

United Foods Company (PSC)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2018

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 statement of financial statement of United Foods Company (PSC) (the “Company”) which comprised the interim condensed statement of financial position as at 31 March 2018 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-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.

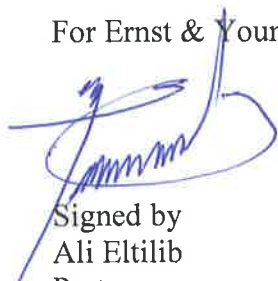
Scope of Review

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
Ali Eltilib
Partner
Registration No. 1118

7 May 2018

Dubai, United Arab Emirates

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF INCOME

For the period ended 31 March 2018 (Unaudited)

		<i>Three months ended</i>	
		31 March 2018 AED	31 March 2017 AED
	<i>Notes</i>		
Sales	14	122,839,028	114,267,064
Cost of sales		(102,331,517)	(94,481,926)
Gross profit		20,507,511	19,785,138
Selling and distribution expenses	14	(10,880,546)	(9,405,325)
Administrative expenses		(4,053,137)	(3,821,821)
Finance costs		(189,587)	(78,528)
Other income, net		808,428	167,102
Profit before share of results of associate	3	6,192,669	6,646,566
Share of results of an associate	5	(732,403)	(465,284)
Profit for the year	3	5,460,266	6,181,282
Earnings per share in AED	8	0.18	0.20

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 31 March 2018 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March 2018 AED</i>	<i>31 March 2017 AED</i>
Profit for the period	5,460,266	6,181,282
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of investments carried at fair value with changes through other comprehensive income	(21,825)	2,914
Share of other comprehensive income of an associate	(109,513)	2,139
Other comprehensive income for the period	(131,338)	5,053
Total comprehensive income for the period	5,328,928	6,186,335

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 31 March 2018

		31 March 2018 AED (Unaudited)	31 December 2017 AED (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	4	118,007,496	118,264,775
Intangible asset		587,926	576,844
Investments at fair value with changes through other comprehensive income		276,432	298,258
Investment in an associate	5	15,052,131	15,894,047
		133,923,985	135,033,924
Current assets			
Inventories		92,258,639	62,527,261
Accounts receivable and prepayments		95,479,929	80,819,343
Amounts due from a related party	9	100,370	217,000
Bank balances and cash	6	28,287,426	23,031,298
		216,126,364	166,594,902
TOTAL ASSETS		350,050,349	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		(75,326)	56,012
Retained earnings		129,271,764	126,836,498
Total equity		255,011,418	252,707,490
LIABILITIES			
Non-current liability			
Employees' end of service benefits		6,234,449	5,920,943
Current liabilities			
Trade and other payables		70,969,050	42,952,070
Amounts due to a related party	9	48,323	48,323
Trust receipts		17,787,109	-
		88,804,482	43,000,393
Total liabilities		95,038,931	48,921,336
TOTAL EQUITY AND LIABILITIES		350,050,349	301,628,826

Ali Bin Humaid Al Owais
Chairman

7151 2018

Abdulla Rahma Al Owais
Director

7151 2018

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

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 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	-	-	-	-	-	5,460,266	5,460,266
Other comprehensive income	-	-	-	-	(131,338)	-	(131,338)
Total comprehensive income for the period	-	-	-	-	(131,338)	5,460,266	5,328,928
Dividends declared (Note 7)	-	-	-	-	-	(3,025,000)	(3,025,000)
Balance as at 31 March 2018	30,250,000	15,125,000	15,125,000	65,314,980	(75,326)	129,271,764	255,011,418

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

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 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	-	-	-	-	-	6,181,282	6,181,282
Other comprehensive income	-	-	-	-	5,053	-	5,053
Total comprehensive income for the period	-	-	-	-	5,053	6,181,282	6,186,335
Dividends declared (Note 7)	-	-	-	-	-	(3,025,000)	(3,025,000)
Balance as at 31 March 2017	30,250,000	15,125,000	15,125,000	65,314,980	101,738	110,537,975	236,454,693

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

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF CASHFLOW

As at 31 March 2018 (Unaudited)

		Three months ended	
		31 March 2018 AED	31 March 2017 AED
Notes			
OPERATING ACTIVITIES			
	Profit for the period	5,460,266	6,181,282
	Adjustments for:		
	Depreciation	2,909,560	2,868,291
	Amortisation	122,099	104,332
	(Gain) / loss on disposal of property, plant and equipment	(14,150)	286
	Finance cost	189,587	78,528
	Provision for employees' end of service benefits	339,454	272,167
	Share of results of an associate	732,403	465,284
		9,739,219	9,970,170
	Working capital changes:		
	Inventories	(29,731,378)	(5,169,850)
	Accounts receivable and prepayments	(14,660,586)	(12,356,824)
	Trade and other payables	24,991,980	20,267,045
	Amounts due from a related party	116,630	102,505
	Amounts due to a related party	-	143,440
		(9,544,135)	12,956,486
	Employees' end of service benefits paid	(25,948)	(150,580)
	Net cash (used in) / from operating activities	(9,570,083)	12,805,906
INVESTING ACTIVITIES			
	Purchase of property, plant and equipment	(2,652,280)	(1,261,121)
4	Acquisition of intangible assets	(133,181)	-
	Proceeds from disposal of plant and equipment	14,150	-
	Net cash used in investing activities	(2,771,311)	(1,261,121)
FINANCING ACTIVITIES			
	Trust receipts obtained	25,695,678	18,575,697
	Trust receipts paid	(7,908,569)	(23,944,078)
	Finance costs paid	(189,587)	(78,528)
	Dividends paid	-	(3,025,000)
	Net cash from / (used in) financing activities	17,597,522	(8,471,909)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,256,128	3,072,876
	Cash and cash equivalents at 1 January	21,531,298	3,435,213
	CASH AND CASH EQUIVALENTS AT 31 MARCH	26,787,426	6,508,089
6			

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

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

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 31 March 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 three months period ended 31 March 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 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 starting 1 Jan to 31 Dec 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.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

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, free samples and other discounts

The Company provides price concessions, free samples and other discounts to its customers. Prior to adoption of IFRS 15, these concessions and discounts were considered as promotional and marketing activities and were recorded 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 1,471,790 (for the three months ended 31 March 2017: AED 1,457,962) 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.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

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:

	<i>Three months ended</i>	
	31 March 2018 AED (Unaudited)	31 March 2017 AED (Unaudited)
Employee expenses	9,731,158	8,513,683
Rental - operating leases	551,132	496,037
Inventories charged to cost of sales	93,365,271	86,152,176

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the period ended 31 March 2018, the Company incurred costs in respect of additions amounting to AED 2,652,280 (for the year ended 31 December 2017: AED 7,374,442).

During the period ended 31 March 2018, assets with a net book value of AED Nil were disposed of by the Company (for the year ended 31 December 2017: AED 284).

As at 31 March 2018, capital work-in-progress of AED 18,189,597 (31 December 2017: AED 16,178,870) pertains to the expenditure incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 919,941 (31 December 2017: AED 930,271).

During the period ended 31 March 2018, capital work-in-progress amounting to AED 774,627 (31 December 2017: AED 4,566,241) pertaining to expenditures incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area have been capitalized.

5 INVESTMENT IN ASSOCIATE

	31 March 2018 AED (Unaudited)	31 December 2017 AED (Audited)
Opening balance 1 January	15,894,047	18,126,420
Share of total comprehensive income of associate	(793,509)	(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	(48,407)	(229,705)
At 31 December	<u>15,052,131</u>	<u>15,894,047</u>

The Company's share of loss of associate for the period ended 31 March 2018 amounting to AED 683,996 (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 109,513 (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:

	31 March 2018 AED (Unaudited)	31 December 2017 AED (Audited)
Cash in hand	181,106	165,087
Bank balances	6,506,320	11,266,211
Deposits	21,600,000	11,600,000
Bank balances and cash	<u>28,287,426</u>	<u>23,031,298</u>
Less: deposits with an original maturity of more than three months	(1,500,000)	(1,500,000)
Cash and cash equivalents	<u>26,787,426</u>	<u>21,531,298</u>

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

7 SHARE CAPITAL

	31 March 2018 AED (Unaudited)	31 December 2017 AED (Audited)
<i>Authorised issued and fully paid up:</i>		
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

During the Board of Directors' meeting held on 7 February 2018, the Directors proposed a 10% cash dividend totaling to AED 3,025,000 relating to 2017 and approved by the Shareholders in the Annual General Meeting.

8 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period amounting to AED 5,460,266 (31 March 2017: AED 6,181,282) by the weighted average number of ordinary shares outstanding during the period ended 31 March 2018 of 30,250,000 shares (during the period ended 31 March 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, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a) Significant transactions with related parties:

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

	<i>Three months ended</i>	
	31 March 2018 AED (Unaudited)	31 March 2017 AED (Unaudited)
Other related parties:		
Sales	200,025	279,120
Purchases of raw materials and services	-	977,908

Compensation of key management personnel

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

	<i>Three months ended</i>	
	31 March 2018 AED (Unaudited)	31 March 2017 AED (Unaudited)
Short-term benefits	934,487	930,612
End of service benefits	36,017	30,930
	970,504	961,542

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from a related party:

	31 March 2018 AED (Unaudited)	31 December 2017 AED (Audited)
Other related party: Modern Bakery LLC	100,370	217,000

c) Due to a related party:

	31 March 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 31 March 2018, the Company had contingent liabilities in respect of bank amounting to AED 20,719,889 (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 management believe appropriate, adequate provisions have been made in the accounts.

Capital commitments

At 31 March 2018, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 4,345,153 (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:

	31 March 2018 AED (Unaudited)	31 December 2017 AED (Audited)
Within one year	1,797,191	1,801,821
After 1 year but not more than five years	4,546,167	4,904,979
More than five years	-	40,817
	6,343,358	6,747,617

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

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, animal oil and fat manufacturing. 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 31 March 2018, revenue from one customer amounting to AED 12,892,965 (31 March 2017: AED 12,806,398) accounts for 10% or more of the Company's total revenue.

12 FIDUCIARY ASSETS

As at 31 March 2018, the Company held 2.3 MT (31 December 2017: 63 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.

As at 31 March 2018, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 March 2018 AED	Level 1 AED	Level 2 AED	Level 3 AED
Quoted equity securities				
Investments and Financial Services Sector	260,000	260,000	-	-
Marine Terminal Operations Sector	16,432	16,432	-	-
Total	276,432	276,432	-	-

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued)

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

Assets measured at fair value

	<i>31 Dec 2017</i> <i>AED</i>	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>
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 31 March 2018 and year ended 31 December 2017, there were no transfers between the various levels of fair value measurements.

14 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:

	<i>As previously reported AED</i>	<i>Reclassifications AED</i>	<i>As reported AED</i>
Statement of comprehensive income			
For the period ended 31 March 2018			
Sales	115,725,026	(1,457,962)	114,267,064
Selling and distribution expenses	(10,863,287)	1,457,962	(9,405,325)