1 January to 31 December that are renewed annually, therefore, there has not been any significant impact on the financial position of the Company as at 31 December 2017.

(a) Sale of goods

The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods (except in case of high sea sales transactions with the customers). Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognized was affected, as noted below.

(i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Prior to adoption of IFRS 15, the Company recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable.

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

IFRS 15 – Revenue from Contracts with customers (continued)

(i) Variable consideration (continued)

If revenue cannot be reliably measured, the Company deferred revenue recognition until the uncertainty was resolved. Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is resolved.

- *Right of return*

The Company's contract with a customer provides a right to return the good within the specified period. However, the amount of returns being immaterial, therefore, the impact on revenue recognition after adoption of IFRS 15 is not significant.

- *Volume rebates*

The Company provides volume rebates to its certain customers on certain products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Prior to adoption of IFRS 15, the Company estimates the expected volume rebates using the probability weighted average amount of rebates approach and includes them in Trade and other payables. These amounts are subsequently were offset against amounts receivable from customers.

Under IFRS 15, volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Company considered that the most likely amount method better predicts the amount of variable consideration for contracts with only a single volume threshold while for contracts with more than one volume threshold it has applied either the expected value method or the most likely amount method, depending on which of them better predicts the amount of variable consideration for the particular type of contract.

(ii) Consideration paid or payable to customers

The Company pays slotting fees, listing fees and promotions fee to its customers for providing various display and promotional services. The Company believes that certain services provided by its customers and based on the arrangements are distinct or not distinct from the goods sold to them. The Company assess the nature of these services and if considered not distinct to goods sold to customer, recognizes revenue by appropriately reducing the transaction price.

(iii) Price concessions and other discounts

The Company provides price concessions and other discounts to its customers. Prior to adoption of IFRS 15, these concessions and discounts were considered as selling and distribution expense. However, after the adoption of IFRS 15, the Company assess the nature of these incentives and if considered not distinct to goods sold to customer, recognizes revenue by appropriately reducing the transaction price.

The Company has recorded an adjustment in revenue by reducing it by AED 8,135,685 (for the six months ended 30 June 2017: AED 9,387,011) which prior to adoption of IFRS 15 were recorded as selling and distribution expenses.

The Company has assessed the disclosure requirements of IFRS 15 and as there has been no change in the timing of revenue recognition and its assessment of reportable segment therefore, it has concluded that IFRS 15 has no significant impact on disclosures in the condensed financial statements.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1st January 2018. The requirements of IFRS 9 represents a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement
The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories has been replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost.

IFRS 9 also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities has largely remained similar to requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are now presented in OCI with no subsequent reclassification to the statement of profit or loss, unless an accounting mismatch in profit or loss arises.

Impairment of financial assets
There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 requires the Company to record expected credit losses on all of its debt securities either on a 12-month or lifetime basis.

The Company has assessed that the impact of IFRS 9 is not material on the condensed interim financial statements of the Company as at the reporting date.

Interpretation 22 – Foreign Currency Transactions and Advance Consideration *(effective 1 January 2018)*
The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an activity pays or receives consideration in advance for foreign currency-denominated contracts. The Company has assessed that it does not have any material impact on the accounting policies, financial position or performance upon adoption of this Standard.

3 PROFIT FOR THE PERIOD

Profit for the period is stated after charging:

	Six months ended		*Three months ended*	
	30 June 2018 AED (Unaudited)	*30 June 2017 AED (Unaudited)*	***30 June 2018 AED (Unaudited)***	*30 June 2017 AED (Unaudited)*
Employee expenses	**19,506,871**	17,544,947	**9,775,712**	9,031,264
Rental - operating lease	**1,100,082**	1,014,327	**548,950**	518,290
Inventories charged to cost of sales	**190,693,337**	182,174,857	**97,328,066**	96,022,681

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals
During the period ended 30 June 2018, the Company incurred costs in respect of additions amounting to AED 4,908,276 (for the year ended 31 December 2017: AED 7,374,442).

During the period ended 30 June 2018, assets with a net book value of AED 2,594 were disposed of by the Company (for the year ended 31 December 2017: AED 286).

As at 30 June 2018, capital work-in-progress of AED 18,061,717 (31 December 2017: AED 16,178,870) includes the expenditure incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area.

5A INVESTMENT IN FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30June 2018 AED (Unaudited)	*31 December 2017 AED (Audited)*
Quoted equity securities (in the UAE) at Fair Value	**259,298**	298,258

On adoption of IFRS 9, effective 1 January 2018, the Company has classified the equity instruments investment securities as measured at FVOCI, previously classified as available-for-sale investments, and re-designated the related fair value reserve as at 1 January 2018 accordingly as not to be reclassified to profit and loss. The comparative information is presented under IAS 39 as previously reported in the annual financial statements of the Company under IAS 39.

5B INVESTMENT IN ASSOCIATE

	30June 2018 AED (Unaudited)	*31 December 2017 AED (Audited)*
Opening balance 1 January	**15,894,047**	18,126,420
Share of total comprehensive income / (loss) of associate	**(1,125,029)**	(860,214)
Share of dividend declared by associate	-	(1,033,905)
Share of directors' remuneration by associate	-	(108,549)
Amortisation of intangible assets and depreciation on investment properties	**(96,815)**	(229,705)
	14,672,203	15,894,047

The Company's share of loss of associate for the period ended 30 June 2018 amounting to AED 953,476 (for the year ended 31 December 2017: AED 846,572) is recorded in share of results of an associate and share of other comprehensive income of associate amounting to AED 171,554 (for the year ended 31 December 2017: AED 13,642) is recorded in other comprehensive income of the Company.

6 CASH AND CASH EQUIVALENTS

For the purpose of the interim statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2018 AED (Unaudited)	*31 December 2017 AED (Audited)*
Cash in hand	**338,519**	165,087
Bank balances	**7,276,436**	11,266,211
Deposits	**11,600,000**	11,600,000
	19,214,955	23,031,298
Bank balances and cash		
Less: deposits with an original maturity of more than three month	**(1,500,000)**	(1,500,000)
Cash and cash equivalents	**17,714,955**	21,531,298

7 SHARE CAPITAL

	30 June 2018 AED (Unaudited)	*31 December 2017 AED (Audited)*
Authorised issued and fully paid up:		
30,250,000 shares of 1 AED each		
(31 December 2017: 30,250,000 shares of 1 AED each)	**30,250,000**	30,250,000

The Annual General Meeting held on 22 March 2018 approved a 10% cash dividend totaling to AED 3,025,000 relating to 2017 and it has been paid subsequently.

8 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period amounting to AED 10,419,968 30 June 2017: AED 13,654,271) by the weighted average number of ordinary shares outstanding during the period ended 30 June 2018 of 30,250,000 shares (during the period ended 30 June 2017: 30,250,000 shares).

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

9 RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Significant transactions with related parties:

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

	Six months ended		*Three months ended*	
	30 June 2018 AED (Unaudited)	*30 June 2017 AED (Unaudited)*	*30 June 2018 AED (Unaudited)*	*30 June 2017 AED (Unaudited)*
Other related parties:				
Sales to related parties	**536,454**	558,475	**336,429**	279,355
Purchases of raw materials and services	-	1,367,859	-	389,951

9 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Compensation of key management personnel

The remuneration of directors and other key members of management during the period were as follows:

	Six months ended		*Three months ended*	
	30 June 2018 AED (Unaudited)	*30 June 2017 AED (Unaudited)*	***30 June 2018 AED (Unaudited)***	*30 June 2017 AED (Unaudited)*
Short-term benefits	**1,624,898**	1,612,398	**813,699**	805,073
Employees' end of service benefits	**72,220**	66,270	**36,203**	35,340
Bonus	**247,945**	246,575	**124,658**	123,288
	1,945,063	1,925,243	**974,560**	963,701

b) Due from a related party:

	30 June 2018 AED *(Unaudited)*	*31 December 2017 AED (Audited)*
Other related parties:		
Modern Bakery LLC	**278,145**	217,000
Modern General Trading	**8,409**	-
	286,554	217,000

c) Due to a related party:

	30 June 2018 AED *(Unaudited)*	*31 December 2017 AED (Audited)*
Other related party:		
United Can Company LLC	**48,323**	48,323

10 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 30 June 2018, the Company had contingent liabilities in respect of banks amounting to AED 1,700,000 (31 December 2017: AED 1,713,030), from which it is anticipated that no material liabilities will arise.

Legal claim contingency

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

Capital commitments

At 30 June 2018, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 3,009,142 (31 December 2017: AED 5,376,364).

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:

10 CONTINGENCIES AND COMMITMENTS (CONTINUED)

	30 June 2018 AED (Unaudited)	*31 December 2017 AED (Audited)*
Within one year	**1,900,351**	1,801,821
After 1 year but not more than five years	**4,293,582**	4,904,979
More than five years	-	40,817
	6,193,933	6,747,617

11 SEGMENTAL 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, statements of income and 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 customer
During the period ended 30 June 2018, revenue from no customer accounts for 10% or more of the Company's total revenue (30 June 2017: Revenue from no customer accounts for 10% or more of the Company's total revenue).

12 FIDUCIARY ASSETS

As at 30 June 2018, the Company held 62 MT (31 December 2017: 2.3 MT) raw materials, in a fiduciary capacity on behalf of third parties.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, accounts receivables, 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 a 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.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 June 2018, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	30 June 2018 *AED*	*Level 1* *AED*	*Level 2* *AED*	*Level 3* *AED*
Quoted equity securities				
Investments and Financial Services Sector	**242,500**	**242,500**	-	-
Marine Terminal Operations Sector	**16,798**	**16,798**	-	-
Total	**259,298**	**259,298**	-	-

As at 31 December 2017, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 Dec 2017 *AED*	*Level 1* *AED*	*Level 2* *AED*	*Level 3* *AED*
Quoted equity securities				
Investments and Financial Services Sector	280,000	280,000	-	-
Marine Terminal Operations Sector	18,258	18,258	-	-
Total	298,258	298,258	-	-

During the period ended 30 June 2018 and year ended 31 December 2017, there were no transfers between the various levels of fair value measurements.

14 Other expenses include relocation expenses incurred by the Company on account of shifting of machinery from one manufacturing facility to another.

15 COMPARATIVE INFORMATION

On adoption of IFRS 15 during the period, the Company has reclassified certain selling and distribution expense as adjustment to revenue for the period. As the Company has adopted IFRS 15 under full retrospective method, certain selling and distribution expenses of prior year were reclassified as adjustment to prior period revenue as required by IFRS 15. Such reclassifications do not affect previously reported profit and equity. The details and impact of reclassification are as follows:

	As previously reported *AED*	*Reclassifications* *AED*	*As reported* *AED*
Statement of comprehensive income			
For the six months ended 30 June 2017			
Revenue	245,730,728	(9,387,011)	236,343,717
Selling and distribution expenses	(24,679,413)	9,387,011	(15,292,402)
For the three months ended 30 June 2017			
Revenue	130,005,702	(6,092,797)	123,912,905
Selling and distribution expenses	(13,816,126)	6,092,797	(7,723,329)