UNITED FOODS COMPANY (PSC)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

الأغذية المتحدة
United Foods

DIRECTORS' REPORT

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 2019.

Review of the activities

Despite 2019 being another challenging year globally with a very competitive business environment for the FMCG sector and geopolitical headwinds faced by the region, the Company made remarkable achievement in improving the margins. The company's net profit increased significantly to AED 32.3 million (excluding share of results of an associate) representing an increase of 47%, benefiting from the effective implementation of cost control, efficiency enhancement due to consolidation of manufacturing operations at one location, development of cost effective and healthy recipes, coupled with lower cost of oils and increased sales volumes in United Arab Emirates.

Due to geopolitical unrest in the region, export revenue to niche export markets was severely impacted and registered a decline of 22%. Downward pressure on exports resulting from strengthening of US dollar also contributed to the decline.

The company's strategic focus to grow and expand the business in UAE and GCC markets and expansion in other food products helped to improve the volumes in the local market by 13%, substantially offsetting the decline in exports, as a result overall volumes decline was reduced to 3% of which 0.3% decline is because of Nuts business.

However, the revenue declined by 12% due to reduction in net sales price realization due to reduction in oil prices and reduced Nuts business, decline without Nuts business was 8.6%.

Company will remain focused to capitalize on the distribution growth potential in UAE by diversifying and expanding the product portfolio, pursuing growth opportunities in GCC and exploring new markets.

Results

The Company recorded turnover before discounts and marketing expenses of AED 397,003,572, a decrease of 12% over 2018 (2018: AED 451,193,106) with a net profit (excluding share of results of an associate) of AED 32,332,942 (2018: AED 22,003,495).

ISO 22000 BUREAU VERITAS Certification
HACCP BUREAU VERITAS Certification

UNITED FOODS COMPANY (PJSC)
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شركة الأغذية المتحدة (ش.م.ع.)
ص.ب ٥٨٣٦، دبي، الإمارات العربية المتحدة
هاتف: ٠٠٩٧١٤٥٠٦٣٨٠٠
فاكس: ٠٠٩٧١٤٣٣٨١٩٨٧

DIRECTORS' REPORT (continued)

	2019 AED
Retained earnings balance brought forward from the year 2018	141,217,306
Net profit for the year 2019	28,709,666
Profit available for appropriation	169,926,972
Appropriations:	
Dividends declared (relating to 2018)	(7,562,500)
Directors' remuneration	(2,475,000)
Retained earnings balance as of 31 December 2019	159,889,472

30% cash dividend totaling to AED 9,075,000 is proposed relating to the year 2019 subject to approval by the Shareholders in the Annual General Meeting.

Directors

The list of Directors of the Company is as follows:

Mr. Ali Bin Humaid Al Owais	- Chairman
Mr. Mohamed Abdel Aziz Ali Abdalla Al Owais	- Executive Vice Chairman
Mr. Mohamed Salim Rashid Abdalla Al Owais	- Vice Chairman
Mr. Abdulla Rahma Al Owais	- Director
Mr. Ahmed Abdullah Sultan Al Owais	- Director
Mr. Khalid Al Shamsi	- Director
Mr. Salim Sultan Omran Al Owais	- Director

For and on behalf of the Board

6/2/ 2020

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Independent Auditors' Report
To the Shareholders of United Foods Company (PSC)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Foods Company (PSC) (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of income and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Other Matter

The financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 13 February 2019.

Key Audit Matters

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

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Independent Auditors' Report
To the Shareholders of United Foods Company (PSC)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

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

i) Revenue recognition

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

The work that we performed to address this key audit matter included the following procedures:

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

Independent Auditors' Report
To the Shareholders of United Foods Company (PSC)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

ii) Existence, collectability of trade receivable balance, and adequacy of provision for expected credit losses

As at 31 December 2019, the Company had trade receivables of AED 75.9 million, before provisions for doubtful debts of AED 3.4 million (refer note 10 to the financial statements), which is significant to the Company as it represents approximately 22% of the total assets of the Company. In addition, the consumer product industry continues to be impacted by macroeconomic challenges which increases the risk of the collectability of trade receivables.

The work that we performed to address this key audit matter included the following procedures:

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

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Independent Auditors' Report
To the Shareholders of United Foods Company (PSC)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

iii) Inventories

As at 31 December 2019, the gross inventory balance amounts to AED 47 million, before the provision for slow moving inventories of AED 1.75 million (refer note 9 to the financial statements), which were significant to the Company as it represents approximately 13.7% of the total assets of the Company. Due to the significance of the inventory balance and related estimation involved, this is considered as a key audit matter.

The work that we performed to address this key audit matter included the following procedures:

- Attended and observed physical inventory count performed by the store and finance department at year end;
- Assessed the process, methods and assumptions used to develop the provision for slow moving, excess or obsolete items;
- Tested the reliability of the underlying data used by management to calculate the inventory obsolescence provisions;
- Performed net realisable value test to ensure that inventories are measured at the lower of cost and net realisable value.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Company's 2019 Annual Report, other than the financial statements and our auditors' report thereon. We obtained the report of the Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Company's 2019 Annual Report after the date of our auditors' report.

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

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

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Independent Auditors' Report
To the Shareholders of United Foods Company (PSC)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

Independent Auditors' Report
To the Shareholders of United Foods Company (PSC)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

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Independent Auditors' Report
To the Shareholders of United Foods Company (PSC)

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) the Company has maintained proper books of account;

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

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

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

v) investments in shares and stocks during the year ended 31 December 2019 are disclosed in note 7 and 8 to the financial statements;

vi) note 21 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position; and

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

Grant Thornton

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

GRANT THORNTON
Farouk Mohamed
Registration Auditor No. 86
Dubai, 6 February 2020

Statement of income
For the year ended 31 December 2019

	Notes	***2019 AED***	*2018 AED*
Sales, gross		**397,003,572**	451,193,106
Less: Discounts and marketing expenses		**(14,034,769)**	(13,356,513)
Sales, net		**382,968,803**	437,836,593
Cost of sales		**(303,751,827)**	(367,546,400)
GROSS PROFIT		**79,216,976**	70,290,193
Selling and distribution expenses		**(32,058,628)**	(33,591,585)
General and administrative expenses		**(17,497,302)**	(17,241,481)
Finance expense		**(972,108)**	(662,041)
Other income, net		**3,644,004**	3,208,409
Profit before share of results of associate		**32,332,942**	22,003,495
Share of results of an associate	8	**(3,623,276)**	(2,857,687)
PROFIT FOR THE YEAR	3	**28,709,666**	19,145,808
Earnings per share in AED	17	**0.87**	0.58

Statement of comprehensive income
For the year ended 31 December 2019

	2019 ***AED***	*2018* *AED*
Profit for the year	**28,709,666**	19,145,808
Other comprehensive income/loss		
Other comprehensive income not to be reclassified to profit or loss in subsequent years:		
Change in fair value of investment securities measured at FVOCI, equity securities	**39,578**	(85,769)
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Share of other comprehensive income of an associate	**(112,039)**	(302,568)
Other comprehensive loss for the year	**(72,461)**	(388,337)
Total comprehensive income for the year	**28,637,205**	18,757,471

Statement of financial position
As at 31 December 2019

	Notes	*2019 AED*	*2018 AED*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**104,645,858**	113,390,806
Right to use asset	5	**14,326,567**	-
Intangible asset	6	**397,292**	472,919
Investment securities	7	**252,067**	212,489
Investment in an associate	8	**8,998,477**	12,733,792
		128,620,261	126,810,006
Current assets			
Inventories	9	**45,265,178**	50,940,968
Accounts receivable and prepayments	10	**79,518,500**	77,270,265
Amount due from a related party	21	**5,726,659**	5,384,056
Bank balances and cash	11	**84,475,907**	57,611,316
		214,986,244	191,206,605
TOTAL ASSETS		**343,606,505**	318,016,611
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**30,250,000**	30,250,000
Statutory reserve	13	**15,125,000**	15,125,000
Regular reserve	14	**15,125,000**	15,125,000
General reserve	15	**65,314,980**	65,314,980
Fair value reserve	16	**(404,786)**	(332,325)
Retained earnings		**159,889,472**	141,217,306
Total equity		**285,299,666**	266,699,961
LIABILITIES			
Non-current liability			
Employees' end of service benefits	18	**7,056,882**	6,803,963
Lease liabilities	19	**12,719,439**	-
		19,776,321	6,803,963
Current liabilities			
Trade and other payables	20	**36,740,379**	44,512,687
Lease liabilities	19	**1,790,139**	-
		38,530,518	44,512,687
Total liabilities		**58,306,839**	51,316,650
TOTAL EQUITY AND LIABILITIES		**343,606,505**	318,016,611

Ali Bin Humaid Al Owais
Chairman
6/2/ 2020

Mohamed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
6/2/ 2020

The attached notes 1 to 27 form part of these financial statements.

Statement of cash flows
For the year ended 31 December 2019

	Notes	*2019* *AED*	*2018* *AED*
OPERATING ACTIVITIES			
Profit for the year		**28,709,666**	19,145,808
Adjustments for:			
Depreciation on property, plant and equipment	4	**10,978,351**	10,925,378
Depreciation on right to use assets	5	**1,450,914**	-
Amortisation	6	**176,662**	392,842
Net gain on disposal of property, plant and equipment		**(58,979)**	(163,937)
Finance costs		**972,108**	662,041
Provision for employees' end of service benefits	18	**1,093,368**	1,124,754
Share of loss in an associate	8	**3,623,276**	2,857,687
		46,945,366	34,944,573
Working capital changes:			
Inventories		**5,675,790**	11,586,293
Accounts receivable and prepayments		**(2,365,871)**	3,549,078
Trade and other payables		**(10,247,308)**	(179,383)
Amount due from a related party		**(342,603)**	(5,167,056)
Amount due to a related party		**-**	(48,323)
		39,665,374	44,685,182
Employees' end of service benefits paid	18	**(840,449)**	(241,734)
Net cash from operating activities		**38,824,925**	44,443,448
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(2,237,281)**	(6,054,003)
Purchase of intangible assets	6	**(101,035)**	(288,917)
Proceeds from disposal of property, plant and equipment		**62,857**	166,531
Additional long term bank deposits		**-**	(50,000)
Net cash used in investing activities		**(2,275,459)**	(6,226,389)
FINANCING ACTIVITIES			
Trust receipt obtained		**-**	64,913,661
Trust receipt paid		**-**	(64,913,661)
Lease liabilities paid		**(1,885,496)**	-
Finance costs paid		**(236,879)**	(662,041)
Dividends paid		**(7,562,500)**	(3,025,000)
Net cash used in financing activities		**(9,684,875)**	(3,687,041)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**26,864,591**	34,530,018
Cash and cash equivalents at 1 January		**56,061,316**	21,531,298
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**82,925,907**	56,061,316

The attached notes 1 to 27 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	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 2019	30,250,000	15,125,000	15,125,000	65,314,980	(332,325)	141,217,306	266,699,961
Profit for the year	-	-	-	-	-	28,709,666	28,709,666
Other comprehensive loss for the year	-	-	-	-	(72,461)	-	(72,461)
Total comprehensive (loss)/ income for the year	-	-	-	-	(72,461)	28,709,666	28,637,205
Dividend declared and paid (Note 12)	-	-	-	-	-	(7,562,500)	(7,562,500)
Directors' remuneration	-	-	-	-	-	(2,475,000)	(2,475,000)
Balance as at 31 December 2019	**30,250,000**	**15,125,000**	**15,125,000**	**65,314,980**	**(404,786)**	**159,889,472**	**285,299,666**

The attached notes 1 to 27 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	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 year	-	-	-	-	-	19,145,808	19,145,808
Other comprehensive loss for the year	-	-	-	-	(388,337)	-	(388,337)
Total comprehensive (loss)/ income for the year	-	-	-	-	(388,337)	19,145,808	18,757,471
Dividend declared and paid (Note 12)	-	-	-	-	-	(3,025,000)	(3,025,000)
Directors' remuneration	-	-	-	-	-	(1,740,000)	(1,740,000)
Balance as at 31 December 2018	**30,250,000**	**15,125,000**	**15,125,000**	**65,314,980**	**(332,325)**	**141,217,306**	**266,699,961**

The attached notes 1 to 27 form part of these financial statements.

1 ACTIVITIES

United Foods Company (PSC) (the "Company") is a Public Shareholding Company, incorporated on 1 November 1976 by a Decree issued by His Highness, The Ruler of Dubai. On 27 June 1994, the Company amended its status to a public shareholding company to comply with the provisions of the UAE laws prevailing at the time. The Company's shares are listed on the Dubai Financial Market (DFM) since July 2006.

The Company is primarily engaged in the manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products and fat including trading of food products. The registered address of the Company is P.O. Box 5836, Dubai, UAE.

2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the applicable requirements of the UAE Federal Law No. (2) of 2015.

The financial statements have been prepared on the historical cost basis, modified to include the measurement at fair value investment securities.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the previous year financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective for annual period beginning on or after as of 1 January 2019, as listed below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New standards and amendments effective for annual period beginning on or after 1 January 2019

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.

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').

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and amendments effective for annual period beginning on or after 1 January 2019 (continued)

IFRS 16 – Leases (continued)
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
Right to use assets (Note 5)	**14,919,028**
Leased liabilities recognised (Note 19)	**(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 statement of profit and loss for the year ended 31 December 2019:

	AED
Depreciation expense on right to use assets (under IFRS 16)	**(1,450,914)**
Finance costs (under IFRS 16)	**(735,229)**
Rental – operating lease (under IAS 17)	**1,885,496**
Net impact on profit for the year	**(300,647)**

The accounting policies of the Company upon adoption of IFRS 16 are disclosed in note 2.3 below.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 2.4.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.
The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Volume rebates

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

Interest income

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	20 years
Plant, machinery and equipment	4 to 15 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	4 to 7 years

Land and capital work-in-progress are not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use. An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of income in the period the asset is derecognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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.

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.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the statement of comprehensive income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of income in the expense category consistent with the function of the intangible asset. Amortisation is calculated on a straight line basis over the estimated useful life of 4 years to their residual values.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
At each reporting date the Company reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of income.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Inventories
Inventories are stated at the lower of cost and net realizable value. Costs are those incurred in bringing each product to its present location and condition, as follows:

Raw materials – purchase cost on weighted average basis;
Spares and consumables – purchase cost on weighted average basis;
Finished goods and work-in-progress – cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity and is determined on weighted average basis.

Net realizable value is based on the estimated selling price less any further costs expected to be incurred on disposal. Damaged and obsolete inventories are written off.

Financial instruments-initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value and, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies for revenue from contracts with customers as noted above.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon
  derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost
This category is the most relevant to the Company. The Copmany measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables and amounts due from a related party.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The Company elected to classify irrevocably its non-listed equity investments under this category.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Investment in associate
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Investment in associate (continued)
The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are 24ecognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and amount due to a related party.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement (continued)
ii) Financial liabilities (continued)

Loans and borrowings (continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdraft.

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis, or to realise the assets and liabilities simultaneously.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Employees' end of service benefits
The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to government pension scheme calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies and commitments
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Foreign currencies
Transactions in foreign currencies are initially recorded by the Company at its respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant impact on the amounts recognised in the financial statements.

Determining method to estimate variable consideration and assessing the constraint
Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Company determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements (continued)

Property lease classification – Company as lessor
The Company has entered into commercial property leases on a portion of its property, not classified as investment property as does not meet the criteria for investment property per IAS 40. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property, that it retains all the significant risks and rewards of ownership of the property and accounts for the contracts as operating leases.

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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory, were AED 47,021,622 (2018: AED 52,292,451) before provisions for slow moving inventories of AED 1,756,444 (2018: AED 1,351,483). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of income.

Useful lives and depreciation of property, plant and equipment and intangible assets
The management periodically reviews estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

During the year, the Company has change the estimated useful lives of the certain items of plant, machinery and equipment, and motor vehicles as disclosed above under 'property, plant and equipment' and its impact in note 4 to financial statements.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Estimating variable consideration for returns and volume rebates
The Company estimates variable considerations to be included in the transaction price for the sale of electronics equipment with rights of return and volume rebates. The Company developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Company updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Company's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2019 and 2018, no material amount recognised as refund liabilities for the expected returns and volume rebates.

Provision for expected credit losses of trade receivables and contract assets
The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

3 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2019 ***AED***	*2018* *AED*
Inventories charged to cost of sales	**274,674,297**	332,519,087
Staff cost	**36,059,652**	37,785,568
Relocation expenses of product lines	**873,525**	-
Rental - operating leases	**202,344**	2,228,263

4 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *AED*	*Plant machinery and equipment* *AED*	*Furniture, fixtures and office equipment* *AED*	*Motor vehicles* *AED*	*Capital work-in-progress* *AED*	*Total* *AED*
Cost:						
At 1 January 2019	92,595,748	169,850,944	7,125,332	13,876,153	3,238,450	286,686,627
Additions	-	-	-	-	2,237,281	2,237,281
Disposals	-	(6,982)	-	(587,676)	-	(594,658)
Transferred	29,690	3,385,289	317,266	732,400	(4,464,645)	-
At 31 December 2019	92,625,438	173,229,251	7,442,598	14,020,877	1,011,086	288,329,250
Depreciation and impairment:						
At 1 January 2019	40,971,090	116,807,292	4,920,628	9,825,417	771,394	173,295,821
Charge for the year	3,002,595	6,085,232	879,733	1,010,791	-	10,978,351
Relating to disposals	-	(3,143)	-	(587,637)	-	(590,780)
At 31 December 2019	43,973,685	122,889,381	5,800,361	10,248,571	771,394	183,683,392
Net carrying value						
At 31 December 2019	**48,651,753**	**50,339,870**	**1,642,237**	**3,772,306**	**239,692**	**104,645,858**

	Land and buildings *AED*	*Plant machinery and equipment* *AED*	*Furniture, fixtures and office equipment* *AED*	*Motor vehicles* *AED*	*Capital work-in-progress* *AED*	*Total* *AED*
Cost:						
At 1 January 2018	85,584,482	161,872,084	6,715,138	13,327,194	16,950,264	284,449,162
Additions	-	-	-	-	6,054,003	6,054,003
Disposals	-	(2,021,557)	(140,531)	(1,654,450)	-	(3,816,538)
Transferred	7,011,266	10,000,417	550,725	2,203,409	(19,765,817)	-
At 31 December 2018	92,595,748	169,850,944	7,125,332	13,876,153	3,238,450	286,686,627
Depreciation and impairment:						
At 1 January 2018	38,083,360	112,898,379	4,253,781	10,177,473	771,394	166,184,387
Charge for the year	2,887,730	5,927,876	807,378	1,302,394	-	10,925,378
Relating to disposals	-	(2,018,963)	(140,531)	(1,654,450)	-	(3,813,944)
At 31 December 2018	40,971,090	116,807,292	4,920,628	9,825,417	771,394	173,295,821
Net carrying value						
At 31 December 2018	51,624,658	53,043,652	2,204,704	4,050,736	2,467,056	113,390,806

The Company's building on Sheikh Zayed Road is constructed on land for which owned rights were acquired from the Government of Dubai in 2010. The land is registered in the name of the Company. The Company's building in Jebel Ali Industrial Area is constructed on land taken on lease from the Government of Dubai (Note 22).

Capital work-in-progress of AED 239,692 (2018: AED 2,467,056) as at 31 December 2018 pertains to the expenditures incurred for the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 37,350 (2018: AED 323,108) as at 31 December 2019. It also includes capital work-in-progress of AED 40,599 pertaining to 5% remaining values of filling machines against which 95% impairment loss of AED 771,394 was recorded in 2011.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

The cost of fully depreciated assets still in use as at 31 December 2019 was AED 120.7 million (2018: AED 119.9 million). The depreciation charge for the year has been allocated as follows:

	2019	*2018*
	AED	*AED*
Cost of sales	**7,694,691**	7,644,472
Selling and distribution expenses	**2,606,882**	2,780,631
Administrative expenses	**676,778**	500,275
	10,978,351	10,925,378

During the year, 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

	2019
	AED
At 1 January 2019 (Note 2)	**14,919,028**
Addition during the year	**858,453**
Less: depreciation for the year	**(1,450,914)**
At 31 December 2019	**14,326,567**

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 INTANGIBLE ASSET

	2019	*2018*
	AED	*AED*
Cost:		
At 1 January	**2,793,194**	2,504,277
Additions	**101,035**	288,917
At 31December	**2,894,229**	2,793,194
Amortisation:		
At 1 January	**2,320,275**	1,927,433
Charge for the year	**176,662**	392,842
At 31December	**2,496,937**	2,320,275
Net carrying amount:		
At 31December	**397,292**	472,919

7 INVESTEMNT SECURITIES

	2019	*2018*
	AED	*AED*
Quoted equity securities (in the UAE) at Fair value through other comprehensive income	**252,067**	212,489

7 INVESTEMNT SECURITIES (continued)

The movement in investment securities during the year was as follows:

	2019 AED	2018 AED
At 1 January	**212,489**	298,258
Change in fair value	**39,578**	(85,769)
At 31 December	**252,067**	212,489

8 INVESTMENT IN AN ASSOCIATE

	2019 AED	2018 AED
Opening balance 1 January	**12,733,792**	15,894,047
Share of comprehensive loss of associate	**(3,623,276)**	(2,857,687)
Share of other comprehensive loss of associate	**(112,039)**	(302,568)
	8,998,477	12,733,792

The Company has a 34.46% interest in Emirates Refreshments (P.S.C.) which is involved in bottling and selling mineral water and carbonated soft drinks as well as manufacturing plastic bottles and containers. Emirates Refreshments (P.S.C.) is a Public Shareholding Company listed on Dubai Financial Market. The Company's interest in Emirates Refreshments (P.S.C.) is accounted for using the equity method in the financial statements. The following table illustrates the summarised financial information of the associate.

	2019 AED	2018 AED
Current assets	**30,929,212**	36,813,407
Non-current assets	**21,855,107**	17,512,109
Current liabilities	**(24,598,552)**	(15,964,416)
Non-current liabilities	**(2,075,601)**	(2,803,432)
Equity	**26,110,166**	35,557,668

	2019 AED	2018 AED
Sales, net	**39,600,134**	48,354,877
Cost of sales	**(28,593,140)**	(33,797,049)
Gross profit	**11,006,994**	14,557,828
Distribution expenses	**(14,431,868)**	(14,982,188)
Administrative and general expenses	**(6,688,940)**	(7,807,437)
Operating Loss	**(10,113,814)**	(8,231,797)
Loss on FV of Investment Property	**(100,000)**	-
Finance (cost) / income, net	**(232,354)**	328,766
Other income	**336,141**	409,491
Loss for the year	**(10,110,027)**	(7,493,540)
Other comprehensive loss		
Change in fair value of investment securities	**(325,128)**	(878,028)
Total other comprehensive loss for the year	**(325,128)**	(878,028)
Total other comprehensive loss for the year	**(10,435,155)**	(8,371,568)

9 INVENTORIES

	2019 *AED*	*2018* *AED*
Raw materials	**22,388,243**	20,460,213
Finished goods	**13,667,766**	9,059,125
Packing materials	**2,926,015**	2,694,034
Work-in-progress	**1,605,713**	3,852,855
Spares and consumables	**2,082,632**	1,960,963
	42,670,369	38,027,190
Less: provision for slow moving inventories	**(1,756,444)**	(1,351,483)
	40,913,925	36,675,707
Goods in transit	**4,351,253**	14,265,261
	45,265,178	50,940,968

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

	2019 *AED*	*2018* *AED*
At 1 January	**1,351,483**	1,209,997
Charge for the year	**427,210**	188,479
Amounts written off	**(22,249)**	(46,993)
At 31 December	**1,756,444**	1,351,483

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2019 *AED*	*2018* *AED*
Trade receivables	**75,920,278**	75,491,795
Less: provision for expected credit losses	**(3,404,096)**	(2,236,187)
	72,516,182	73,255,608
Advances to suppliers	**2,291,846**	916,179
Prepaid expenses	**2,521,836**	2,593,907
Staff receivables	**136,621**	85,013
Other receivables	**2,052,015**	419,558
	79,518,500	77,270,265

As at 31 December 2019, trade receivables at nominal value of AED 3,404,096 (2018: AED 2,236,187) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	2019 *AED*	*2018* *AED*
At 1 January	**2,236,187**	1,164,267
Charge for the year	**1,167,909**	1,079,413
Amounts written off	**-**	(7,493)
At 31 December	**3,404,096**	2,236,187

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

The Company's terms of sales require amounts to be paid within the range of 30 to 120 days from the date of sale. As at 31 December 2019, the ageing of unimpaired trade receivables on the basis of due dates is as follows:

			Past due but not impaired					
	Total *AED*	*Neither past due nor impaired* *AED*	*<30 days* *AED*	*30-60 days* *AED*	*60-90 days* *AED*	*90-120 days* *AED*	*120-150 days* *AED*	*>150 days* *AED*
2019	**72,516,182**	**63,839,032**	**4,864,290**	**1,698,409**	**30,365**	**556,774**	**205,961**	**1,321,351**
2018	73,255,608	66,009,043	4,623,609	692,452	203,752	452,273	301,115	973,364

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

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following amounts in the statement of financial position:

	2019 ***AED***	*2018* *AED*
Cash in hand	**72,907**	87,873
Bank balances	**1,753,000**	15,873,443
Deposits	**82,650,000**	41,650,000
	84,475,907	57,611,316
Less: deposits with an original maturity of more than three months	**(1,550,000)**	(1,550,000)
Cash and cash equivalents	**82,925,907**	56,061,316

Deposits are placed with local banks and accrue interest at prevailing market rates. The deposits with an original maturity of more than three months is against the bank guarantee for employees.

12 SHARE CAPITAL

	2019 ***AED***	*2018* *AED*
Authorised, issued and fully paid up		
30.25 million ordinary shares of AED 1 each (31 December 2018: 30.25 million shares of AED 1 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).

During the Board of Directors' meeting held on 6 February 2020, the Directors proposed a 30% cash dividend totaling to AED 9,075,000 relating to 2019 subject to approval by the Shareholders in the Annual General Meeting.

13 STATUTORY RESERVE

In accordance with the UAE Federal Law No. (2) of 2015, a minimum of 10% of the profit of the Company is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. However, the Company has already transferred AED 15,125,000 which reached the minimum statutory reserve requirement as per the Law. This reserve is not available for distribution except in the circumstances stipulated by the law.

14 REGULAR RESERVE

In accordance with the Articles of Association of the Company, 10% of the net profit for each year should be transferred to a regular reserve and such transfers cease through a resolution of the usual general assembly upon a suggestion of the board of directors or if it reaches 50% of the paid up capital of the Company. However, the Company has already transferred AED 15,125,000 which reached the minimum regulatory reserve requirement as per the Law. This reserve is to be used for purposes as recommended by the board of directors and approved at the general assembly.

15 GENERAL RESERVE

In accordance with the Articles of Association of the Company, any undistributed net profit may be transferred to the general reserve according to the decisions of the board of directors. No transfer has been made to general reserve during the year and the previous year.

16 FAIR VALUE RESERVE

The fair value reserve represents the unrealised gains and losses arising from changes in the fair value of investment securities classified as equity securities with "fair value changes in other comprehensive income (FVOCI)". The fair value reserve is recognised under fair value reserve in equity until the investments are sold, collected or otherwise disposed of, at which time the cumulative gain or loss previously recognised in other comprehensive income is transferred to retained earnings directly.

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

		2019 ***AED***	*2018* *AED*
Balance at 1 January		**(332,325)**	56,012
Net change in fair value of available-for-sale investment carried at fair value	7	**39,578**	(85,769)
Share of other comprehensive income of associate	8	**(112,039)**	(302,568)
Balance as at 31 December		**(404,786)**	(332,325)

17 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year of the Company, net of Directors' remuneration, amounting to AED 26,234,666 (2018: AED 17,405,808) by the weighted average number of ordinary shares outstanding during the year of 30,250,000 shares (2018: 30,250,000 shares). The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

18 EMPLOYEES' END OF SERVICE BENEFITS

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

	2019 ***AED***	*2018* *AED*
Provision at 1 January	**6,803,963**	5,920,943
Provided during the year	**1,093,368**	1,124,754
End of service benefits paid	**(840,449)**	(241,734)
Provision as at 31 December	**7,056,882**	6,803,963

19 LEASE LIABILITIES

	2019
	AED
At 1 January 2019 (Note 2)	**14,801,392**
Addition during the year	**858,453**
Add: finance cost	**735,229**
Less: payments during the year, net of prepayments and accruals adjustment	**(1,885,496)**
At 31 December 2019	**14,509,578**

Presented on statement of financial position as follows:

	2019
	AED
Current	**1,790,139**
Non-current	**12,719,439**
At 31 December 2019	**14,509,578**

20 TRADE AND OTHER PAYABLES

	2019	*2018*
	AED	*AED*
Trade payables	**16,770,308**	13,438,873
Advances from customers	**693,172**	2,187,373
Dividends payable	**93,374**	136,864
Directors' remuneration payable	**2,485,000**	1,747,500
Accrual for goods in transit	**2,788,183**	14,265,261
Accrued expenses and other payables	**13,910,342**	12,736,816
	36,740,379	44,512,687

Accrued expenses and other payables include retention payables of AED 99,002 (2018: AED 1,115,852) towards capital work-in-progress for the expansion of factory and warehouse facility in Jebel Ali Industrial Area.

21 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

	2019	*2018*
	AED	*AED*
Other related parties:		
Sales	**755,919**	888,582
Purchase of raw materials and services	**328,400**	44,773
Expenses recharged	**510,890**	40,547
Rental income	**218,750**	-

21 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Due from a related party:

	2019 ***AED***	*2018* *AED*
Other related party		
Trade receivables	**726,659**	384,056
Advance paid	**5,000,000**	5,000,000
	5,726,659	5,384,056

The company signed memorandum of understanding/pre-sales agreement and advanced refundable AED 5 million to a related party for purchase of properties, subject to evaluation and approvals of annual general meeting of the Company and related government authorities.

Compensation of key management personnel

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

	2019 ***AED***	*2018* *AED*
Short-term benefits	**3,694,796**	3,694,796
Directors' sitting fees	**77,500**	62,500
End of service benefits	**145,000**	145,000
	3,917,296	3,902,296

For the year ended 31 December 2019, the Board of Directors determined the remuneration of Directors amounting to AED 2,475,000 (2018: AED 1,740,000), subject to approval by shareholders in the Annual General Meeting (2018: Approved by the shareholders in the Annual General Meeting held on 25 March 2019).

22 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 31 December 2019, the Company had contingent liabilities in respect of bank amounting to AED 1,750,000 (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 management believe appropriate, adequate provisions have been made in the accounts.

Capital commitments

At 31 December 2019, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 560,005 (2018: AED 1,992,614).

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:

	2019 ***AED***	*2018* *AED*
Within one year	**1,660,149**	1,892,038
After 1 year but not more than five years	**2,279,769**	3,587,521
	3,939,918	5,479,559

23 SEGMENT REPORTING

The Company operates in a single reporting segment primarily engaged in manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products and fat including trading of food products. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, statement of income, statement of other comprehensive income and notes to the financial statements.

IFRS also requires an entity to report its segment assets and revenues along geographical regions. All significant activities of the Company are performed on an integrated basis in the Middle East and the Directors do not consider an analysis by individual country would be meaningful. Additional information required by IFRS 8 *Segment Reporting*, is disclosed below:

Major customers
During the year ended 31 December 2019, revenue from no customer accounts for 10% or more of the Company's total revenue (2018: Revenue from no customer accounts for 10% or more of the Company's total revenue).

24 RISK MANAGEMENT

The Company's principal financial liabilities comprise trade and other payable, due to a related party and trust receipts. The Company has various financial assets such as accounts receivable, due from a related party and cash and bank balances. Both financial assets and liabilities arise directly from its operations.

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company does not hold or issue derivative financial instruments for speculative purpose.

The Company is mainly exposed to interest rate risk, credit risk, liquidity risk, equity price risk and foreign currency risk. No changes were made in the risk management objectives and policies during the year ended 31 December 2019 and 2018. The senior management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk
The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and trust receipts).

The following table demonstrates the sensitivity of the statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December. There is no impact on the Company's equity.

	Increase/ decrease in basis points	*Effect on profit for the year*
2019		
AED	**+100**	**826,500**
AED	**-100**	**(826,500)**
2018		
AED	+100	416,500
AED	-100	(416,500)

24 RISK MANAGEMENT (continued)

Credit risk

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Certain category of customers are covered through credit insurance and most of the export sales customers are covered either through letter of credit or bank guarantees.

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the statement of financial position.

With respect to credit risk arising from other financial assets of the Company, including cash and cash equivalents and available-for-sale investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2019 ***AED***	*2018* *AED*
Bank balances and deposits	**84,403,000**	57,523,443
Trade receivables	**72,516,182**	73,255,608
Due from a related party	**5,726,659**	5,384,056
Staff receivables	**136,621**	85,013
Other receivables	**2,052,015**	419,558
	164,834,477	136,667,678

Liquidity risk

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

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

At 31 December 2019	***Less than 1 year AED***	***1 to 5 years AED***	***>5 years AED***	***Total AED***
Trade and other payables	**33,572,207**	**-**	**-**	**33,572,207**
Amount due to a related party	**-**	**-**	**-**	**-**
Total	**33,572,207**	**-**	**-**	**33,572,207**

At 31 December 2018	*Less than 1 year AED*	*1 to 5 years AED*	*>5 years AED*	*Total AED*
Trade and other payables	40,585,314	-	-	40,585,314
Amount due to a related party	-	-	-	-
Total	40,585,314	-	-	40,585,314

24 RISK MANAGEMENT (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 stock exchanges in the UAE.

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was AED 252,067 (2018: AED 212,489). A decrease of 10% in the market index could have an impact of approximately AED 25,207 (2018: AED 21,249) on the income or equity attributable to the Company, depending on whether the decline is significant or prolonged. An increase of 10% in the value of the listed securities, would only impact equity but would not have an effect on profit or loss.

Foreign currency risk
The Company is not exposed to any significant foreign currency risk as transactions are mainly in US Dollar and the United Arab Emirates Dirham, which is pegged to the US Dollar.

Capital management
The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. During the year there were no major changes in the objectives, policies or processes. Capital comprises share capital, reserves and retained earnings and is measured at AED 285,299,666 as at 31 December 2019 (2018: AED 266,699,961).

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, accounts receivable, due from a related party and available-for-sale investments. Financial liabilities consist of trust receipts, trade and other payables and due to a related party.

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2019, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2019	***Level 1***	***Level 2***	***Level 3***
	AED	***AED***	***AED***	***AED***
Quoted equity securities				
Investments and Financial Services Sector	**242,500**	**242,500**	**-**	**-**
Marine Terminal Operations Sector	**9,567**	**9,567**	**-**	**-**
Total	**252,067**	**252,067**	**-**	**-**

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

Assets measured at fair value

	31 December 2018	*Level 1*	*Level 2*	*Level 3*
	AED	*AED*	*AED*	*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 years ended 31 December 2019 and 31 December 2018, there were no transfers between the various levels of fair value measurements.

26 FIDUCIARY ASSETS

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

27 SUBSEQUENT EVENTS

Subsequent to the reporting date, on 2 February 2020, the Company has sold its entire equity interest in its investment in an associate.

No other adjusting or significant non adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.