United Foods Company (PSC)

Condensed Interim Financial Statements (Unaudited)

For the period ended 30 September 2019

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Foods Company (PSC) (the "Company") as at 30 September 2019 and the related condensed interim statement of income, the condensed interim statement of comprehensive income for the three month and nine month periods then ended and, the condensed interim statement of changes in equity and the condensed interim statement of cash flows for the nine-month periods then ended. Management is responsible for the preparation and presentation of these condensed interim 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 condensed interim financial statements based on our review.

Other matter

The financial statements for the year ended 31 December 2018 and the condensed interim financial statements for the period ended 30 September 2018 were audited and reviewed by another auditor who expressed an unmodified opinion and an unqualified conclusion on those statements on 13 February 2019 and 4 November 2018 respectively.

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 condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Grant Thornton

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P.O. Box: 1620
DUBAI-U.A.E.
Public Accountants

Grant Thornton
Farouk Mohamed
Registration No: 86
Dubai, 3 November 2019

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United Foods Company (PSC)

CONDENSED INTERIM STATEMENT OF INCOME

For the period ended 30 September 2019 (Unaudited)

		Nine months ended		*Three months ended*	
	Notes	**30 September 2019 AED**	30 September 2018 AED	**30 September 2019 AED**	30 September 2018 AED
Sales, gross		**302,478,405**	355,947,455	**86,715,028**	102,201,825
Less: Discounts and marketing expenses		**(11,416,055)**	(10,824,879)	**(2,624,786)**	(2,689,194)
Sales, net		**291,062,350**	345,122,576	**84,090,242**	99,512,631
Cost of sales		**(229,041,204)**	(292,663,906)	**(67,003,519)**	(83,201,789)
Gross profit		**62,021,146**	52,458,670	**17,086,723**	16,310,842
Selling and distribution expenses		**(24,135,223)**	(25,561,882)	**(7,585,865)**	(7,930,454)
General and administrative expenses		**(13,402,439)**	(13,346,972)	**(4,001,562)**	(4,879,735)
Finance expense		**(719,119)**	(535,742)	**(218,141)**	(54,366)
Other income		**2,700,269**	2,262,161	**885,270**	359,689
Profit before the results of associate		**26,464,634**	15,276,235	**6,166,425**	3,805,976
Share of results of an associate	6	**(2,959,666)**	(1,603,263)	**(902,877)**	(552,972)
Profit for the period		**23,504,968**	13,672,972	**5,263,548**	3,253,004
Earnings per share in AED	9	**0.78**	0.45	**0.17**	0.11

The attached notes 1 to 15 form part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 September 2019 (Unaudited)

	Nine months ended		*Three months ended*	
	30 September 2019 AED	30 September 2018 AED	**30 September 2019 AED**	30 September 2018 AED
Profit for the period	**23,504,968**	13,672,972	**5,263,548**	3,253,004
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	**12,729**	(54,382)	**35,893**	(15,422)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Share of other comprehensive income of an associate	**(67,172)**	(180,851)	**(6,204)**	(9,297)
Other comprehensive loss	**(54,443)**	(235,233)	**29,689**	(24,719)
Total comprehensive income for the period	**23,450,525**	13,437,739	**5,293,237**	3,228,285

The attached notes 1 to 15 form part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Notes	30 September 2019 AED (Unaudited)	31 December 2018 AED (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	**107,179,132**	113,390,806
Intangible asset		**443,282**	472,919
Right to use assets	5	**14,141,839**	-
Investment securities		**225,218**	212,489
Investment in an associate	6	**9,706,954**	12,733,792
		131,696,425	126,810,006
Current assets			
Inventories		**53,467,245**	50,940,968
Accounts receivable and prepayments		**73,240,172**	77,270,265
Amounts due from a related party	11	**5,516,612**	5,384,056
Bank balances and cash	7	**72,406,778**	57,611,316
		204,630,807	191,206,605
TOTAL ASSETS		**336,327,232**	318,016,611
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**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		**(386,768)**	(332,325)
Retained earnings		**157,159,774**	141,217,306
Total equity		**282,587,986**	266,699,961
LIABILITIES			
Non-current liability			
Employees' end of service benefits		**7,075,767**	6,803,963
Lease liabilities	10	**12,536,745**	-
		19,612,512	6,803,963
Current liabilities			
Trade and other payables		**32,400,338**	44,512,687
Lease liabilities	10	**1,726,396**	-
		34,126,734	44,512,687
Total liabilities		**53,739,246**	51,316,650
TOTAL EQUITY AND LIABILITIES		**336,327,232**	318,016,611

Ali Bin Humaid Al Owais
Chairman
3/11/2019

Mohammed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
3/11/2019

The attached notes 1 to 15 form part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2019 (Unaudited)

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
2019:							
Balance as at 1 January 2019	30,250,000	15,125,000	15,125,000	65,314,980	(332,325)	141,217,306	266,699,961
Profit for the period	-	-	-	-	-	23,504,968	23,504,968
Other comprehensive income	-	-	-	-	(54,443)	-	(54,443)
Total comprehensive income for the period	-	-	-	-	(54,443)	23,504,968	23,450,525
Dividends declared (Note 8)	-	-	-	-	-	(7,562,500)	(7,562,500)
Balance as at 30 September 2019	**30,250,000**	**15,125,000**	**15,125,000**	**65,314,980**	**(386,768)**	**157,159,774**	**282,587,986**
2018:							
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	-	-	-	-	-	13,672,972	13,672,972
Other comprehensive income	-	-	-	-	(235,233)	-	(235,233)
Total comprehensive income for the period	-	-	-	-	(235,233)	13,672,972	13,437,739
Dividends declared (Note 8)	-	-	-	-	-	(3,025,000)	(3,025,000)
Balance as at 30 September 2018	30,250,000	15,125,000	15,125,000	65,314,980	(179,221)	137,484,470	263,120,229

The attached notes 1 to 15 form part of these condensed interim financial statements.

United Foods Company (PSC)

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the period ended 30 September 2019 (Unaudited)

	Notes	*Nine* months ended 30 September 2019 AED	30 September 2018 AED
OPERATING ACTIVITIES			
Profit for the period		**23,504,968**	13,672,972
Adjustments for:			
Depreciation on property, plant and equipment		**8,143,439**	8,330,212
Depreciation on right to use assets	5	**1,067,911**	-
Amortisation		**130,672**	349,425
Loss/(gain) on disposal of property, plant and equipment		**3,839**	(97,270)
Finance cost		**719,119**	535,742
Provision for employees' end of service benefits		**825,996**	869,830
Share of results of associate		**2,959,666**	1,603,263
		37,355,610	25,264,174
Working capital changes:			
Inventories		**(2,526,277)**	13,491,837
Accounts receivable and prepayments		**3,912,457**	(2,093,710)
Trade and other payables		**(12,112,349)**	(9,499,410)
Amounts due from a related party		**(132,556)**	(111,190)
Amounts due to a related party		**-**	(48,323)
		26,496,885	27,003,378
Employees' end of service benefits paid		**(554,192)**	(201,979)
Net cash generated from operating activities		**25,942,693**	26,801,399
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(1,935,604)**	(5,751,684)
Purchase of intangible assets		**(101,035)**	(269,819)
Proceed from disposal of property, plant and equipment		**-**	99,864
Net cash used in investing activities		**(2,036,639)**	(5,921,639)
FINANCING ACTIVITIES			
Trust receipts obtained		**-**	64,913,661
Trust receipts paid		**-**	(64,913,661)
Payment of lease liabilities	10	**(1,380,636)**	-
Finance costs paid		**(167,456)**	(535,742)
Dividends paid	8	**(7,562,500)**	(3,025,000)
Net cash used in financing activities		**(9,110,592)**	(3,560,742)
INCREASE IN CASH AND CASH EQUIVALENTS		**14,795,462**	17,319,018
Cash and cash equivalents at 1 January		**56,061,316**	21,531,298
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	7	**70,856,778**	38,850,316

The attached notes 1 to 15 form part of these condensed interim 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 September 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 condensed interim financial statements for the nine months period ended 30 September 2019 have been prepared in accordance with IAS 34 "*Interim Financial Reporting*". The condensed interim 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 2018.

In addition, results for the nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the condensed interim financial statements of the Company.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

The Company has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. All right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

New standards, interpretations and amendments thereof, adopted by the Company (continued)

IFRS 16 Leases (continued)

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

On adoption of IFRS 16 using the modified retrospective transition approach as of 1 January 2019, as explained above, the Company recognised the following assets and liabilities:

	AED *(Unaudited)*
Right to use assets (Note 5)	**14,919,028**
Leased liabilities recognised (Note 10)	**(14,801,392)**
Adjustment of prepayments	**(117,636)**
	(14,919,028)

There was no impact on the statement of equity of the Company as all right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses).

Following is the impact on the condensed interim statement of profit and loss for the period ended 30 September 2019:

	AED *(Unaudited)*
Depreciation expense on right to use assets (under IFRS 16)	**(1,067,911)**
Finance costs (under IFRS 16)	**(551,663)**
Rental – operating lease (under IAS 17)	**1,380,636**
Net impact on profit for the period	**(238,938)**

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

Right to use assets

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if any. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

New standards, interpretations and amendments thereof, adopted by the Company (continued)

IFRS 16 Leases (continued)

Lease liabilities (continued)
In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the respective lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of certain stores (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office vehicles that are considered of low value (i.e., below AED 18,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases to lease the assets for additional terms of three or more years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company included the renewal period as part of the lease term for leases of land and building due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Company has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

3 PROFIT FOR THE PERIOD

Profit for the period is stated after charging:

	Nine months ended		*Three months ended*	
	30 September 2019 AED *(Unaudited)*	30 September 2018 AED *(Unaudited)*	**30 September 2019 AED *(Unaudited)***	30 September 2018 AED *(Unaudited)*
Employee expenses	**27,257,224**	28,765,165	**8,902,121**	9,258,294
Rental - operating lease	**188,261**	1,653,541	**32,871**	553,459
Inventories charged to cost of sales	**206,785,668**	266,036,654	**60,028,721**	75,343,317
Relocation expenses of product lines	**873,525**	-	**82,716**	-

Rental – operating leases expense for the period ended 30 September 2019 relates to the lease contracts that have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the period ended 30 September 2019, the Company incurred costs in respect of additions amounting to AED 1,935,604 (for the year ended 31 December 2018: AED 6,054,003).

During the period ended 30 September 2019, assets with a net book value of AED 3,839 were disposed of by the Company (for the year ended 31 December 2018: Nil).

As at 30 September 2019, capital work-in-progress of AED 3,078,231 (31 December 2018: AED 2,467,056) includes the expenditure incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 65,547 (31 December 2018: AED 323,108). During the period ended 30 September 2019, capital work-in-progress amounting to AED 1,324,316 (31 December 2018: AED 40,599) pertaining to expenditures incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area have been capitalised.

The Company has temporarily rented out a portion of land and building in Al Quoz to a related party and certain staff accommodation units to third party to earn rentals.

5 RIGHT TO USE ASSETS

	AED *(Unaudited)*
At 1 January 2019 (Note 2)	**14,919,028**
Addition during the period	**290,722**
Less: depreciation for the period	**(1,067,911)**
At 30 September 2019	**14,141,839**

The Company has lease contracts for various items of land and motor vehicles. Before the adoption of IFRS 16, the Company classified each of its said leases (as lessee) at the inception date as operating leases. In an operating lease, the leased items were not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term.

6 INVESTMENT IN ASSOCIATE

	30 September 2019 AED *(Unaudited)*	31 December 2018 AED *(Audited)*
As at 1 January	**12,733,792**	15,894,047
Share of comprehensive loss of associate	**(2,959,666)**	(2,857,687)
Share of other comprehensive loss of associate	**(67,172)**	(302,568)
	9,706,954	12,733,792

The Company's share of loss of associate for the period ended 30 September 2019 amounting to AED 2,814,840 (for the year ended 31 December 2018: AED 2,664,587) is recorded in share of results of an associate and share of other comprehensive loss of associate amounting to AED 67,172 (for the year ended 31 December 2018: AED 302,568) is recorded in other comprehensive income of the Company.

7 CASH AND CASH EQUIVALENTS

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

	30 September 2019 AED *(Unaudited)*	31 December 2018 AED *(Audited)*
Cash in hand	**228,236**	87,873
Bank balances	**4,528,542**	15,873,443
Deposits	**67,650,000**	41,650,000
Bank balances and cash	**72,406,778**	57,611,316
Less: deposits with an original maturity of more than three month	**(1,550,000)**	(1,550,000)
Cash and cash equivalents	**70,856,778**	56,061,316

8 SHARE CAPITAL

	30 September 2019 AED *(Unaudited)*	31 December 2018 AED *(Audited)*
Authorised issued and fully paid up: 30,250,000 shares of 1 AED each (31 December 2018: 30,250,000 shares of 1 AED each)	**30,250,000**	30,250,000

Dividend declared

The Annual General Meeting held on 25 March 2019 approved 25% cash dividend totaling to AED 7,562,500 relating to 2018 (relating to 2017: AED 3,025,000).

9 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period amounting to AED 23,504,968 (30 September 2018: AED 13,672,972) by the weighted average number of ordinary shares outstanding during the period ended 30 September 2019 of 30,250,000 shares (during the period ended 30 September 2018: 30,250,000 shares).

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

10 LEASE LIABILITIES

	AED (Unaudited)
At 1 January 2019 (Note 2)	14,801,392
Addition during the period	290,722
Add: finance cost	551,663
Less: payments during the period, net of prepayments and accruals adjustment	(1,380,636)
At 30 September 2019	14,263,141

Presented on statement of financial position as follows:

	AED (Unaudited)
Current	1,726,396
Non-current	12,536,745
At 30 September 2019	14,263,141

11 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 are as follows:

	Nine months ended		*Three months ended*	
	30 September 2019 AED *(Unaudited)*	30 September 2018 AED *(Unaudited)*	**30 September 2019 AED *(Unaudited)***	30 September 2018 AED *(Unaudited)*
Other related parties:				
Sales to related parties	**498,861**	695,311	**164,357**	158,857
Purchases of raw materials and services	**316,080**	-	**301,789**	-
Expenses recharged	**406,161**	-	**122,333**	-
Rental income	**87,500**	-	**87,500**	-

Compensation of key management personnel

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

	Nine months ended		*Three months ended*	
	30 September 2019 AED *(Unaudited)*	30 September 2018 AED *(Unaudited)*	**30 September 2019 AED *(Unaudited)***	30 September 2018 AED *(Unaudited)*
Short-term benefits	**2,438,597**	2,436,097	**818,699**	811,199
Employees' end of service benefits	**108,610**	108,610	**36,390**	36,390
Bonus	**373,973**	373,973	**126,028**	126,028
	2,921,180	2,918,680	**981,117**	973,617

11 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Amounts due from a related party:

	30 September 2019 AED *(Unaudited)*	31 December 2018 AED *(Audited)*
Trade receivables	**516,612**	384,056
Advance paid	**5,000,000**	5,000,000
	5,516,612	5,384,056

The Company signed memorandum of understanding/pre-sales agreement and given refundable advance of AED 5,000,000 to a related party for purchase of properties. The Annual General Meeting held on 25 March 2019 approved the transaction. The transaction is subject to further evaluation and approvals of related government authorities.

12 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 30 September 2019, the Company had contingent liabilities in respect of banks amounting to AED 2,193,925 (31 December 2018: AED 1,825,395) 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 September 2019, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 401,621 (31 December 2018: AED 1,992,614).

13 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 September 2019, revenue from no customer accounts for 10% or more of the Company's total revenue (30 September 2018: Revenue from no customer accounts for 10% or more of the Company's total revenue).

14 FIDUCIARY ASSETS

As at 30 September 2019, the Company held 2.28 MT (31 December 2018: 2.5 MT) raw materials, in a fiduciary capacity on behalf of third parties.

15 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, amounts due from a related party and available-for-sale investments. Financial liabilities consist of trust receipts, trade and other payables and amounts 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 30 September 2019, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	30 September 2019 AED	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**
Quoted equity securities				
Investments and Financial Services Sector	**215,000**	**215,000**	-	-
Marine Terminal Operations Sector	**10,218**	**10,218**	-	-
Total	**225,218**	**225,218**	-	-

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

Assets measured at fair value

	31 Dec 2018 AED	Level 1 AED	Level 2 AED	Level 3 AED
Quoted equity securities				
Investments and Financial Services Sector	200,000	200,000	-	-
Marine Terminal Operations Sector	12,489	12,489	-	-
Total	212,489	212,489	-	-

During the period ended 30 September 2019 and year ended 31 December 2018, there were no transfers between the various levels of fair value measurements.