United Foods Company (PSC)

Financial statements

31 December 2011

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United Foods Company psc

DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors are pleased to present their report together with audited financial statements of United Foods Company (PSC) ("the Company") for the year ended 31 December 2011.

1 Review of the activities

The year 2011 witnessed gradual increase in the commodity prices as the global economic crisis subsided. Edible oil prices in the international market also followed the similar trend which could not be translated to increase selling prices due to difficult market conditions and stiff competition.

The Company posted a net profit of AED 20.97 million (2010: AED 54.04 million) with an overall increase of 32% in turnover because of better market spread. Efforts to consolidate and improve market coverage will be strengthened further in 2012.

Following is the status of retained earnings:

		AED
Balance brought forward from the year 2010		43,014,839
Dividend paid		(17,500,000)
Net profit for the year 2011		20,965,853
Profit available for appropriation		46,480,692
Appropriations:		
Transfer to General reserve	(10,000,000)	
Distribution to directors	(1,750,000)	(11,750,000)
Retained profit		34,730,692

No dividend is proposed to retain profits into the business for better future prospects.

2 Directors

The list of Directors of the Company is as follows:

- Mr. Ali Bin Humaid Al Owais - Chairman
- Mr.Mohamed Salim Rashid Abdalla Al Owais - Vice Chairman
- Mr. Mohamed Abdel Aziz Ali Abdalla Al Owais - Director
- Mr. Obaid Saeed Al Mulla - Director
- Mr. Fahad Abdul Salam Al Rafi - Director
- Mr. Abdulla Rahma Al Owais - Director
- Mr. Ali Sultan Abdalla Al Owais - Director

3 Auditors

KPMG was appointed auditors of the Company for the year ended 31 December 2011 and being eligible, they have offered themselves for reappointment for the year ended 31 December 2012.

On behalf of the Board,

Ali Bin Humaid Al Owais
Chairman

Dubai, United Arab Emirates
Date: 22 March 2012

KPMG

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Independent auditors' report

The Shareholders
United Foods Company (PSC)

Report on the financial statements

We have audited the accompanying financial statements of United Foods Company (PSC) ("the Company"), which comprise the statement of financial position as at 31 December 2011, income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, a physical count of inventories was carried out by the management in accordance with established principles, and the contents of the Directors' report which relate to these financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2011, which may have had a material adverse effect on the business of the Company or its financial position.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2010 were audited by another auditor who expressed an unmodified opinion on those statements on 23 February 2011.

KPMG
KPMG
Date:
Vijendra Nath Malhotra
Registration No: 48 B
22 MAR 2012

United Foods Company (PSC)

Income statement
for the year ended 31 December 2011

	Note	**2011 AED**	2010 AED
Revenue		**457,248,087**	345,957,384
Cost of sales	*5*	**(398,059,908)**	(270,472,994)
Gross profit		**59,188,179**	75,484,390
Administrative and general expenses	*6*	**(10,136,181)**	(8,727,297)
Compensation for agency termination	*7*	**(15,263,200)**	-
Selling and distribution expenses	*8*	**(14,912,097)**	(12,351,207)
Finance expenses	*9*	**(2,608,839)**	(1,755,470)
Other income	*10*	**4,697,991**	1,392,863
Profit for the year		**20,965,853**	54,043,279
Earnings per share – basic and diluted	*25*	**0.84**	2.16

The notes set out on pages 10 to 31 form part of these financial statements.

The independent auditors' report is set out on page 3.

United Foods Company (PSC)

Statement of comprehensive income
for the year ended 31 December 2011

	Note	**2011 AED**	2010 AED
Profit for the year		**20,965,853**	54,043,279
Other comprehensive income:			
Net change in fair value of available for sale investments	*12*	**(169,646)**	(89,426)
Total other comprehensive income for the year		**(169,646)**	(89,426)
Total comprehensive income for the year		**20,796,207**	53,953,853

The notes set out on pages 10 to 31 form part of these financial statements.

The independent auditors’ report is set out on page 3.

United Foods Company (PSC)

Statement of financial position
as at 31 December 2011

	Note	2011 AED	2010 AED
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**69,925,386**	72,256,205
Available for sale investments	*12*	**217,077**	386,723
Total non-current assets		**70,142,463**	72,642,928
Current assets			
Inventories	*13*	**113,286,503**	94,429,511
Trade and other receivables	*14*	**50,624,587**	50,188,423
Due from related parties	*15*	**3,563,930**	339,893
Cash at bank and in hand	*16*	**397,377**	247,789
Total current assets		**167,872,397**	145,205,616
Total assets		**238,014,860**	217,848,544
EQUITY			
Share capital	*20*	**25,000,000**	25,000,000
Statutory reserve	*21*	**12,500,000**	12,500,000
Regular reserve	*22*	**12,500,000**	12,500,000
General reserve	*23*	**65,314,980**	55,314,980
Fair value reserve	*24*	**(59,616)**	110,030
Retained earnings		**34,730,692**	43,014,839
Total equity		**149,986,056**	148,439,849
LIABILITIES			
Non-current liabilities			
Staff terminal benefits	*19*	**2,538,329**	2,479,902
Total non-current liabilities		**2,538,329**	2,479,902
Current liabilities			
Trade and other payables	*17*	**33,306,026**	39,399,754
Due to a related party	*15*	**6,001,530**	6,225,137
Bank borrowings	*18*	**46,182,919**	21,303,902
Total current liabilities		**85,490,475**	66,928,793
Total liabilities		**88,028,804**	69,408,695
Total equity and liabilities		**238,014,860**	217,848,544

These financial statements were authorised for issue on behalf of the Board of Directors on

22 MAR 2012

Ali Bin Humaid Al Owais
Chairman

Mohamed Abdel Aziz Ali Abdalla Al Owais
Director

The notes set out on pages 10 to 31 form part of these financial statements.

The independent auditors' report is set out on page 3.

United Foods Company (PSC)

Statement of cash flows

for the year ended 31 December 2011

	2011 AED	2010 AED
Operating activities		
Profit for the year	**20,965,853**	54,043,279
Adjustments for:		
Depreciation	**9,010,463**	8,538,513
Profit on disposal of property, plant and equipment	**(107,346)**	(47,139)
Finance expenses	**2,608,839**	1,755,470
Provision for employees' end of service benefit	**507,816**	558,283
Operating profit before changes in working capital	**32,985,625**	64,848,406
Change in inventories	**(18,856,992)**	(2,354,619)
Change in trade and other receivables	**(436,164)**	(9,222,628)
Change in due from a related party	**(3,252,981)**	(274,455)
Change in trade and other payables	**(7,843,728)**	13,235,824
Change in due to a related party	**(223,607)**	(6,855,606)
Employees' end of service benefits paid	**(420,445)**	(459,372)
Net cash from operating activities	**1,951,708**	58,917,550
Investing activities		
Purchase of property, plant and equipment	**(6,765,302)**	(15,756,805)
Proceeds from disposal of property, plant and equipment	**193,004**	121,508
Net cash used in investing activities	**(6,572,298)**	(15,635,297)
Financing activities		
Net movement in trust receipts	**37,270,420**	(24,016,445)
Short term loan repaid during the year	**(5,000,000)**	(5,000,000)
Finance expenses paid	**(2,608,839)**	(1,755,470)
Dividend paid	**(17,500,000)**	(7,500,000)
Net cash from/(used) in financing activities	**12,161,581**	(38,271,915)
Net increase in cash and cash equivalents	**7,540,991**	5,010,338
Cash and cash equivalents at the beginning of the year	**(11,056,113)**	(16,066,451)
Cash and cash equivalents at the end of the year	**(3,515,122)**	(11,056,113)
Cash and cash equivalents comprise:		
Cash at bank and in hand	**397,377**	247,789
Bank overdraft	**(3,912,499)**	(11,303,902)
	(3,515,122)	(11,056,113)

The notes set out on pages 10 to 31 form part of these financial statements.

The independent auditors' report is set out on page 3.

United Foods Company (PSC)

Statement of changes in equity
for the year ended 31 December 2011

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
At 1 January 2010	25,000,000	12,500,000	12,500,000	35,314,980	199,456	18,471,560	103,985,996
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	54,043,279	54,043,279
Other comprehensive income							
Net change in fair value of available for sale investments	-	-	-	-	(89,426)	-	(89,426)
Total other comprehensive income	-	-	-	-	(89,426)	-	-
Total comprehensive income for the year	-	-	-	-	(89,426)	54,043,279	53,953,853
Transactions with owners, recorded directly in equity							
Transfer to the general reserve	-	-	-	20,000,000	-	(20,000,000)	-
Contributions by and distributions to owners							
Directors' fees	-	-	-	-	-	(2,000,000)	(2,000,000)
Dividend paid	-	-	-	-	-	(7,500,000)	(7,500,000)
Total contributions by and distributions to owners	-	-	-	-	-	(9,500,000)	(9,500,000)
Total transactions with owners	-	-	-	20,000,000	-	(29,500,000)	(9,500,000)
At 31 December 2010	**25,000,000**	**12,500,000**	**12,500,000**	**55,314,980**	**110,030**	**43,014,839**	**148,439,849**

United Foods Company (PSC)

Statement of changes in equity *(continued)*
for the year ended 31 December 2011

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
At 1 January 2011	25,000,000	12,500,000	12,500,000	55,314,980	110,030	43,014,839	148,439,849
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	20,965,853	20,965,853
Other comprehensive income							
Net change in fair value of available for sale investments	-	-	-	-	(169,646)	-	(169,646)
Total other comprehensive income	-	-	-	-	(169,646)	-	(169,646)
Total comprehensive income for the year	-	-	-	-	(169,646)	20,965,853	20,796,207
Transactions with owners, recorded directly in equity							
Transfer to the general reserve	-	-	-	10,000,000	-	(10,000,000)	-
Contributions by and distributions to owners							
Directors' fees	-	-	-	-	-	(1,750,000)	(1,750,000)
Dividend paid	-	-	-	-	-	(17,500,000)	(17,500,000)
Total contributions by and distributions to owners	-	-	-	-	-	(19,250,000)	(19,250,000)
Total transactions with owners	-	-	-	-	-	(19,250,000)	(19,250,000)
At 31 December 2011	**25,000,000**	**12,500,000**	**12,500,000**	**65,314,980**	**(59,616)**	**34,730,692**	**149,986,056**

The notes set out on pages 10 to 31 form part of these financial statements.

1. Reporting entity

United Foods Company (PSC) ("the Company") is a Public Shareholding Company, incorporated on 1 November 1976 by a Decree from 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. 8 of 1984 (as amended). The Company listed its shares on the Dubai Financial Market (DFM) in July 2006.

The Company is primarily engaged in the manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products, animal oil and fat manufacturing,.

The registered address of the Company is P.O. Box 5836, Dubai, UAE.

2. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for available for sale financial assets which are measured at fair value.

Functional and presentation currency

The financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Company's functional currency.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 31.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Certain comparative figures have been regrouped/reclassified to conform to the current year's presentation.

Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as reduction of revenue as the sales are recognised.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Capital work in progress

Capital work in progress is stated at cost less any impairment and not depreciated until such time the assets are ready for intended use and transferred to the respective category under property, plant and equipment.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

3. Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

Depreciation

Items of property, plant and equipments are depreciated on a straight line basis in profit or loss over the estimated useful live of each component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use. The estimated useful lives for the current and comparative years of significant items of property, plant and equipments are as follows:

Asset	**Life (years)**
Buildings	20
Plant, machinery and equipments	4 -10
Furniture and fixtures	4
Motor vehicles	4

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

Raw materials
The cost of raw materials includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Valuation of the raw material is determined on a weighted average cost basis.

Finished goods and work-in-progress
The cost of finished goods and work-in-progress are stated at cost of direct materials and direct labour plus an appropriate share of production overheads based on normal level of activity.

Spares and consumables
Cost is determined on a weighted average cost basis and comprises the purchase cost of such materials.

3. Significant accounting policies *(continued)*

Financial instruments

(i) Non derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies the non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and due from related parties.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Impairment losses on available for sale financial assets are recognised in profit and loss.

Available-for-sale financial assets comprise equity securities.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise bank borrowings, trade and other payables and due to a related party.

Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

3. Significant accounting policies *(continued)*

Impairment

(i) Non-derivative financial assets (continued)

Financial assets measured at amortised cost (continued)

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non- financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. All impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies *(continued)*

Staff terminal benefits

The provision for staff terminal benefits, disclosed as a long-term liability, is calculated in accordance with the UAE Labour Law and is based on the liability that would arise if the employment of the Company's staff were terminated at the reporting date.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to AED at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Finance expenses

Finance expenses comprise interest expense on bank borrowings, guarantee commission and bank charges.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3. Significant accounting policies *(continued)*

Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (if any). Diluted earnings per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held (if any), for the effects of all dilutive potential ordinary shares.

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. Management has assessed the impact of the new standards, amendments to standards and interpretations and amendments to published standards, and concluded that they are either not relevant to the Company or their impact is limited to the disclosures and presentation requirement in the financial statements.

4. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and principally from the Company's receivables from customers, due from related parties and cash with banks.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring of outstanding receivables. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Cash at bank
The Company's cash is placed with banks of repute.

Amounts due from related parties
Amounts due from related parties are considered recoverable by management.

4. Financial risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant transactions in any currency other than the functional currency.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk other than relating to its bank borrowings.

Equity price risk

Equity price risk arises from available-for sale equity securities. Exposure to price risk is monitored by the management on an ongoing basis to assess the impact of changes in market conditions. The Company is also exposed to commodity price risk in respect of the raw materials used by the Company in the production process. The Company does not hedge its commodity price risk.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earnings. The Board of Directors monitors the return on capital.

5. Cost of sales

	2011 AED	2010 AED
Cost of sales of manufactured goods comprises:		
Materials:		
Opening stock of raw materials	**66,195,205**	74,948,284
Purchases	**385,036,187**	232,326,008
Closing stock of raw materials	**(96,666,597)**	(66,195,205)
	354,564,795	241,079,087
Manufacturing overheads:		
Salaries and wages	**7,584,607**	6,371,232
Fuel and power	**20,519,886**	14,188,637
Repairs and maintenance	**2,009,352**	1,155,876
Depreciation	**6,849,276**	7,022,224
Others	**4,946,927**	3,250,353
Total manufacturing cost	**396,474,843**	273,067,409
Opening stock of work-in-progress	**5,614,225**	2,257,870
Closing stock of work-in-progress	**(4,585,845)**	(5,614,225)
Cost of goods manufactured	**397,503,223**	269,711,054
Opening stock of finished goods	**9,732,624**	10,494,564
Closing stock of finished goods	**(9,175,939)**	(9,732,624)
	398,059,908	270,472,994

6. Administrative and general expenses

	2011 AED	2010 AED
Staff costs	**3,590,820**	4,823,034
Depreciation	**2,161,187**	1,516,289
Legal and professional fees	**2,311,463**	986,802
Recruitment expenses	**675,859**	404,333
Impairment loss on trade receivables	**332,369**	-
License fees	**342,097**	344,496
Communication expenses	**200,165**	196,863
Printing and stationery	**205,293**	107,942
Others	**316,928**	347,538
	10,136,181	8,727,297

7. Compensation for agency termination

In 2010, a customer had filed a claim against the Company for AED 60 million in compensation for damages incurred due to alleged breaches. The Company had filed a counter claim for AED 27.5 million as the customer was in breach of his obligations pursuant to a secondary agreement entered into with the Company. However, in response to the arbitration request received on 14 April 2010, both parties paid their fees and arbitration proceedings commenced.

On 11 March 2012, the judgment was passed by the arbitration tribunal panel whereby it was communicated that the Company has to pay AED 18,307,689 to the customer. An amount of AED 3,044,489 which was payable to the customer has been adjusted against the compensation amount and accordingly, the Company has recorded an expense of AED 15,263,200 in the 2011 financial statements.

8. Selling and distribution expenses

	2011	2010
	AED	AED
Staff costs	**3,155,108**	3,410,434
Advertisement expenses	**1,347,093**	1,162,346
Repair and maintenance	**2,270,919**	1,080,774
Fuel expense	**2,080,860**	1,270,755
Discount to customers	**2,895,602**	1,779,037
Freight and loading	**1,950,901**	1,995,395
Rent	**510,015**	492,008
Commission	**261,016**	74,461
Others	**440,583**	842,854
	14,912,097	12,108,064

9. Finance expenses

	2011	2010
	AED	AED
Recognised in profit or loss		
Interest on bank overdraft and trust receipts	**2,212,332**	1,186,404
Interest on long-term loan	**142,500**	370,625
Guarantee commission	**21,965**	19,315
Bank charges	**232,042**	179,126
Finance expenses recognised in profit or loss	**2,608,839**	1,755,470
Recognised in other comprehensive income		
Net change in fair value of available-for-sale financial assets	**169,646**	89,426
Finance expense recognised in other comprehensive income	**169,646**	89,426

10. Other income

	2011 AED	2010 AED
Gain on disposal of property, plant and equipment	**107,346**	107,245
Income from oil refining	**866,333**	-
Storage charges of oil	**1,050,693**	-
Sale of by-products, scrap and others	**1,621,891**	1,036,400
Miscellaneous income	**1,051,728**	249,218
	4,697,991	1,392,863

11. Property, plant and equipment

	Land and buildings AED	**Plant, machinery, and equipments AED**	**Furniture and fixtures AED**	**Motor vehicles AED**	**Capital work in progress AED**	**Total AED**
Cost						
At 1 January 2010	48,659,991	98,291,894	2,990,323	12,155,538	363,999	162,461,745
Additions	15,288,967	606,531	183,805	2,778,955	1,910,947	20,769,205
Transfers from CWIP	30,540	576,000	-	-	(606,540)	-
Disposals	(502,325)	(13,902)	(92,967)	(794,860)	-	(1,404,054)
At 31 December 2010	63,477,173	99,460,523	3,081,161	14,139,633	1,668,406	181,826,896
At 1 January 2011	63,477,173	99,460,523	3,081,161	14,139,633	1,668,406	181,826,896
Additions	105,100	1,220,919	153,232	2,846,000	2,440,051	6,765,302
Transfers from CWIP	455,719	675,819	-	-	(1,131,538)	-
Disposals	-	-	(62,008)	(675,570)	-	(737,578)
At 31December 2011	64,037,992	101,357,261	3,172,385	16,310,063	2,976,919	187,854,620
Depreciation						
At 1 January 2010	19,658,012	71,451,649	2,635,366	8,616,836	-	102,361,863
Charge for the year	2,129,832	4,662,239	202,801	1,543,641	-	8,538,513
On disposals	(459,373)	(4,094)	(84,882)	(781,336)	-	(1,329,685)
At 31 December 2010	21,328,471	76,109,794	2,753,285	9,379,141	-	109,570,691
At 1 January 2011	21,328,471	76,109,794	2,753,285	9,379,141	-	109,570,691
Charge for the year	2,131,084	4,623,445	165,174	2,090,760	-	9,010,463
On disposals	-	-	(43,535)	(608,385)	-	(651,920)
At 31 December 2011	23,459,555	80,733,239	2,874,924	10,861,516	-	117,929,234
Net book value						
At 31 December 2011	**40,578,437**	**20,624,022**	**297,461**	**5,448,547**	**2,976,919**	**69,925,386**
At 31 December 2010	42,148,702	23,350,729	327,876	4,760,492	1,668,406	72,256,205

11. Property, plant and equipment *(continued)*

(a) Depreciation has been allocated as follows:

	2011	2010
	AED	AED
Cost of sales	**6,849,276**	7,022,224
Administrative and general expenses	**2,161,187**	1,516,289
	9,010,463	8,538,513

(b) The Company's building on Sheikh Zayed Road is constructed on land for which freehold rights have been acquired from the Government of Dubai in 2010. The land is registered in the name of the Company.

(c) The Company's building in Jebel Ali Industrial Area is constructed on land taken on lease from the Government of Dubai. Also refer note 26.

(d) Capital work-in-progress mainly relates to some filling machines, deodorizer, transformers and other mechanical items utilized during the course of installation.

(e) The cost of fully depreciated assets still in use as at 31 December 2011was AED 71.2 million *(2010: AED 69.2 million).*

12. Available for sale investments

	2011	2010
	AED	AED
At 1 January	**386,723**	476,149
Fair value adjustment	**(169,646)**	(89,426)
At 31 December	**217,077**	386,723

All the investments in available for sale financial assets are held in equity securities listed on Dubai Financial Market.

13. Inventories

	2011	2010
	AED	AED
Raw materials	**90,866,809**	60,076,669
Stores and spares	**693,275**	731,153
Packing materials	**5,106,513**	5,387,383
	96,666,597	66,195,205
Less: Provision for slow moving inventories	**(1,275,128)**	(815,533)
	95,391,469	65,379,672
Work-in-progress	**4,585,845**	5,614,225
Finished goods	**9,175,939**	9,732,624
Goods in transit	**4,133,250**	13,702,990
	113,286,503	94,429,511

14. Trade and other receivables

	2011 AED	2010 AED
Trade receivables	**49,361,724**	44,823,169
Less: Allowance for impairment	**(1,422,791)**	(1,192,155)
	47,938,933	43,631,014
Prepayments	**490,499**	777,364
Advances to suppliers	**1,018,151**	148,678
Other receivables	**1,177,004**	5,631,367
	50,624,587	50,188,423

15. Related party transactions and balances

The Company, in the normal course of business, carries out transactions with enterprises that fall within the definition of a related party as set out in International Accounting Standard 24. Transactions with related parties are carried out at mutually agreed rates between the parties. The following are the details of significant transactions with related parties during the year:

	2011 AED	2010 AED
Sales to related parties		
United Kaipara Dairies Co (PSC) - sales	**13,244,296**	11,738,200
Modern Bakery LLC	**2,618,637**	1,338,322
	15,862,933	13,076,522
Purchase of raw materials and services from related parties		
United Kaipara Dairies Co (PSC) - purchases	**47,736,468**	21,943,661
United Kaipara Dairies Co (PSC) – services	**2,782,425**	7,983,693
United Can Company LLC	**23,219,502**	24,178,023
	73,738,395	54,105,377
Purchase of fixed assets from United Kaipara Dairies Co (PSC)	**2,727,835**	2,139,145
Compensation to key management personnel is as follows:		
Short term employee benefits (salaries, allowances and bonus)	**1,533,720**	1,930,866

	2011 AED	2010 AED
Due from related parties		
United Kaipara Dairies Co (PSC)	**3,418,935**	280,118
Modern Bakery LLC	**144,995**	59,775
	3,563,930	339,893
Due to a related party		
United Can Company LLC	**6,001,530**	6,225,137

16. Cash at bank and in hand

	2011	2010
	AED	AED
Cash in hand	**49,820**	81,300
Cash at banks	**347,557**	166,489
	---------	----------
	397,377	247,789
	=====	======

17. Trade and other payables

	2011	2010
	AED	AED
Trade payables	**5,153,443**	25,572,624
Advances from customers	**2,236,073**	2,339,776
Accrued expenses, other payables and provisions (refer (i) and (ii) below)	**25,916,510**	11,487,354
	-------------	--------------
	33,306,026	39,399,754
	=======	========

(i) includes an amount of 18,307,689 for compensation payable to a customer *(2010: AED 3,044,489)*. Also refer note 7.

(ii) includes an amount of AED 213,950 *(2010:AED 133,800)* pertaining to unclaimed dividend payable to shareholders.

18. Bank borrowings

	2011	2010
	AED	AED
Bank overdraft	**3,912,499**	11,303,902
Trust receipts	**42,270,420**	5,000,000
Short term bank loan	**-**	5,000,000
	-------------	-------------
	46,182,919	21,303,902
	=======	=======

Short-term bank borrowings carry interest at normal commercial rates and are obtained on normal commercial terms. Bank borrowings and facilities of the Company are secured by:

- Assignment of insurance on stock on pari-passu basis; and
- Prior consent of the bank to be obtained for any change in ownership/legal status of the Company.

Furthermore, the Company is required to comply with the following bank covenants (which they are in compliance with at 31 December 2011):

- Financial leverage ratio will be maintained at 2.5:1 or below;
- Maintain a minimum tangible net worth of AED 140 million; and
- Maintain net gearing ratio at less than or equal to 0.9.

19. Staff terminal benefits

	2011	2010
	AED	AED
Balance at 1 January	**2,479,902**	2,380,991
Provision made during the year	**507,816**	558,283
Transfers from a related party	**317,207**	-
Transfers to a related party	**(346,151)**	-
Payments made during the year	**(420,445)**	(459,372)
	------------	------------
Balance at 31 December	**2,538,329**	2,479,902
	======	=======

20. Share capital

	2011	2010
	AED	AED
Authorised, issued and fully paid up:		
25 million ordinary shares of AED 1 each	**25,000,000**	25,000,000
	=======	=======

21. Statutory reserve

In accordance with the UAE Company Law No. 8 of 1984 (as amended), a minimum of 10% of the profit of the Company is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. This reserve is not available for distribution except in the circumstances stipulated by the above-mentioned Law. As the legal reserve has equalled one half of the paid up share capital, no transfer has been made to legal reserve during the current year and the previous year.

22. Regular reserve

In accordance with the Articles of association of the Company, 10% of the net profit for each year should be transferred to the regular reserve and such transfers cease through a resolution of the usual general assembly upon a suggestion of the board of directors or if it reaches 50% of the paid up capital of the Company. As the regular reserve has equalled one half of the paid up share capital, no transfer has been made to regular reserve during the current year and the previous year.

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

23. General reserve

In accordance with the Articles of association of the Company, any undistributed net profit may be transferred to the general reserve according to the decisions of the board of directors. In the current year, the board has resolved to transfer AED 10 million *(2010: AED 20 million)* to general reserve.

24. Fair value reserve

The fair value reserve represents the unrealised gains and losses arising from changes in the fair value for available-for-sale financial assets which are recognised in fair value reserve in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in profit or loss. During the year an unrealised loss of AED 0.17 million was debited to other comprehensive income *(2010: AED 0.09 million).*

25. Earnings per share

	2011	2010
Profit for the year (AED)	**20,965,853**	54,043,279
	=======	=======
Weighted average number of shares outstanding	**25,000,000**	25,000,000
	=======	=======
Earnings per share in AED – basic and diluted	**0.84**	2.16
	===	===

26. Proposed dividend

The Board has proposed cash dividends of Nil *(2010:70%)* on share capital amounting to AED Nil for the year *(2010: AED 17.5 million)*.

27. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 AED	2010 AED
Less than 1 year	**909,035**	1,057,418
Later than 1 year and no later than 5 years	**244,905**	489,810
	------------	------------
	1,153,940	1,547,228
	=======	=======

The land at Jebel Ali Industrial Area is taken on lease for annual rent of AED 244,905 for 10 years ending December 2013, which can be renewed for further period of 10 years.

28. Contingent liabilities and commitments

	2011 AED	2010 AED
Letters of guarantees	**1,645,180**	1,405,180
Purchase commitments	**-**	38,146,500
Capital commitments	**1,595,000**	1,946,916
	======	========

29. Segment reporting

The management has considered the provision of IFRS 8 in relation to segmental reporting and concluded that the Company's activities form a single segment under the standard. From a geographical perspective, the Company's substantial activities are focused in the UAE. Equally, in relation to business segmentation, the Company's products are predominantly focused in the manufacturing and processing of butter and cooking oil and it is considered that the risks and rewards from various products lines of the Company are not materially different.

30. Financial instruments

a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011	2010
	AED	AED
Trade receivables (gross)	**49,361,724**	44,823,169
Other receivables	**1,177,004**	5,631,367
Due from related parties	**3,563,930**	339,893
Cash at bank	**347,557**	166,489
	54,450,215	50,960,918

The age of trade receivables at the reporting date was:

	2011	**2011**	2010	2010
	Gross	**Impairment**	Gross	Impairment
	AED	**AED**	AED	AED
0-30 days	**17,420,528**	**-**	13,329,527	-
31-60 days	**12,630,557**	**-**	13,241,215	-
61-90 days	**9,083,437**	**-**	8,836,224	-
91-120 days	**4,031,639**	**-**	5,546,223	-
121-150 days	**2,454,179**	**-**	1,413,135	-
More than 150 days	**3,741,384**	**1,422,791**	2,456,845	1,192,155
	49,361,724	**1,422,791**	44,823,169	1,192,155

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2011	2010
	AED	AED
Balance at 1 January	**1,192,155**	1,328,309
Impairment loss recognised	**332,369**	-
Write offs	**(101,733)**	(136,154)
Balance at 31 December	**1,422,791**	1,192,155

Notes *(continued)*

30. Financial instruments *(continued)*

b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2011	**Carrying amount AED**	Contractual cash flows AED	Less than 1 year AED	Between 1 to 2 years AED	More than 2 years AED
Non-derivative financial liabilities					
Due to a related party	**6,001,530**	**6,001,530**	**6,001,530**	**-**	**-**
Trade and other payables	**31,069,953**	**31,069,953**	**31,069,953**	**-**	**-**
Bank overdraft	**3,912,499**	**3,997,038**	**3,997,038**	**-**	**-**
Trust receipts	**42,270,421**	**42,677,111**	**42,677,111**	**-**	**-**
	83,254,403	**83,254,403**	**83,254,403**	**-**	**-**

31 December 2010	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	Between 1 to 2 years AED	More than 2 years AED
Non-derivative financial liabilities					
Due to a related party	**6,225,137**	6,225,137	6,225,137	-	-
Trade and other payables	**34,015,489**	34,015,489	34,015,489	-	-
Bank overdraft	**11,303,902**	11,605,888	11,605,888	-	-
Trust receipts	**5,000,000**	5,075,123	5,075,123	-	-
Short term loan	**5,000,000**	5,170,625	5,170,625		
	61,544,528	69,092,262	69,092,262	-	-

The Company does not have any derivative financial liabilities at the end of the current year and previous year.

30. Financial instruments *(continued)*

c) Market risk

Interest rate risk

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2011	2010
	AED	AED
Fixed rate instruments		
Financial liabilities	**-**	5,000,000
	=======	========
Variable rate instruments		
Financial liabilities	**46,182,919**	16,303,902
	========	========

Fair value sensitivity analysis for fixed interest rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss	
	100 bp increase AED	**100 bp decrease AED**
31 December 2011	**(461,829)**	**461,829**
	=====	=====
31 December 2010	(163,039)	163,039
	======	======

30. Financial instruments *(continued)*

c) Market risk *(continued)*

Equity price risk

The Company is exposed to equity securities price risk in respect of investments held by the Company classified as available for sale in the statement of financial position. The Company's investments in equity securities are publicly traded and are listed in Dubai Financial Market.

Sensitivity analysis

The following table demonstrates the sensitivity of the Company's equity and profit or loss to a 10 percent increase in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	Effect on profit or loss AED	**Effect on equity AED**
31 December 2011		
Effect of changes in quoted equity portfolio of the Company	**-**	**21,707**
	=====	=====
31 December 2010		
Effect of changes in quoted equity portfolio of the Company	-	38,672
	=====	=====

A 10 percent weakening of the equity indexes as at 31 December would have had the equal but opposite effect to the amounts shown above on the basis that all the other variables remain constant.

d) Fair values

The Company's management believes that fair value of its financial assets and liabilities are not materially different from the carrying amount at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2011

	Level 1 AED	**Total AED**
Available for sale investments	**217,077**	**217,077**
	=====	======

31 December 2010

	Level 1 AED	Total AED
Available for sale investments	386,723	386,723
	=====	======

31. Significant accounting estimates and judgements

Estimating useful lives of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and on the historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Provision for inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the past movement of the inventory.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on an annual basis. The Company’s credit risk is primarily attributable to its trade receivables and due from related parties. In determining whether impairment losses should be reported in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Impairment losses on available for sale financial assets

The Company reviews its available for sale financial assets to assess impairment at least on an annual basis. In determining whether impairment losses should be reported in profit or loss, the Company makes judgements as to determine whether there is any significant or prolonged decline in the fair value of available for sale financial assets. If the decline in the fair value of any available for sale financial asset is considered by management as significant or prolonged, an impairment loss is recorded in profit or loss.