

United Foods Company (PSC)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2012

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

Introduction

We have reviewed the accompanying interim condensed financial statements of United Foods Company (PSC) (the "Company") as at 30 September 2012, comprising the interim statement of financial position as at 30 September 2012 and the related interim statements of income and comprehensive income for the three month and nine month periods then ended, and the interim statement of changes in equity and cash flows for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other Matter

The interim condensed financial information of the Company for the period ended 30 September 2011 was reviewed by another auditor. Furthermore, the financial statements of the Company as at 31 December 2011, were audited by another auditor, whose report dated 22 March 2012, expressed an unqualified opinion on those statements.



Signed by
Ali Issa
Partner
Registration No. 488
5 November 2012
Dubai, United Arab Emirates

United Foods Company (PSC)

INTERIM STATEMENT OF INCOME

For the period ended 30 September 2012 (Unaudited)

		<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>Note</i>	<i>30 September 2012 AED</i>	<i>30 September 2011 AED</i>	<i>30 September 2012 AED</i>	<i>30 September 2011 AED</i>
Sales		294,433,819	346,070,025	92,497,822	119,140,132
Cost of sales		(265,557,335)	(295,546,027)	(83,695,940)	(108,391,859)
GROSS PROFIT		28,876,484	50,523,998	8,801,882	10,748,273
Selling and distribution expenses		(9,339,287)	(12,039,727)	(3,703,734)	(2,089,460)
General and administrative expenses		(7,997,255)	(6,834,618)	(2,815,754)	(4,163,207)
Finance expense		(819,386)	(1,922,780)	(342,800)	(606,690)
Other income		3,233,325	4,119,497	460,878	724,605
PROFIT FOR THE PERIOD		13,953,881	33,846,370	2,400,472	4,613,521
Earnings per share in AED	12	0.56	1.35	0.10	0.18

The attached notes 1 to 17 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2012 (Unaudited)

		<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>Note</i>	<i>30 September 2012</i>	<i>30 September 2011</i>	<i>30 September 2012</i>	<i>30 September 2011</i>
Profit for the period		13,953,881	33,846,370	2,400,472	4,613,521
Other comprehensive income					
Change in fair value of available-for-sale investments	5	46,212	(106,766)	21,121	(21,532)
Total comprehensive income for the period		14,000,093	33,739,604	2,421,593	4,591,989

The attached notes 1 to 17 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30 September 2012 AED (Unaudited)	31 December 2011 AED (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	4	64,965,981	69,925,386
Available-for-sale investments	5	263,289	217,077
		<u>65,229,270</u>	<u>70,142,463</u>
Current assets			
Inventories	6	77,308,931	113,286,503
Trade and other receivables	7	65,026,423	50,624,587
Due from related parties	13	90,605	3,563,930
Bank balances and cash	8	2,240,270	397,377
		<u>144,666,229</u>	<u>167,872,397</u>
TOTAL ASSETS		<u>209,895,499</u>	<u>238,014,860</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	25,000,000	25,000,000
Statutory reserve		12,500,000	12,500,000
Regular reserve		12,500,000	12,500,000
General reserve		65,314,980	65,314,980
Fair value reserve		(13,404)	(59,616)
Retained earnings		48,684,573	34,730,692
Total equity		<u>163,986,149</u>	<u>149,986,056</u>
Non-current liabilities			
Employees' end of service benefits		2,798,093	2,538,329
		<u>2,798,093</u>	<u>2,538,329</u>
Current liabilities			
Trade and other payables	9	12,504,891	33,306,026
Due to a related party	13	6,596,458	6,001,530
Bank overdrafts	8	12,057,533	3,912,499
Trust receipts payable		11,952,375	42,270,420
		<u>43,111,257</u>	<u>85,490,475</u>
Total liabilities		<u>45,909,350</u>	<u>88,028,804</u>
TOTAL EQUITY AND LIABILITIES		<u>209,895,499</u>	<u>238,014,860</u>

Ali Bin Humaid Al Owais

Chairman

5 NOV 2012

Mohamed Abdel Aziz Ali Abdalla Al Owais

Executive Vice Chairman

5 NOV 2012

The attached notes 1 to 17 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2012 (Unaudited)

2012:	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Regular reserve AED</i>	<i>General reserve AED</i>	<i>Fair value reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance as of 1 January 2012	25,000,000	12,500,000	12,500,000	65,314,980	(59,616)	34,730,692	149,986,056
Profit for the period	-	-	-	-	-	13,953,881	13,953,881
Change in fair value of available-for-sale investments	-	-	-	-	46,212	-	46,212
Total comprehensive income for the period	-	-	-	-	46,212	13,953,881	14,000,093
Balance as of 30 September 2012	25,000,000	12,500,000	12,500,000	65,314,980	(13,404)	48,684,573	163,986,149

United Foods Company (PSC)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2012 (Unaudited)

2011:	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Regular reserve AED</i>	<i>General reserve AED</i>	<i>Fair value reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance as of 1 January 2011	25,000,000	12,500,000	12,500,000	55,314,980	110,030	43,014,839	148,439,849
Profit for the period	-	-	-	-	-	33,846,370	33,846,370
Change in fair value of available-for-sale investments	-	-	-	-	(106,766)	-	(106,766)
Total comprehensive income for the period	-	-	-	-	(106,766)	33,846,370	33,739,604
Dividends paid (Note 11)	-	-	-	-	-	(17,500,000)	(17,500,000)
Balance as of 30 September 2011	25,000,000	12,500,000	12,500,000	55,314,980	3,264	59,361,209	164,679,453

United Foods Company (PSC)

INTERIM STATEMENT OF CASH FLOWS

For the period ended 30 September 2012 (Unaudited)

	<i>Notes</i>	<i>Nine months ended</i>	
		<i>30 September 2012 AED</i>	<i>30 September 2011 AED</i>
OPERATING ACTIVITIES			
Profit for the period		13,953,881	33,846,370
Adjustments for:			
Depreciation		6,834,935	6,694,823
Loss / (profit) on disposal of property, plant and equipment		14,640	(94,775)
Finance expense		819,386	1,922,780
Provision for employees' end of service benefits		451,904	710,713
		<u>22,074,746</u>	<u>43,079,911</u>
Working capital changes:			
Inventories		35,977,572	(19,676,529)
Trade and other receivables		(14,401,836)	(15,776,326)
Trade and other payables		(20,801,135)	(14,581,948)
Due from related parties		3,473,325	(1,639,898)
Due to a related party		594,928	(744,557)
		<u>26,917,600</u>	<u>(52,419,258)</u>
Employees' end of service benefits paid		(192,140)	(356,152)
Net cash from / (used in) operating activities		<u>26,725,460</u>	<u>(9,695,499)</u>
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	4	(1,890,170)	(6,560,513)
Proceeds from disposal of property, plant and equipment		-	150,057
Margin deposits		(1,500,000)	-
Net cash used in investing activities		<u>(3,390,170)</u>	<u>(6,410,456)</u>
FINANCING ACTIVITIES			
Net movement in bank borrowings		(30,318,045)	29,974,865
Finance expense paid		(819,386)	(1,922,780)
Dividend paid		-	(17,500,000)
Net cash (used in) / from financing activities		<u>(31,137,431)</u>	<u>10,552,085</u>
DECREASE IN CASH AND CASH EQUIVALENTS		<u>(7,802,141)</u>	<u>(5,553,870)</u>
Cash and cash equivalents at 1 January		<u>(3,515,122)</u>	<u>(11,056,113)</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	8	<u><u>(11,317,263)</u></u>	<u><u>(16,609,983)</u></u>

The attached notes 1 to 17 form part of these interim condensed financial statements.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2012 (Unaudited)

1 ACTIVITIES

United Foods Company (PSC) (the “Company”) was incorporated in Dubai on 1 November 1976 by a Decree issued by His Highness, The Ruler of Dubai. On 27 September 1994, the Company amended its status to a public shareholding Company to comply with the provisions of the UAE Commercial Companies Law No. 8 of 1984 (as amended). The Company listed its shares on the Dubai Financial Market (DFM) on July 2006.

The Company is primarily engaged in the manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products, animal oil and fat manufacturing. The registered address of the Company is P.O. Box 5836, Dubai, United Arab Emirates.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the nine months ended 30 September 2012 have been prepared in accordance with IAS 34 “*Interim Financial Reporting*”.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2011.

In addition, results for the nine months period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2011, except for the adoption of the amended standard as of 1 January 2012, noted below:

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment to IFRS 7 is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the users of the Company’s financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in the derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Company’s financial position or performance.

3 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through profit or loss or available-for-sale.

3 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Judgments (continued)

Classification of investments (continued)

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Company has the intention and ability to hold these till maturity.

The Company classifies investments as trading investments if they are acquired primarily for the purpose of making short term profits.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss.

All other investments are classified as available-for-sale.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 64,094,363 (31 December 2011: AED 49,361,724), and the provision for doubtful debts was AED 1,801,019 (31 December 2011: AED 1,422,791). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of inventories

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

At the reporting date, gross inventory were AED 78,537,092 (31 December 2011: AED 114,561,631) with provisions for slow moving inventories of AED 1,228,161 (31 December 2011: AED 1,275,128). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives and depreciation of property, plant and equipment

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

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposal

During the period ended 30 September 2012, the Company acquired assets amounting to AED 1.89 million (period ended 30 September 2011: AED 6.6 million).

During the period ended 30 September 2012, the Company has not made any disposals (period ended 30 September 2011: AED 55,282 net book value).

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2012 (Unaudited)

5 AVAILABLE-FOR-SALE INVESTMENTS

	<i>30 September 2012 AED (Unaudited)</i>	<i>31 December 2011 AED (Audited)</i>
Opening balance	217,077	386,723
Change in fair market value	46,212	(169,646)
Closing balance	<u>263,289</u>	<u>217,077</u>

6 INVENTORIES

	<i>30 September 2012 AED (Unaudited)</i>	<i>31 December 2011 AED (Audited)</i>
Raw materials	56,136,601	90,866,809
Finished goods	12,949,952	9,175,939
Packing materials	5,185,833	5,106,513
Work in progress	3,207,543	4,585,845
Goods in transit	-	4,133,250
Spares and consumables	1,057,163	693,275
	<u>78,537,092</u>	<u>114,561,631</u>
Less: provision for slow moving inventory	(1,228,161)	(1,275,128)
	<u>77,308,931</u>	<u>113,286,503</u>

7 TRADE AND OTHER RECEIVABLES

	<i>30 September 2012 AED (Unaudited)</i>	<i>31 December 2011 AED (Audited)</i>
Trade receivables	64,094,363	49,361,724
Less: provision for doubtful debts	(1,801,019)	(1,422,791)
	<u>62,293,344</u>	<u>47,938,933</u>
Prepaid expenses	1,383,702	490,499
Advances to suppliers	259,722	1,018,151
Other receivables	1,089,655	1,177,004
	<u>65,026,423</u>	<u>50,624,587</u>

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2012 (Unaudited)

8 CASH AND CASH EQUIVALENTS

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

	30 September 2012 AED (Unaudited)	31 December 2011 AED (Audited)
Cash in hand	47,800	49,820
Cash at banks	2,192,470	347,557
Bank balances and cash	<u>2,240,270</u>	<u>397,377</u>
Margin deposits	(1,500,000)	-
Bank overdrafts	<u>(12,057,533)</u>	<u>(3,912,499)</u>
Cash and cash equivalents	<u><u>(11,317,263)</u></u>	<u><u>(3,515,122)</u></u>

9 TRADE AND OTHER PAYABLES

	30 September 2012 AED (Unaudited)	31 December 2011 AED (Audited)
Trade payables	4,335,623	5,153,443
Advances from customers	3,837,317	2,236,073
Dividends payable	194,050	213,950
Claims payable (a)	-	18,307,689
Directors' fees payable	-	1,750,000
Accrued expenses and other payables	4,137,901	5,644,871
	<u><u>12,504,891</u></u>	<u><u>33,306,026</u></u>

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

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

During the period, the claims payable amount was settled in full.

10 SHARE CAPITAL

	30 September 2012 AED (Unaudited)	31 December 2011 AED (Audited)
Authorised issued and fully paid up: 25,000,000 shares of AED 1 each	<u><u>25,000,000</u></u>	<u><u>25,000,000</u></u>

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2012 (Unaudited)

11 DIVIDENDS

The Board of Directors has not proposed any dividends in 2011.

During 2010, the Board of Directors has proposed a cash dividend of 70% on share capital amounting to AED 17,500,000. The dividends declared in 2010 have been paid during 2011.

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company of AED 13,953,881 (period ended 30 September 2011: AED 33,846,370) by the weighted average number of shares outstanding during the period of 25,000,000 shares (period ended 30 September 2011: 25,000,000 shares).

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

13 RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Significant transactions with related parties:

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

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September 2012 AED (Unaudited)</i>	<i>30 September 2011 AED (Unaudited)</i>	<i>30 September 2012 AED (Unaudited)</i>	<i>30 September 2011 AED (Unaudited)</i>
Sales to related parties	1,297,234	10,978,221	366,183	4,456,594
Purchases from related parties	19,740,443	68,417,357	6,645,949	16,627,259

Compensation of key management personnel

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

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September 2012 AED (Unaudited)</i>	<i>30 September 2011 AED (Unaudited)</i>	<i>30 September 2012 AED (Unaudited)</i>	<i>30 September 2011 AED (Unaudited)</i>
Short-term benefits	1,224,000	900,000	600,000	300,000

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2012 (Unaudited)

13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties:

	30 September 2012 AED (Unaudited)	31 December 2011 AED (Audited)
<i>Other related parties</i>		
Modern Bakery LLC	90,605	144,995
United Kaipara Dairies Co (PSC)	-	3,418,935
	<u>90,605</u>	<u>3,563,930</u>

c) Due to related party:

	30 September 2012 AED (Unaudited)	31 December 2011 AED (Audited)
<i>Other related party</i>		
United Can Company LLC	<u>6,596,458</u>	<u>6,001,530</u>

14 OPERATING LEASE COMMITMENTS

The Company leased a land at Jebel Ali Industrial Area for 10 years ending December 2013, which can be renewed for a further period of 10 years. The future aggregate minimum lease payments under a non-cancellable operating lease are as follows:

	30 September 2012 AED (Unaudited)	31 December 2011 AED (Audited)
Within 1 year	1,424,141	909,035
After one year but not more than five years	4,230,464	244,905
More than five years	5,387,888	-
Total operating lease expenditure contracted for at the reporting date	<u>11,042,493</u>	<u>1,153,940</u>

15 CONTINGENCIES AND CAPITAL COMMITMENTS

	30 September 2012 AED (Unaudited)	31 December 2011 AED (Audited)
Letter of guarantees	1,345,180	1,645,180
Capital commitments	<u>1,754,670</u>	<u>1,595,000</u>

The Company's capital commitments pertains to the addition of cold/dry stores in its existing factory at Al Quoz Industrial Area.

16 SEGMENTAL REPORTING

The Company operates in a single reporting segment primarily engaged in manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products, animal oil and fat manufacturing. From a geographical perspective, the Company's substantial activities are focused in the United Arab Emirates. All the relevant information relating to this reporting/operating segment is disclosed in the interim statement of financial position, interim statement of income and notes to the interim condensed financial statements.

Additional information required by IFRS 8 *Segment Reporting*, is disclosed below:

a) *Information about geographical segments*

During the period ended 30 September 2012, revenue from customers located in the Company's country of domicile (UAE) is AED 149,289,315 (period ended 30 September 2011: AED 174,882,359) and revenue from customers outside UAE (foreign customers) is AED 145,144,504 (period ended 30 September 2011: AED 171,187,666).

b) *Major customer*

During the period ended 30 September 2012, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

17 FIDUCIARY ASSETS

As at 30 September 2012, the Company held raw materials, in a fiduciary capacity on behalf of a third party amounting to AED 1,427,317 (31 December 2011: nil).