Foodco Holding - P.J.S.C.

Consolidated financial statements

31 December 2018

Principal business address:
P.O. Box 2378
Abu Dhabi
United Arab Emirates

Foodco Holding - P.J.S.C.

Consolidated financial statements

فودكو القابضة ش.م.ع.
Foodco Holding P.J.S.C.

Board of Directors' Report
For the year ended December 31, 2018

The procedures of the restructuring of FOODCO Holding's subsidiaries were completed to group the similar activities in order to improve the performance, efficiency and reduce costs.

Abu Dhabi National Foodstuff Company LLC - Sole Proprietorship, owned by Foodco Holding Company PJSC, have been transferred under the other subsidiary, FOODCONational Foodstuff Company PJSC (formerly known as Sense Gourmet Foodstuff PSC), as on December 31, 2018.

فودكو القابضة ش.م.ع.
Foodco Holding P.J.S.C.

Board of Directors' Report
For the year ended December 31, 2018

The Board of Directors of Foodco Holding PJSC are pleased to report the Consolidated Financial Statements for the year ended December 31, 2018.

The Groups' revenue for the year ended December 18 was AED 392.755 million (2017: 315.837 million) while the profit of the equity owners of the parent company was AED 59,368 million (2017: 66.332, million).

The following is the summary of the Financial statements:

Amount in '000

	Year ended			
	2018	**2017**	**Increase / (Decrease)**	
Profit and Loss summary				
Revenue	392,755	315,837	76,918	24.4%
Gross Profit	140,267	133,405	6,862	5.1%
Profit	59,368	66,332	(6,964)	-10.5%
Earning per share (AED)	0.495	0.553	(0.058)	-10.5%

	2018	**2017**	**Increase / (Decrease)**	
			Amount	**%**
Financial position summary				
Current Assets	521,446	507,357	14,089	2.8%
Non Current Assets	615,921	513,189	102,732	20.0%
Current Liabilities	487,042	437,088	49,954	11.4%
Non Current Liabilities	87,934	72,262	15,672	21.7%
Total Shareholders' Equity (Parent)	562,392	511,196	51,196	10.0%
Book Value of Share (AED)	4.69	4.26	0.43	10.0%

A cash dividend of 10% (2017: 20% cash dividends and 20% of the shared capital as bonus shares) has been proposed for approval at the Annual General Meeting.

We appreciate the efforts of all our stakeholders for their contribution in achieving these results.

On behalf of the Board of Directors

Ahmed Ali Khalfan AlMutawa AlDhaheri
Chairman

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FOODCO HOLDING P.J.S.C.

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Independent Auditors' Report

To the Shareholders of Foodco Holding – P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Foodco Holding – P.J.S.C. ('the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of Matter

We draw attention to note 24 to the consolidated financial statements which describes that the Group discontinued an operation of a subsidiary, FOODCO National Foodstuff PJSC *(formerly known as Sense Gourmet Food Company PSC)*, in 2018 and re-presented comparative information in the accompanying consolidated financial statements. Consequently, the comparative information in the accompanying consolidated financial statements has been re-presented. Our opinion is not modified in respect of this matter.

KPMG

Key Audit Matters

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

Key audit matter	**How our audit addressed the key audit matter**
Expected credit losses on trade receivables *Refer to notes 3(m), 3(n), 4, 5, 11 and 26 of the consolidated financial statements*	
As at 31st December 2018, the Group has significant balances representing 14% of total assets, of trade receivables and other receivables. IFRS 9 "Financial Instruments" (IFRS 9) was adopted by the Group on 1 January 2018 and has resulted in change in accounting for impairment from an incurred loss model to a forward looking expected credit loss ("ECL") model. The determination of expected loss involves significant estimates and judgement. Given the inherently judgemental nature of determining ECL and this being the first year of its application, this is considered as a key audit matter.	• We obtained an understanding of the Group's process for estimating ECL and assessed the appropriateness of the ECL methodology and the new accounting policy against the requirements of IFRS 9. • We assessed the reasonableness of management's key assumptions and judgments made in determining the ECL allowances including segmenting of receivables, selection of ECL model and macroeconomic factors. • We tested key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed the reasonableness of forward looking factors used by the Group by corroborating with publicly available information. • We tested the opening balance adjustment due to application of impairment requirements of IFRS 9 and assessed the adequacy of the credit risk disclosure.

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Valuation of investment properties and investment properties under development *Refer to notes 3(e), 3(p), 5, 7 and 8 of the consolidated financial statements*	
The Group's investment property portfolio accounts for 31% of the Group's total assets as at 31 December 2018. The fair value of the investment property portfolio as at 31 December 2018 was assessed by management. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as an error in determining the fair value could have a material impact on the value of the Group's investment property portfolio and the fair value gain or loss recognised in respect of this investment property portfolio.	Our audit procedures included: • the assessment of the appropriateness of the valuation methodologies and assumptions used based on market knowledge and market data, which included undertaking discussions on key findings with management and challenging the assumptions used; • considering whether the valuation approach was suitable for use in determining the fair value in the consolidated statement of financial position; • the comparison of key inputs to the valuations such as rental income, yields, occupancy and tenancy contracts for consistency with other audit findings and market data; • considering whether there was any bias in the determination of fair values by discussing and challenging the valuation process, overall performance of the portfolio and the significant assumptions and critical areas of judgement; and • the assessment of the adequacy of the disclosure in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 Group's internal control.

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

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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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Report on Other Legal and Regulatory Requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 2 of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 9 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2018;

vi) note 23 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

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 Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2018.

KPMG Lower Gulf Limited

Saif Fayez Shawer
Registration No.: 1131
Abu Dhabi, United Arab Emirates
Date: 27 MAR 2019

Foodco Holding - P.J.S.C.

Consolidated statement of financial position
as at 31 December

	Note	2018 AED	2017 AED
Assets			
Non-current assets			
Property, plant and equipment	*6*	**9,929,167**	10,931,354
Investment properties under development	*7*	**118,870,314**	76,336,756
Investment properties	*8*	**230,090,026**	237,090,026
Investments held at fair value through other comprehensive income ("FVTOCI")	*9*	**251,082,239**	182,881,498
Other assets	*6*	**5,949,510**	5,949,510
Total non-current assets		**615,921,256**	513,189,144
Current assets			
Inventories	*10*	**10,484,387**	20,931,703
Investments held at fair value through profit or loss ("FVTPL")	*9*	**357,088,241**	304,632,871
Trade and other receivables	*11*	**147,688,263**	178,726,639
Amounts due from related parties	*23*	**1,067,818**	415,542
Cash and bank balances	*31*	**4,937,552**	1,921,963
		521,266,261	506,628,718
Assets held for sale	*12*	**180,153**	728,249
Total current assets		**521,446,414**	507,356,967
Total assets		**1,137,367,670**	1,020,546,111
Equity			
Share capital	*13*	**120,000,000**	100,000,000
Legal reserve	*14*	**60,000,000**	50,000,000
Regulatory reserve	*15*	**60,000,000**	50,000,000
Fair value reserve		**(26,782,321)**	(41,272,876)
Retained earnings		**345,709,972**	352,251,315
Equity attributable to Owners of the Company		**558,927,651**	510,978,439
Non-controlling interests		**3,464,763**	217,686
Total equity		**562,392,414**	511,196,125

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Foodco Holding - P.J.S.C.

Consolidated statement of financial position *(continued)*
as at 31 December

	Note	**2018 AED**	2017 AED
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits	*17*	**4,737,141**	3,236,769
Loans and borrowings	*18*	**83,196,442**	69,025,110
Total non-current liabilities		**87,933,583**	72,261,879
Current liabilities			
Loans and borrowings	*18*	**366,523,951**	346,963,182
Trade and other payables	*19*	**93,706,143**	73,531,781
Amounts due to related parties	*23*	**26,811,579**	16,593,144
Total current liabilities		**487,041,673**	437,088,107
Total liabilities		**574,975,256**	509,349,986
Total equity and liabilities		**1,137,367,670**	1,020,546,111

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 MAR 2019, and was signed on their behalf by:

Ahmed Ali Khalfan Al Dhaheri
Chairman

Rashed Darwaish Ahmed Saif AlKetbi
Vice Chairman

Mohammed Hafez
Chief Financial Officer

The notes from 1 to 33 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 8.

فودكو القابضة ش.م.ع.
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P.O. Box : 2378
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FOODCO HOLDING P.J.S.C.

Foodco Holding - P.J.S.C.

Consolidated statement of profit or loss
for the year ended 31 December

	Note	2018 AED	2017 AED
Continuing operations			
Income comprises:			
- income from trading	20	**329,019,532**	250,449,565
- income from investment properties	20	**28,285,331**	21,996,006
- income from investment in securities	20	**35,450,120**	43,391,889
		392,754,983	315,837,460
Cost of sales		**(252,487,815)**	(182,432,586)
Selling, general and administrative expenses	21	**(43,740,994)**	(35,985,600)
Impairment loss on trade and other receivables	11	**(17,506,875)**	(14,301,024)
Other income		**1,790,561**	828,520
Operating profit		**80,809,860**	83,946,770
Finance costs		**(21,270,431)**	(16,178,788)
Profit for the continuing operations		**59,539,429**	67,767,982
Discontinued operations			
Loss from discontinued operations	24	**(164,574)**	(3,223,141)
Profit for the period		**59,374,855**	64,544,841
Profit attributable to:			
Owners of the Company		**59,368,318**	66,332,163
Non-controlling interests		**6,537**	(1,787,322)
		59,374,855	64,544,841
Basic and diluted earnings per share	25	**0.495**	0.553
Basic and diluted earnings per share – continuing operations	25	**0.496**	0.578

The notes from 1 to 33 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 8.

Foodco Holding - P.J.S.C.

Consolidated statement of comprehensive income
for the year ended 31 December

	Note	2018 AED	2017 AED
Profit for the year		**59,374,855**	64,544,841
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Equity investments held at FVTOCI			
– net changes in fair value		**14,501,167**	(1,756,249)
– net change transferred to retained earnings on disposals		**670,267**	280,366
Board of Directors remuneration	*23*	**(3,350,000)**	(4,550,000)
Other comprehensive income / (loss)		**11,821,434**	(6,025,883)
Total comprehensive income		**71,196,289**	58,518,958
Total comprehensive income attributable to:			
Owners of the Company		**71,179,140**	60,359,808
Non-controlling interests		**17,149**	(1,840,850)
		71,196,289	58,518,958

The notes from 1 to 33 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 8.

Foodco Holding - P.J.S.C.

Consolidated statement of changes in equity
for the year ended 31 December

	Share capital AED *(note 13)*	Legal reserve AED *(note 14)*	Regulatory reserve AED *(note 15)*	Fair value reserve AED	Retained earnings AED	Equity attributable to owners of the Company AED	Non-controlling interests AED	Total AED
Balance at 1 January 2017	**100,000,000**	**50,000,000**	**50,000,000**	**(43,978,705)**	**319,174,506**	**475,195,801**	**(2,518,634)**	**472,677,167**
Total comprehensive income for the year								
Profit / (loss) for the year	-	-	-	-	66,332,163	66,332,163	(1,787,322)	64,544,841
Other comprehensive income / (loss)	-	-	-	2,705,829	(8,678,184)	(5,972,355)	(53,528)	(6,025,883)
Total comprehensive income / (loss) for the year	-	-	-	2,705,829	57,653,979	60,359,808	(1,840,850)	58,518,958
Transactions with Owners of the Company								
Contributions and distributions								
Dividends *(note 16)*	-	-	-	-	(20,000,000)	(20,000,000)	-	(20,000,000)
Changes in ownership interests								
Net changes in non-controlling interests	-	-	-	-	(4,577,170)	(4,577,170)	4,577,170	-
Balance at 31 December 2017	**100,000,000**	**50,000,000**	**50,000,000**	**(41,272,876)**	**352,251,315**	**510,978,439**	**217,686**	**511,196,125**

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Foodco Holding - P.J.S.C.

Consolidated statement of changes in equity
for the year ended 31 December

	Share capital AED *(note 13)*	Legal reserve AED *(note 14)*	Regulatory reserve AED *(note 15)*	Fair value reserve AED	Retained earnings AED	Equity attributable to owners of the Company AED	Non-controlling interests AED	Total AED
Balance at 1 January 2018	**100,000,000**	**50,000,000**	**50,000,000**	**(41,272,876)**	**352,251,315**	**510,978,439**	**217,686**	**511,196,125**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	59,368,318	59,368,318	6,537	59,374,855
Other comprehensive income	-	-	-	14,490,555	(2,679,733)	11,810,822	10,612	11,821,434
Total comprehensive income for the year				14,490,555	56,688,585	71,179,140	17,149	71,196,289
Transactions with Owners of the Company								
Contributions and distributions								
Issue of bonus shares *(note 13)*	20,000,000	-	-		(20,000,000)	-	-	-
Dividends *(note 16)*	-	-	-	-	(20,000,000)	(20,000,000)	-	(20,000,000)
Transfer to reserves		10,000,000	10,000,000	-	(20,000,000)	-	-	-
Total transactions with Owners of the Company	20,000,000	10,000,000	10,000,000	-	(60,000,000)	(20,000,000)	-	(20,000,000)
Changes in ownership interests								
Net changes in non-controlling interests	-				(3,229,928)	(3,229,928)	3,229,928	-
Balance at 31 December 2018	**120,000,000**	**60,000,000**	**60,000,000**	**(26,782,321)**	**345,709,972**	**558,927,651**	**3,464,763**	**562,392,414**

The notes from 1 to 33 form an integral part of these consolidated financial statements.

Foodco Holding - P.J.S.C.

Consolidated statement of cash flows

for the year ended 31 December

	2018 AED	2017 AED
Cash flows from operating activities		
Profit for the year	**59,374,855**	64,544,841
Adjustments for:		
Depreciation of property, plant and equipment	**2,163,803**	3,529,798
Impairment loss on property, plant and equipment	-	627,341
Amortisation of intangible assets	-	14,422
Finance costs	**21,270,431**	16,178,788
Provision for employees' end of service benefits	**1,760,316**	1,236,928
Gain on sale of investments held at FVTPL	**(15,460)**	(14,383,406)
Net changes in fair value of investments held at FVTPL	**(3,669,357)**	2,019,872
Dividend income	**(31,765,303)**	(31,028,355)
Allowance for impairment on trade and other receivables	**17,506,875**	14,301,024
Impairment losses relating to assets held for sale	**529,246**	-
Provision for slow moving inventories	**390,000**	3,268,120
Gain on disposal of property, plant and equipment	**(11,279)**	(35,942)
Write off of property, plant and equipment	**11,212**	-
Decrease in fair value of investment properties	**7,000,000**	13,000,000
Gain on disposal of investment properties	-	(840,000)
Gain on disposal of assets held for sale	**(69,963)**	(123,322)
Impairment loss on intangible assets	-	1,032,013
	74,475,376	73,342,122
Changes in:		
- inventories	**10,057,316**	(4,056,804)
- trade and other receivables	**13,531,501**	(57,645,680)
- amounts due from related parties	**(652,276)**	234,715
- trade and other payables	**18,636,113**	2,985,518
- amounts due to related parties	**6,868,435**	6,662,490
	122,916,465	21,522,361
Employees' end of service benefits paid	**(259,944)**	(1,200,664)
Dividends received	**31,765,303**	31,028,355
Purchase of investments	**(150,612,686)**	(205,714,552)
Acquisition of investment properties	-	(1,114,158)
Additions of investment properties under development	**(42,533,558)**	(31,045,290)
Proceeds from disposal of investments	**48,812,826**	127,842,907
Proceeds from disposal of investment properties	-	7,840,000
Net cash generated from / (used in) operating activities	**10,088,406**	(50,841,041)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,172,848)**	(3,489,914)
Proceeds from disposal of property, plant and equipment	**11,299**	76,252
Proceeds from disposal of assets held for sale	**88,813**	260,863
Net cash used in investing activities	**(1,072,736)**	(3,152,799)

Foodco Holding - P.J.S.C.

Consolidated statement of cash flows *(continued)*

for the year ended 31 December

	Note	**2018 AED**	2017 AED
Cash flows from financing activities			
Proceeds from bank borrowings		**59,030,145**	48,921,786
Repayment of bank borrowings		**(35,352,189)**	(27,537,918)
Finance costs paid		**(19,732,182)**	(16,178,788)
Dividends paid		**(20,000,000)**	(20,000,000)
Net cash used in financing activities		**(16,054,226)**	(14,794,920)
Net decrease in cash and cash equivalents		**(7,038,556)**	(68,788,760)
Cash and cash equivalents at 1 January		**(319,551,552)**	(250,762,792)
Cash and cash equivalents at 31 December	*31*	**(326,590,108)**	(319,551,552)

The notes from 1 to 33 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 8.

1 Legal status and principal activities

Foodco Holding - P.J.S.C. (the "Company") is a public shareholding company incorporated in Abu Dhabi, United Arab Emirates. The Company was established in 1979. It is regulated and listed on the Abu Dhabi Securities Exchange. In 2006, the Company changed its name to Foodco Holding - P.J.S.C. and was formerly known as Abu Dhabi National Foodstuff Company - P.J.S.C.

The Company is primarily engaged in the import and distribution of foodstuff and household items in the United Arab Emirates, along with investing, development and management of real estate and commercial enterprises. The objectives of the Company include investment in or establishment of companies in the same line of business and investment in or establishment of factories in the processing or canning of foodstuff as well as engagement in all operations and investments in and outside the United Arab Emirates.

These consolidated financial statements include the financial position and the financial performance of the following subsidiaries:

Name of subsidiary	Country of incorporation	Percentage of ownership		Principal activities
		31 December 2018	31 December 2017	
Subsidiaries directly under the Company				
Oasis National Foodstuff Company LLC	UAE	100%	100%	Packing of foodstuff
Abu Dhabi National Foodstuff Co LLC	UAE	-	100%	Wholesale and distribution of foodstuff
FOODCO National Foodstuff PJSC *(formerly known as Sense Gourmet Food Company PSC)*	UAE	98.75%	95.6%	Catering services and restaurant business
5PL Logistics LLC	UAE	100%	100%	Shipment, clearance and warehousing services
Abu Dhabi National Catering LLC	UAE	100%	100%	Catering services and restaurant business
Subsidiary of FOODCO National Foodstuff PJSC				
Abu Dhabi National Foodstuff Co LLC	UAE	100%	-	Wholesale and distribution of foodstuff

On 21 May 2018, the Shareholders of the subsidiary, FOODCO National Foodstuff PJSC, resolved to increase the share capital by AED 271,477,871. This resulted in increase in shareholding of the Company in the subsidiary from 95.6% to 98.75%.

On 31 December 2018, the Shareholders of the Company resolved to transfer its entire ownership in Abu Dhabi National Foodstuff Company to the subsidiary, FOODCO National Foodstuff PJSC.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and comply with the Articles of Association and the requirements of the UAE Federal Law No. 2 of 2015.

This is the first set of the Group's annual consolidated financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 4.

(b) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except for the following items, which are measured at fair value:

- Investments held at fair value through profit or loss;
- Investments held at fair value through other comprehensive income; and
- Investment properties.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional and reporting currency.

(d) Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements is described in note 5.

3 Summary of significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise. The Group has initially applied IFRS 15 and IFRS 9 from 1 January 2018. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards *(see also Note 4)*.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(a) Basis of consolidation *(continued)*

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interests ("NCI")

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) Revenue

The Company initially applied IFRS 15 from 01 January 2018. Information about the Group's accounting policies relating to income from trading is provided and the effect of initially applying IFRS 15 is described in note 4.

Income from investment properties
Income from investment properties includes rental income from investment properties and increase / decrease in fair value of investment properties. Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other properties is recognised as other income. For accounting policy of fair value gain on investment properties please refer note 3(e).

Income from investment in securities
Income from investment in securities includes dividend income from investments and increase / decrease in fair value of investments. Dividend income is recognised when the right to receive payment has been established. For accounting policy for increase / decrease in fair value of investments at fair value through profit or loss please refer note 3(m).

(c) Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(c) Property, plant and equipment *(continued)*

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation
Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and the comparative periods are as follows:

	Years
Warehouse and office buildings	25
Equipment, furniture and fittings	10 to 20
Motor vehicles	4

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

Capital work in progress

The Group capitalises all costs relating to the construction of property, plant and equipment as capital work in progress, up to the date of completion and commissioning of the asset. These costs are transferred from capital work in progress to the appropriate asset classification upon completion and commissioning, and are depreciated over the useful life applicable to the respective asset category, from the date of such completion and commissioning.

(d) Finance costs

The Group's finance costs include interest expenses and the foreign currency gain or loss on financial assets and financial liabilities. Interest expense is recognised using the effective interest method. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

(e) Investment properties

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3 Summary of significant accounting policies *(continued)*

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(g) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(h) Leases

Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leased assets
Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3 Summary of significant accounting policies *(continued)*

(i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(j) Employee benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final 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.

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

(k) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of an investment in equity securities designated as at FVOCI, are recognised in OCI.

(l) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(m) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets: Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3 Summary of significant accounting policies *(continued)*

(m) Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

3 Summary of significant accounting policies *(continued)*

(m) Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading; or
  - designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Loans and receivables	Measured at amortised cost using the effective interest method.
Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3 Summary of significant accounting policies *(continued)*

(m) Financial instruments *(continued)*

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(n) Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

3 Summary of significant accounting policies *(continued)*

(n) Impairment *(continued)*

(i) Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 *(continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 365 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Summary of significant accounting policies *(continued)*

(n) Impairment *(continued)*

(i) Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 *(continued)*

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

3 Summary of significant accounting policies *(continued)*

(n) Impairment *(continued)*

(i) Non-derivative financial assets (continued)

Financial assets measured at amortised cost

The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property and inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows (cash generating unit, or CGU) from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Summary of significant accounting policies *(continued)*

(o) Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs.

(p) 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3 Summary of significant accounting policies *(continued)*

(q) New standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Management has performed its assessment on the following standards and concluded that these standards do not have material impact on the Group's consolidated financial statements in the period of initial application.

i) IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including 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 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is required to adopt IFRS 16 Leases from 1 January 2019.

The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below however the actual impacts of adopting the standard on 1 January 2019 may change because, the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group's finance leases.

Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available no significant impact is expected for other leases in which the Group is a lessor.

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

3 Summary of significant accounting policies *(continued)*

(o) New standards and interpretations issued but not yet effective *(continued)*

i) IFRS 16 *Leases (continued)*

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

ii) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

4 Changes in significant accounting policies

The Group has initially applied IFRS 15 (see A) and IFRS 9 (see B) from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

There is no material impact of transition to IFRS 15 on the Group's retained earnings at 1 January 2018, on the Group's consolidated statement of financial position as at 31 December 2018 and on the Group's consolidated statement of profit or loss and consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018.

4 Changes in significant accounting policies

(a) IFRS 15 Revenue from Contracts with Customers *(continued)*

Type of product/ Service	**Nature and timing of satisfaction of performance obligations, including significant payment terms, revenue recognition under IFRS 15 (applicable from 1 January 2018) and revenue recognition under IAS 18 (applicable before 1 January 2018)**	**Impact on the Group's accounting policies**
Distribution of food and non-food items.	Invoices and delivery notes are issued at the time of delivering the goods in the customer's locations. These are acknowledged in the form of signature / stamp or both. The invoices are posted and the revenue is recognized at that point of time. Under IFRS 15, each delivery is considered to be a single performance obligation and revenue is recognised with recurring invoices against delivery notes. Returns: There are no significant abnormal returns occurring in the retail segment The returns from customers are contractual where the aging inventory is replaced with fresh ones. Group logistics team present in customers' sites monitor the inventory. The Group have back to back agreement with our suppliers for 50% of the inventory. The remaining stock is transferred to retail segments to be sold in the market on cost basis. The Group based on the historical and expected losses maintains a running provision to account for any failure / contingency in the rotations process. Under IAS 18, revenue was recognised when risk and reward of goods are transferred to the customer.	IFRS 15 did not have a significant impact on the Group's accounting policy related to distribution of food and non-food items.
Leasing and storage facilities	The Group own various buildings and warehouses which are leased to tenants on yearly contracts. Under IFRS 15 revenue is recognized over time as those services are provided. Under IAS 18, revenue from rendering of services is recognised at the time when the services are rendered and there are no significant uncertainties regarding recovery of the consideration due, associated costs or the possible return.	IFRS 15 did not have a significant impact on the Group's accounting policy related to leasing and storage facilities.

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

There is no material impact of transition to IFRS 9 on the Group's retained earnings at 1 January 2018.

4 Changes in significant accounting policies *(continued)*

(b) IFRS 9 Financial Instruments *(continued)*

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9 *(see note 3 (m))*.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial asset	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
			AED	**AED**
Investments held at fair value through other comprehensive income	Available for sale	FVOCI – equity instrument	182,881,498	182,881,498
Investments held at fair value through profit or loss	Held for trading	Mandatorily at FVTPL	304,632,871	304,632,871
Amounts due from related parties	Loans and receivables	Amortized cost	415,542	415,542
Trade and other receivables	Loans and receivables	Amortized cost	175,865,897	175,865,897
Cash and bank balances	Loans and receivables	Amortized cost	1,351,515	1,351,515
Total financial assets			**665,147,323**	**665,147,323**

Above financial assets were classified as loans and receivables under IAS 39 are now classified at amortised cost. There is no increase in allowance for impairment over these assets in opening retained earnings at 1 January 2018 on transition to IFRS 9.

4 Changes in significant accounting policies *(continued)*

(b) IFRS 9 Financial Instruments *(continued)*

(i) Classification and measurement of financial assets and financial liabilities

Financial liability	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			AED	AED
Trade and other payables	Other financial liabilities	Other financial liabilities	73,531,781	73,531,781
Amounts due to related parties	Other financial liabilities	Other financial liabilities	16,593,144	16,593,144
Loans and borrowings	Other financial liabilities	Other financial liabilities	415,988,292	415,988,292
Total financial liabilities			**506,113,217**	**506,113,217**

The carrying amounts of financial assets under IAS 39 are not materially different from the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39 *(See note 3 (n))*.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Group has determined that the application of IFRS 9's impairment requirement did not result in any additional allowance for impairment at 1 January 2018.

(iii) Transition

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

An assessment has been made on the basis of the facts and circumstances that existed at the date of initial application for the determination of the business model within which a financial asset is held.

5 Critical accounting judgements and key sources of estimation uncertainty

(a) Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in notes 3 and 4, management has made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property plant and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property plant and equipment and land held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by management.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI, FVTPL or amortised cost. In making a judgement whether investments in securities are as at FVTOCI, FVTPL or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

Fair value of unquoted financial instruments

The fair value of financial instruments that are not quoted in active markets is determined by using net asset value per share of the investee based on the latest financial information available to management.

(b) Key sources of estimation uncertainty

Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the management determines the amount within a range of reasonable fair value estimates by considering recent transaction prices or rentals and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing leases and other contracts and (when possible) by external evidence such as current market rent for similar properties in the same or similar locations and conditions, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Management has also identified any differences in the nature, location or condition of the properties, or in the contractual terms of the leases and other contracts, with adjustments made to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at market prices. Such estimation is based on certain assumptions, which are subject to uncertainty and may differ from the actual results.

Allowance for impairment of trade receivables

Management has estimated the recoverability of trade receivable balances and has considered the allowance required for impairment of receivables. Management has estimated the allowance for impairment of receivables on the basis of ECL.

5 Critical accounting judgements and key sources of estimation uncertainty *(continued)*

(b) Key sources of estimation uncertainty (continued)

Allowance for slow moving inventories
The Group reviews its inventories to assess losses on account of obsolescence on a regular basis. In determining whether a provision for obsolescence should be recorded in statement of profit or loss and other comprehensive income, the Group makes judgements based on the ageing of the stocks and the past consumption of stocks, as to whether there is any observable data indicating whether individual products are saleable and indicating the net realisable value of such products. Accordingly, a provision for impairment is recorded where the net realisable value is less than cost, based on best estimates by the management.

Revenue recognition
Management estimates whether revenue from sale of products and services is recognised over time or at a point in time.

Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has an overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusions that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in related notes.

6 Property, plant and equipment

	Warehouse and office buildings	Equipment, furniture and fittings	Motor vehicles	Capital work in progress	Total
Cost	AED	AED	AED	AED	AED
1 January 2017	16,953,592	30,796,045	8,033,828	1,665,370	57,448,835
Additions	-	1,429,349	471,735	1,588,830	3,489,914
Disposals	-	(26,985)	(295,540)	-	(322,525)
Assets held for sale *(note 12)*	-	(1,902,002)	-	-	(1,902,002)
31 December 2017	**16,953,592**	**30,296,407**	**8,210,023**	**3,254,200**	**58,714,222**
1 January 2018	16,953,592	30,296,407	8,210,023	3,254,200	58,714,222
Additions	-	723,194	-	449,654	1,172,848
Disposals / write-off	-	(1,946,227)	(178,500)	-	(2,124,727)
31 December 2018	16,953,592	29,073,374	8,031,523	3,703,854	57,762,343
Accumulated depreciation and impairment losses					
1 January 2017	15,553,821	22,821,472	5,815,213	1,257,744	45,448,250
Charge for the year	337,055	2,305,127	887,616	-	3,529,798
Disposals	-	(8,165)	(274,050)	-	(282,215)
Impairment loss	-	555,932	71,409	-	627,341
Assets held for sale *(note 12)*	-	(1,540,306)	-	-	(1,540,306)
31 December 2017	**15,890,876**	**24,134,060**	**6,500,188**	**1,257,744**	**47,782,868**
1 January 2018	15,890,876	24,134,060	6,500,188	1,257,744	47,782,868
Charge for the year	133,919	1,252,000	777,884	-	2,163,803
Disposals / write-off	-	(1,935,015)	(178,480)	-	(2,113,495)
31 December 2018	**16,024,795**	**23,451,045**	**7,099,592**	**1,257,744**	**47,833,176**
Carrying amount					
31 December 2017	1,062,716	6,162,347	1,709,835	1,996,456	10,931,354
31 December 2018	**928,797**	**5,622,329**	**931,931**	**2,446,110**	**9,929,167**

Included under warehouse and office buildings are warehouses constructed on a leased land in Mina Zayed port in Abu Dhabi. The Group and the Seaport Authority, representing the Government of Abu Dhabi, signed a lease agreement covering the land for a period of 15 years with effect from 1 January 1998. The lease agreement is renewable based on terms to be determined by the Seaport Authority. The contract has been extended for 4 more years effective 1 January 2018.

Included under warehouse and office buildings, is a warehouse in Dubai constructed in 2000 on a plot of land leased from Dubai Municipality for a renewable period of 5 years with effect from 1 February 1999. Since 2004, the lease agreement is being renewed on a yearly basis.

Included under equipment, furniture and fittings, is the office complex which was completed in August 2001 on the aforesaid leased land in Mina Zayed Port in Abu Dhabi.

6 Property, plant and equipment *(continued)*

Other assets

Other assets represent right to acquire land located in Gulf region, from a third party, The Group is in the process of finalising the transfer of this land.

7 Investment properties under development

	2018 AED	2017 AED
At 1 January	**76,336,756**	45,291,466
Cost incurred during the year	**42,533,558**	31,045,290
At the end of the year	**118,870,314**	76,336,756

Investment properties under development mainly represent properties under construction in Khalifa City in Abu Dhabi. Additions to investment properties under development includes the cost incurred on these properties during the year.

The fair value of investment properties under development as at 31 December 2018 and 2017 approximates their carrying value. This has been arrived at on the basis of internal valuations carried out by the Group's management using discounted cashflows *(refer note 8 for details)*.

The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

At 31 December 2018, properties with a carrying amount of AED 118,870 thousands *(2017: AED nil)* are pledged with commercial banks for securing term loans.

8 Investment properties

	2018 AED	2017 AED
Warehouses	**108,441,802**	108,441,802
Buildings – residential	**80,613,224**	80,613,224
Building - commercial and residential	**76,035,000**	76,035,000
Less: provision for impairment	**(35,000,000)**	(28,000,000)
	230,090,026	237,090,026

The movements in the investment properties during the year were as follows:

	2018 AED	2017 AED
As at 1 January	**237,090,026**	255,975,868
Additions	-	1,114,158
Disposals	-	(7,000,000)
Decrease in fair value of investment properties	**(7,000,000)**	(13,000,000)
At 31 December	**230,090,026**	237,090,026

8 Investment properties *(continued)*

Investment property comprises a number of commercial and residential properties that are leased to third parties, each of the leases are cancellable.

Changes in fair values are recognised as gains in profit or loss and included in 'income from investment properties'. All gains and losses are unrealised.

The fair value of investment properties as at 31 December 2018 and 2017 has been arrived at on the basis of internal valuations carried out by the Group's management using discounted cash flows *(refer below for details)* which resulted recognition of impairment loss of AED 7,000 thousands *(2017: AED 13,000 thousands)* during the year.

The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

At 31 December 2018, properties with a carrying amount of AED 102,000 thousands *(2017: AED 102,000 thousands)* are pledged with commercial banks for securing term loans.

Some of the investment properties are registered in the name of the Group's Directors beneficially on behalf of the Group in order to comply with jurisdictional regulations.

i. Valuation technique and significant unobservable inputs (Level 3)

a) Valuation technique:

Discounted cash flows:

The valuation model considers present value of net cash flows to be generated from property, taking into account expected rental growth rate, occupancy rate and estimated operational costs. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

b) Significant unobservable inputs:

- Expected market rental growth rate for year-1 is 0% and year-2 onwards is weighted average 2%, *(2017: year-1 is 0% and year-2 onwards is weighted average 4.6%)*;
- Occupancy rate is 95% *(2017: 100%)*;
- Risk adjusted discount rates from year-1 to year-10 is 9.41% and year-11 onwards weighted average is 8.55% *(2017: year-1 to year-10 is 9.5% and year-11 onwards is 10.5%)*;
- Expected operational costs is 3% - 14% for all years *(2017: 13% - 18% for all years)*; and
- Terminal value calculated beyond year-10 considering that rentals will continue till perpetuity.

c) Interrelationship between key observable inputs and fair value measurement:

The estimation value would increase / (decrease) if:

- expected market rental growth were higher / (lower);
- the occupancy rate were higher / (lower); and
- the risk adjusted discount rate were lower / (higher).

9 Investments in securities

The effect of initially applying IFRS 9 in the Group's financial instruments is described in Note 4. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements.

	2018 AED	2017 AED
Investments held at fair value through other comprehensive income ("FVTOCI")	**251,082,239**	182,881,498
Investments held at fair value through profit and loss ("FVTPL")	**357,088,241**	304,632,871
	608,170,480	487,514,369

The investments at FVTOCI comprise:

	2018 AED	2017 AED
Investments in quoted equity securities inside UAE	**222,687,559**	166,398,774
Investments in quoted equity securities outside UAE	**19,616,336**	10,937,489
Investments in unquoted equity securities inside UAE	**6,508,181**	2,874,252
Investments in unquoted equity securities outside UAE	**2,270,163**	2,670,983
	251,082,239	182,881,498

The investments held at FVTPL comprise:

	2018 AED	2017 AED
Investments in quoted equity securities inside UAE	**335,237,718**	292,648,090
Investments in quoted equity securities outside UAE	**14,864,173**	5,400,293
Investments in mutual funds	**6,986,350**	6,584,488
	357,088,241	304,632,871

Investments in mutual funds are held by a related party beneficially on behalf of the Group.

9 Investments in securities *(continued)*

The movement in investments was as follows:

	At fair value through profit or loss 2018 AED	**At fair value through other comprehensive Income 2018 AED**	At fair value through profit or loss 2017 AED	At fair value through other comprehensive income 2017 AED
At 1 January	**304,632,871**	**182,881,498**	217,135,489	187,569,094
Purchase of investments	**95,942,097**	**54,670,589**	201,614,466	4,100,086
Disposal of investments	**(47,156,084)**	**(971,015)**	(112,097,212)	(1,081,923)
Reclassified	**-**	**-**	-	(5,949,510)
Decrease in fair value	**3,669,357**	**14,501,167**	(2,019,872)	(1,756,249)
At end of the year	**357,088,241**	**251,082,239**	304,632,871	182,881,498

Investments amounting to AED 166,799 thousands *(2017: 166,799 thousands)* are pledged with a commercial bank for securing term loans.

The Group has no investments and relation with Abraaj Group.

10 Inventories

	2018 AED	2017 AED
Goods for resale	**14,531,568**	21,910,435
Goods in transit	**-**	4,806,357
	14,531,568	26,716,792
Less: allowance for slow moving inventories	**(4,047,181)**	(5,785,089)
	10,484,387	20,931,703

The movement in the allowance for slow moving inventories during the year was as follows:

	2018 AED	2017 AED
At 1 January	**5,785,089**	4,533,272
Charge for the year	**390,000**	3,268,120
Written off during the year	**(2,127,908)**	(2,016,303)
	4,047,181	5,785,089

In 2018, inventories of AED 233,011 thousands *(2017: AED 164,184 thousands)* were recognised as cost of sales during the year.

11 Trade and other receivables

	2018 AED	2017 AED
Trade receivables	**154,151,539**	185,610,004
Less: impairment loss on trade receivables	**(25,827,162)**	(22,183,985)
	128,324,377	163,426,019
Prepayments	**2,227,282**	1,978,538
Receivable against sale of investment property	**6,089,713**	7,840,000
Advances to suppliers	**5,710,943**	882,204
Other receivables	**7,218,219**	7,201,659
Less: allowance for impairment of other receivables	**(1,882,271)**	(2,601,781)
	147,688,263	178,726,639

Movement in impairment loss on trade receivables is as follows:

	2018 AED	2017 AED
At beginning of the year	**22,183,985**	11,170,782
Charge for the year	**17,506,875**	13,581,514
Written off during the year	**(13,863,698)**	(2,568,311)
At the end of the year	**25,827,162**	22,183,985

Movement in impairment loss on other receivables is as follows:

	2018 AED	2017 AED
At 1 January	**2,601,781**	1,882,271
Charge for the year	**-**	719,510
Written off during the year	**(719,510)**	-
At end of the year	**1,882,271**	2,601,781

12 Assets held for sale

In 2016, management committed to a plan to discontinue certain operations of a subsidiary and accordingly specific net assets related to those operations were classified as assets held for sale.

Movement in the assets held for sale is as follows:

	2018 AED	2017 AED
At beginning of the year	**728,249**	504,094
Transferred from property, plant and equipment	-	361,696
Disposals	**(18,850)**	(137,541)
Write-downs of the assets held for sale to the lower of its carrying amount and its fair value less costs to sell	**(529,246)**	-
At the end of the year	**180,153**	728,249

AED 529,246 has been recognised as write-downs of the assets held for sale to the lower of its carrying amount and its fair value less costs to sell. These write-down have been applied to reduce the carrying amount of property, plant and equipment within the assets held for sale.

13 Share capital

	2018 AED	2017 AED
Authorised, allotted, issued and fully paid:		
120 million *(2017: 100 million)* shares of AED 1 each	**120,000,000**	100,000,000

	2018 AED	2017 AED
In issue at 1 January	**100,000,000**	100,000,000
Bonus issue	**20,000,000**	-
In issue at 31 December	**120,000,000**	100,000,000

At the Annual General Meeting held on 24 April 2018, Shareholders approved cash dividend of AED 20 million, representing 20% of the issued share capital, and 20% bonus shares, representing 20% of the issued share capital shares, as proposed by the Board of Directors.

14 Legal reserve

In accordance with UAE Federal Law No. 2 of 2015, the Company is required to transfer 10% of its profit for the year to a non-distributable legal reserve until the balance of the legal reserve equals one half of the Company's paid up share capital.

15 Regulatory reserve

In accordance with the Company's Articles of Association, the regulatory reserve account is created by appropriation from the net profit at a rate to be approved by the General Assembly based on proposal of the Board of Directors.

16 Dividends

At the Annual General Meeting held on 24 April 2018, Shareholders approved cash dividend of AED 20 million, representing 20% of the issued share capital, and 20% bonus shares, representing 20% of the issued share capital shares, as proposed by the Board of Directors *(2017: cash dividend of AED 20 million, representing 20% of the issued share capital).*

17 Provision for employees' end of service benefits

	2018 **AED**	2017 AED
At 1 January	**3,236,769**	4,295,811
Charge for the year	**1,760,316**	1,236,928
Reversal during the year	**-**	(1,095,306)
Payments during the year	**(259,944)**	(1,200,664)
At 31 December	**4,737,141**	3,236,769

18 Loans and borrowings

	2018 **AED**	2017 AED
Secured bank borrowings	**118,192,733**	94,514,777
Bank overdrafts	**331,527,660**	321,473,515
	449,720,393	415,988,292

Bank overdrafts and secured bank borrowings are repayable as follows:

	2018 **AED**	2017 AED
Current portion	**366,523,951**	346,963,182
Non - current portion	**83,196,442**	69,025,110
	449,720,393	415,988,292

The bank overdrafts are repayable on demand and are secured by corporate guarantees of the Company.

Movement in the secured bank borrowings is as follows:

	2018 **AED**	2017 AED
At 1 January	**94,514,777**	73,130,909
Obtained during the year	**59,030,145**	48,921,786
Settled during the year	**(35,352,189)**	(27,537,918)
At 31 December	**118,192,733**	94,514,777

18 Loans and borrowings *(continued)*

Terms and conditions of bank borrowings are as follows;

Loan	Currency	Year of maturity	Nominal interest rate	Tenor	31 December 2018 Face value AED	31 December 2018 Carrying amount AED
Term loan 1 - Secured	AED	2019	Refer below	21 Years	25,000,000	1,683,989
Term loan 2 – Secured	AED	2022	Refer below	5 Years	50,000,000	35,000,000
Term loan 3 – Unsecured	AED	2019	Refer below	3 Year	8,000,000	1,999,802
Term loan 4 – Secured	AED	2022	Refer below	4 Years	50,000,000	36,718,750
Term loan 5 – Secured	AED	2024	Refer below	7 Years	30,737,272	17,290,192
Term loan 6 - Secured	AED	2022	Refer below	5 Years	30,000,000	25,500,000
Total						**118,192,733**

Loan	Currency	Year of maturity	Nominal interest rate	Tenor	31 December 2017 Face value AED	31 December 2017 Carrying amount AED
Term loan 1 - Secured	AED	2019	Refer below	21 Years	25,000,000	4,811,415
Term loan 2 – Secured	AED	2022	Refer below	5 Years	50,000,000	45,000,000
Term loan 3 – Unsecured	AED	2019	Refer below	3 Year	8,000,000	4,888,889
Term loan 4 – Secured	AED	2022	Refer below	4 Years	50,000,000	33,750,000
Term loan 5 – Secured	AED	2024	Refer below	7 Years	30,737,272	6,064,473
Total						**94,514,777**

Term loan # 1 for AED 25,000 thousands was obtained in June 1993 from the Department of Social Services and Commercial Buildings (DSSCB) of the Government of Abu Dhabi, and is secured by a charge over the commercial and residential building. The loan is repayable starting from January 1999 through Abu Dhabi Commercial Properties (ADCP), which now manages the DSSCB's property loans.

Term loan # 2 for AED 50,000 thousands in June 2017. It is secured by a first degree mortgage over the commercial and residential buildings.

Term loan # 3 was converted from an existing overdraft to a long term loan in September 2016 for AED 8,000 thousands.

Term loan # 4 was obtained in May 2016 from a local bank for AED 50,000 thousands. It is secured by a registered pledge over shares.

Term loan # 5 was obtained in April 2017 from a local bank for AED 30,737 thousands. It is secured by a registered pledge over the under construction land and building.

Term loan # 6 was obtained in February 2018 from a local bank for AED 30,000 thousands. It is secured by a registered pledge over investment in securities and the under construction land and building.

The average interest rates during the year were as follows:

	31 December 2018 and 2017
Bank overdrafts	1 month EIBOR + margin
Term loans	1 to 3 months EIBOR + margin
Term loans – DSSCB (through ADCP)	3% fixed rate per annum

18 Loans and borrowings *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Equity			
	Bank overdrafts AED	**Loans and Borrowings AED**	**Share Capital AED**	**Legal reserve AED**	**Regulatory reserve AED**	**Fair v Res**
Balance as at 1 January 2018	321,473,515	94,514,777	100,000,000	50,000,000	50,000,000	(41,272,
Changes from financing cash flows						
Proceeds from loans and borrowings	-	57,475,719	-	-	-	
Repayment of loans and borrowings	-	(33,797,763)	-	-	-	
Dividends paid	-		-	-	-	
Interest paid	(14,416,699)	(5,315,483)	-	-	-	
Total changes from financing cash flows	**(14,416,699)**	**18,362,473**	-	-	-	
Other changes						
Liability related						
Changes in bank overdrafts	10,054,145	-	-	-	-	
Interest expense	14,416,699	5,315,483	-	-	-	
Total liability-related other changes	24,470,844	5,315,483	-	-	-	
Total equity-related other changes	-		20,000,000	10,000,000	10,000,000	14,490
Balance at 31 December 2018	**331,527,660**	**118,192,733**	**120,000,000**	**60,000,000**	**60,000,000**	**(26,782,**

18 Loans and borrowings *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Equity						
	Bank overdrafts AED	**Loans and Borrowings AED**	**Share Capital AED**	**Legal reserve AED**	**Regulatory reserve AED**	**Fair value reserve AED**	**Retained earnings AED**	**NCI AED**	**Total AED**
Balance as at 1 January 2017	251,873,035	73,130,909	100,000,000	50,000,000	50,000,000	(43,978,705)	319,174,506	(2,518,634)	797,681,111
Changes from financing cash flows									
Proceeds from loans and borrowings	-	48,564,388	-	-	-	-	-	-	48,564,388
Repayment of loans and borrowings	-	(27,180,520)	-	-	-	-	-	-	(27,180,520)
Dividends paid	-		-	-	-	-	(20,000,000)	-	(20,000,000)
Interest paid	(12,995,856)	(3,182,932)	-	-	-	-	-	-	(16,178,788)
Total changes from financing cash flows	**(12,995,856)**	**18,200,936**	-	-	-	-	**(20,000,000)**	-	**(14,794,920)**
Other changes									
Liability related									
Changes in bank overdrafts	69,600,480	-	-	-	-	-	-	-	69,600,480
Interest expense	12,995,856	3,182,932	-	-	-	-	-	-	16,178,788
Total liability-related other changes	82,596,336	3,182,932	-	-	-	-	-	-	85,779,268
Total equity-related other changes	-	-	-	-	-	2,705,829	53,076,809	2,736,320	58,518,958
Balance at 31 December 2017	**321,473,515**	**94,514,777**	**100,000,000**	**50,000,000**	**50,000,000**	**(41,272,876)**	**352,251,315**	**217,686**	**927,184,417**

19 Trade and other payables

	2018 AED	2017 AED
Trade payables	**63,533,675**	59,466,918
Accruals	**12,609,959**	7,187,891
Other payables	**17,562,509**	6,876,972
	93,706,143	73,531,781

20 Revenue

The effect of initially applying IFRS 15 on the Group's income from trading is described in Note 4. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

i. Revenue streams

The Group generates revenue primarily from the sale of food stuff, rendering of services against management of stock and freight forwarding and storage *(see (a))*. Other sources of revenue include income from investment properties *(see (b))* and income from investment in securities *(see (c))*.

	2018 AED	2017 AED
Income from trading *(see (a))*	**329,019,532**	250,449,565
Other revenue:		
Income from investment properties *(see (b))*	**28,285,331**	21,996,006
Income from investments *(see (c))*	**35,450,120**	43,391,889
	392,754,983	315,837,460

(a) Income from trading

	2018 AED	2017 AED
Sale of goods	**311,804,826**	225,520,148
Management fees	**16,000,000**	16,000,000
Freight forwarding and storage	**1,214,706**	8,929,417
	329,019,532	250,449,565

A subsidiary of the Group is entitled to a management fees for management of inventories for one major customer.

(b) Income from investment properties

	2018 AED	2017 AED
Operating rental income	**35,285,331**	34,156,006
Decrease in fair value of investment properties	**(7,000,000)**	(13,000,000)
Gain on disposal of investment properties	**-**	840,000
	28,285,331	21,996,006

(c) Income from investments

	2018 AED	2017 AED
Dividend income	**31,765,303**	31,028,355
Net changes in fair value of investments held at FVTPL	**3,669,357**	(2,019,872)
Gain on disposal of investments held at FVTPL	**15,460**	14,383,406
	35,450,120	43,391,889

20 Revenue *(continued)*

ii. Disaggregation of revenue from contracts with customers

The segments of the Group are managed and operated locally, therefore, all revenue is earned in UAE.

For the year ended 31 December	Reportable Segments									
	Income from trading		Freight forwarding and storage		Investment properties		Investment in securities		Total	
	2018 AED	2017 AED	**2018 AED**	2017 AED	**2018 AED**	2017 AED	**2018 AED**	2017 AED	**2018 AED**	2017 AED
Major products/service lines										
Income from trading	**311,804,826**	225,520,148	**1,214,706**	8,929,417	-	-	-	-	**313,019,532**	234,449,565
Management fees	**16,000,000**	16,000,000	-	-	-	-	-	-	**16,000,000**	16,000,000
	327,804,826	241,520,148	**1,214,706**	8,929,417	-	-	-	-	329,019,532	250,449,565
Timing of revenue recognition										
Products transferred at a point in time	**311,804,826**	225,520,148	**1,214,706**	8,929,417	-	-	-	-	**313,019,532**	234,449,565
Products and services transferred over time	**16,000,000**	16,000,000	-	-	-	-	-	-	**16,000,000**	16,000,000
Revenue from trading	**327,804,826**	241,520,148	**1,214,706**	8,929,417	-	-	-	-	**329,019,532**	250,449,565
Other revenue	-	-	-	-	**28,285,331**	21,996,006	**35,450,120**	43,391,889	63,735,451	65,387,895
	327,804,826	241,520,148	**1,214,706**	8,929,417	**28,285,331**	21,996,006	**35,450,120**	43,391,889	**392,754,983**	315,837,460

21 Selling, general and administrative expenses

	2018 AED	2017 AED
Selling and distribution expenses	**39,054,012**	30,438,566
General and administrative expenses	**4,675,770**	4,919,693
Write off property and equipment	**11,212**	-
Impairment loss on property and equipment	-	627,341
	43,740,994	35,985,600

22 Profit for the year

Profit for the year is arrived at after charging the following

	2018 AED	2017 AED
Staff costs	**26,417,089**	25,878,623
Depreciation of property, plant and equipment	**2,163,803**	3,529,798
Amortisation and impairment of intangible assets	-	1,046,435
Operating rental expenses	**8,298,936**	10,566,116

23 Related parties balances and transactions

In the ordinary course of business, the Group enters into transactions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24. The Group has a related party relationship with its executive officers and business entities over which they can exercise significant influence or which can exercise significant influence over the Group.

Balances with related parties

	2018 AED	2017 AED
Amounts due from related parties:		
Directors	**160,380**	255,156
Shareholders	**907,438**	160,386
	1,067,818	415,542
Amounts due to related parties:		
Shareholders	**23,461,579**	12,043,144
Board of Directors' remuneration	**3,350,000**	4,550,000
	26,811,579	16,593,144

23 Related parties balances and transactions *(continued)*

Transactions with related parties

Significant transactions with related parties comprised:

	2018 AED	2017 AED
Sales	**1,714,730**	1,451,665
Purchases and capital expenditure	**37,825,138**	30,534,036

Key management personnel compensation

The remuneration of Directors and other members of key management during the year were as follows:

	2018 AED	2017 AED
Management compensation	**2,742,982**	1,555,749
Director's remuneration	**3,350,000**	4,550,000

Directors' remuneration

In accordance with Clauses 29 and 48 of the Articles of Association of the Company, as amended, the annual remuneration of the Board of Directors should be determined by the General Assembly at a rate not to exceed 10% of the net profit of the Company for the year. The Directors' remuneration in the amount of AED 3,350 thousands *(2017: AED 4,550 thousands)* is proposed by Board of Directors which is subject to the approval of the General Assembly.

24 Discontinued operations

During 2018, the management of a subsidiary, Sense Gourmet Food Company P.S.C. ("the Subsidiary"), decided to discontinue their restaurant operations. The Subsidiary was not previously classified as a discontinued operation. Accordingly, the comparative consolidated statement of profit or loss has been re-presented to show discontinued operation separately from continuing operations.

(a) Results of discontinued operations

	2018 AED	2017 AED
Income	-	6,067,804
Expenses	**(164,574)**	(9,290,945)
Loss from discontinued operations	**(164,574)**	(3,223,141)

(b) Cash flows from discontinued operations

	2018 AED	2017 AED
Net cash from / (used in) discontinued operations	**912,767**	(3,447,296)

24 Discontinued operations *(continued)*

For basic and diluted earnings per share relating to discontinued operations refer note 25.

25 Basic and diluted earnings per share

Weighted-average number of ordinary shares

	2018 AED	2017 AED
Weighted-average number of ordinary shares	**120,000,000**	120,000,000

Weighted average number of shares outstanding for the year ended 31 December 2017 have been retrospectively adjusted to include the 20% bonus shares approved in the Shareholders' Annual General Meeting (AGM) held on 24 April 2018.

Profit / (loss) attributable to ordinary shareholders

For the year ended 31 December 2018:

	Continuing operations	Discontinued Operations	Total
Profit / (loss) for the year, attributable to the Owners of the Company (AED)	**59,525,638**	**(157,320)**	**59,368,318**
Basic and diluted earnings / (loss) per share	**0.496**	**(0.001)**	**0.495**

For the year ended 31 December 2017:

	Continuing operations	Discontinued Operations	Total
Profit / (loss) for the year, attributable to the Owners of the Company (AED)	**69,413,234**	**(3,081,071)**	**66,332,163**
Basic and diluted earnings / (loss) per share	**0.578**	**(0.026)**	**0.553**

The Group does not have potentially dilutive shares and accordingly, diluted earnings per share equals to basic earnings per share.

26 Financial instruments

(a) Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments.

- Market risk
- Credit risk
- Liquidity risk

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

Further quantitative disclosures are included throughout these consolidated financial statements.

The Management has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for developing and monitoring the Group's risk management policies and reports regularly to the shareholders on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, and to monitor those risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.The Group is exposed to the following risks related to financial instruments- credit risk, liquidity risk and market risk. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative or risk management purposes.

Market risk

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

Foreign currency risk

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

26 Financial instruments *(continued)*

Market risk *(continued)*

Foreign currency risk *(continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets the reporting date are as follows:

	USD	BHD	OMR	SYP	SAR	Euro	Total
At 31 December 2018 (in thousands)							
Financial assets	1,484	840	617	18,716	4,868	1,776	28,301
At 31 December 2017 (in thousands)							
Financial assets	245	841	660	13,256	2,175	1,830	19,007

Based on the sensitivity analysis to a 10% increase/decrease in the AED against the relevant foreign currencies (assumed outstanding for the whole year) there will be:
- no impact on USD as the UAE Dirham is pegged to the US Dollar;
- AED 84.0 thousands *(2017: AED 84.1 thousands)* net revaluation gain/loss on the BHD;
- AED 61.7 thousands *(2017: AED 66 thousands)* net revaluation gain/loss on the OMR;
- AED 1,871.6 thousands *(2017: AED 1,325.6 thousands)* net revaluation gain/loss on the SYP;
- AED 486.8 thousands *(2017: 217.5 thousands)* net revaluation gain/loss on the SAR; and
- AED 177.6 thousands *(2017: 183.1 thousands)* net revaluation gain/loss on the Euro.

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposures to interest rates risk on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. At the reporting date, all of the Group's interest-bearing financial instrument were variable rate instruments. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used to represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease / increase by AED 2,249 thousands *(2017: decrease / increase by AED 2,080 thousands)*. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

26 Financial instruments *(continued)*

Market risk *(continued)*

Other market price risks

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher / lower: The Group's equity reserves would increase / decrease by AED 60,817 thousands *(2017: increase / decrease by AED 48,751 thousands)* as a result of the Group's portfolio classified as both FVTPL and FVOCI.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade receivables and amounts due from related parties
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

Out of the trade receivables balance at the end of the year, 60.84% is due from one government customer *(2017: 72.9%)*. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

The Group does not require collateral in respect of trade and other receivables.

Comparative information under IAS 39

Ageing of trade receivables at 31 December 2017 is as follows.

	2017 AED
Up to 90 days	93,694,266
91 - 180 days	35,454,579
181 – 270 days	10,924,314
271 – 365 days	3,207,888
More than 365 days	42,328,957
Total	**185,610,004**

26 Financial instruments *(continued)*

Credit risk *(continued)*

Expected credit loss assessment for customers as at 1 January and 31 December 2018

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Based on ECL method, the Group believes that impairment allowance of AED 25,827 thousands is necessary in respect of trade receivables outstanding at the reporting date.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

31 December 2018	Weighted average loss rate	Gross carrying amount AED	Loss allowance AED	Credit-impaired AED
Up to 90 days	10%	110,527,859	11,198,509	-
91 - 180 days	30%	12,942,445	3,911,930	-
181 – 270 days	0%	3,524,552	-	-
271 – 365 days	0%	6,343,788	-	-
More than 365 days	51%	20,812,895	10,716,723	-
		154,151,539	25,827,162	-

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Cash and cash equivalents

The Group held bank balances of AED 4,378 thousands at 31 December 2018 *(2017: AED 1,351 thousands)*, which represents its maximum credit exposure on these assets.

The Group uses approach based on 12-month and lifetime probabilities of default for assessment of ECLs for cash and cash equivalents.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

26 Financial instruments *(continued)*

Credit risk *(continued)*

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

	2018 AED	2017 AED
Trade and other receivables	**139,750,038**	175,865,897
Amounts due from related parties	**1,067,818**	415,542
Cash at banks	**4,378,088**	1,351,515
	145,195,944	177,632,954

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting arrangements.

31 December 2018

	Carrying Value AED	Contractual cash flows AED	1 year or less AED	More than 1 year AED
Trade and other payables	93,706,143	(93,706,143)	(93,706,143)	-
Amounts due to related parties	26,811,579	(26,811,579)	(26,811,579)	-
Loans and borrowings	449,720,393	(464,518,845)	(368,343,758)	(96,175,087)
	570,238,115	**(585,036,567)**	**(488,861,480)**	**(96,175,087)**

31 December 2017

	Carrying Value AED	Contractual cash flows AED	1 year or less AED	More than 1 year AED
Trade and other payables	73,531,781	(73,531,781)	(73,531,781)	-
Amounts due to related parties	16,593,144	(16,593,144)	(16,593,144)	-
Loans and borrowings	415,988,292	(426,453,716)	(348,110,217)	(78,343,499)
	506,113,217	**(516,578,641)**	**(438,235,142)**	**(78,343,499)**

The Group has access to financing facilities, the total unused amount for bank overdrafts and bank borrowings is AED 210,257 thousand *(2017: AED 125,613 thousand)* at the end of the reporting period. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

26 Financial instruments *(continued)*

(b) Fair value of financial assets and liabilities

All of the Group's financial assets are measured at amortised cost except for investment properties and investment in securities which are measured at fair value. All the financial liabilities are carried at amortised cost. The fair values of financial assets and liabilities carried at amortised cost approximate their carrying values as stated in the consolidated statement of financial position.

The following table shows the fair values of investment in securities including their levels in the fair value hierarchy. For details regarding categories - level 1, level 2 and level 3 and for fair value measurement of investment properties refer note 5 and 8.

31 December 2018

	Level 1 AED	**Level 2 AED**	**Total AED**
Investments at FVTPL			
Quoted shares	**350,101,891**	**-**	**350,101,891**
Mutual funds	**-**	**6,986,350**	**6,986,350**
Investments at FVTOCI			
Quoted shares	**242,303,895**	**-**	**242,303,895**
Unquoted shares	**-**	**8,778,344**	**8,778,344**
Total	**592,405,786**	**15,764,694**	**608,170,480**

31 December 2017

	Level 1 AED	Level 2 AED	Total AED
Investments at FVTPL			
Quoted shares	298,048,383	-	298,048,383
Mutual funds	-	6,584,488	6,584,488
Investments at FVTOCI			
Quoted shares	177,336,263	-	177,336,263
Unquoted shares	-	5,545,235	5,545,235
Total	475,384,646	12,129,723	487,514,369

27 Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Officer in order to allocate resources to the segment and to assess its performance.

For operating purposes, the Group is organised into four major business segments:

(i) Investing in securities ("Investment in securities");
(ii) Investing in properties ("Investment properties");
(iii) Marine, air and land shipment services along with management and operation of store and warehouses ("Freight forwarding and storage"); and
(iv) Wholesale and distribution of food products ("Trading").

Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds.

27 Segment information *(continued)*

Information regarding these segments is presented below::

As at 31 December 2018:

	Investment in securities	**Investment properties**	**Freight forwarding and storage**	**Trading**	**Others**	**Eliminations**	**Consolidated**
	AED	**AED**	**AED**	**AED**	**AED**	**AED**	**AED**
Assets	**464,902,758**	**435,543,338**	**237,046,422**	**2,398,813**	**8,109,406**	**(10,633,067)**	**1,137,367,670**
Liabilities	**252,790,700**	**232,176,643**	**72,090,557**	**23,576,023**	**1,639,446**	**(7,298,113)**	**574,975,256**

As at 31 December 2017:

	Investment in securities	Investment properties	Freight forwarding and storage	Trading	Others	Eliminations	Consolidated
	AED	AED	AED	AED	AED	AED	AED
Assets	487,514,369	341,760,931	3,934,739	206,849,908	15,052,152	(34,565,988)	1,020,546,111
Liabilities	-	413,330,719	20,155,119	87,862,266	7,903,447	(19,901,565)	509,349,986

For the year ended 31 December 2018:

	Investment in securities	**Investment properties**	**Freight forwarding and storage**	**Trading**	**Others**	**Eliminations**	**Consolidated**
	AED	**AED**	**AED**	**AED**	**AED**	**AED**	**AED**
Income – external	**35,450,120**	**28,285,331**	**1,214,706**	**327,804,826**	-	-	**392,754,983**
Income – internal	-	**3,977,751**	**3,253,458**	**2,416**	-	**(7,233,625)**	-
Impairment loss on trade receivables	-	-	**46,099**	**17,460,776**	-	-	**17,506,875**
Profit / (loss) for the period	**274,780,365**	**21,130,441**	**(4,940,323)**	**34,789,819**	**(26,385,447)**	**(240,000,000)**	**59,374,855**

For the year ended 31 December 2017:

	Investment in securities	Investment properties	Freight forwarding and storage	Trading	Others	Eliminations	Consolidated
	AED	AED	AED	AED	AED	AED	AED
Income – external	43,391,889	21,996,006	1,523,568	240,663,923	8,262,074	-	315,837,460
Income – internal	4,058,363	3,667	-	667,576	-	(4,729,606)	-
Impairment loss on trade receivables	-	-	4,176,202	10,124,822	-	-	14,301,024
Profit / (loss) for the period	38,540,238	35,280,447	58,761	(7,068,207)	(2,266,398)	-	64,544,841

27 Segment information *(continued)*

Geographic information:

The segments of the Group are managed and operated locally, therefore, no geographical information is presented in these consolidated financial statements.

All non-current assets of the Group as at 31 December 2018 and 2017 are located in United Arab Emirates.

100 percent of the gross sales of the Group are made to customers located in United Arab Emirates.

Major Customer:

Revenues from one customer of the Group's trading segment represented approximately 70% *(2017: 59%)* of the Group's total revenues.

28 Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

Gearing ratio
The Group's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

	2018	2017
	AED	AED
The gearing ratio as at 31 December was as follows:		
Net debt	**444,782,841**	414,066,329
Equity	**562,392,414**	511,196,125
Debt to equity ratio	**0.79:1**	0.81:1

Net debt is defined as long and short term borrowings as detailed in note 18, reduced by cash and bank balances. Equity includes all capital and reserves of the Group attributable to Owners.

29 Contingencies and commitments

	2018	2017
	AED	AED
Letters of credit	**-**	524,670
Bank guarantees	**72,261,808**	72,261,768

Letter of credit and bank guarantees were issued in the normal course of business.
The Group has capital commitments amounted to AED 32,153 thousands as at 31 December 2018 *(2017: AED 1,352* thousands*)*

The Group is defending various legal claims raised against it. Based on legal advice, the management does not expect the outcomes of the claims to have a material effect on the Group's consolidated financial statements.

30 Non-controlling interests

The following table summarises the information relating to the Group's subsidiary that has material non-controlling interests (NCI), before any intra-group eliminations.

FOODCO National Foodstuff PJSC *(formerly known as Sense Gourmet Food Company PJSC)*

NCI percentage	**1.25%**	**4.4%**
	2018 AED	**2017 AED**
Non-current assets	107,557,437	3,933,389
Current assets	256,233,427	2,430,704
Non-current liabilities	(2,790,391)	(16,767)
Current liabilities	(83,819,433)	(1,399,917)
Net assets	**277,181,040**	**4,947,409**
Revenue	-	6,067,804
Profit / (loss) for the year	522,960	(3,480,239)
Other comprehensive income / (loss)	848,960	(111,117)
Total comprehensive income / (loss)	**1,371,920**	**(3,591,356)**
Profit / (loss) allocated to NCI	**6,537**	**(1,787,322)**
Total comprehensive income / (loss) allocated to NCI	**17,149**	**(1,840,850)**
Cash flows from operating activities	(18,579,504)	(7,992,546)
Cash flows from investing activities	21,988,974	8,621,497
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	**3,409,470**	**628,951**

Acquisition of non-controlling interests

On 21 May 2018, the Shareholders of the subsidiary, Sense Gourmet Food Company PJSC, resolved to increase the share capital by AED 271,478 thousands. This resulted in increase in shareholding of the Company in the subsidiary from 95.6% to 98.75%.

31 Cash and cash equivalents

	2018 AED	2017 AED
Cash in hand	**559,464**	570,448
Cash at banks – current accounts	**4,378,088**	1,351,515
Cash and cash equivalents for the purpose of statement of financial position	**4,937,552**	1,921,963
Less: bank overdrafts repayable on demand and used for cash management purposes *(refer note 18)*	**(331,527,660)**	(321,473,515)
Cash and cash equivalents for the purpose of statement of cash flows	**(326,590,108)**	(319,551,552)

32 Operating leases

The Group has an operating lease commitment with respect to land in Mina Zayed port in Abu Dhabi. The Group and the Seaport Authority, representing the Government of Abu Dhabi, signed a lease agreement covering the land for a period of 15 years with effect from 1 January 1998. The lease agreement is renewable based on terms to be determined by the Seaport Authority. The contract has been extended for 4 more years effective 1 January 2018.

The minimum lease payments are as follows:

	2018 AED	2017 AED
Not later than one year	**8,500,000**	8,500,000
Later than one year and not later than five years	**17,000,000**	25,500,000
	25,500,000	34,000,000

33 Subsequent events

Subsequent to the reporting date, cash dividend representing 10% of the issued share capital has been proposed by the Board of Directors *(2017: cash dividend of AED 20,000 thousands, representing 20% of the issued share capital and 20% bonus shares, representing 20% of the issued share capital).*