United Foods Company (PSC)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2014

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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 31 March 2014, comprising the interim statement of financial position as at 31 March 2014 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-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.

Ernst & Young

Signed by
Joe Murphy
Partner
Registration No. 492
13 May 2014
Dubai, United Arab Emirates

INTERIM CONDENSED STATEMENT OF INCOME

For the period ended 31 March 2014 (Unaudited)

		Three months ended	
	Note	***31 March 2014 AED***	*31 March 2013 AED*
Sales		**102,747,242**	92,334,038
Cost of sales		**(88,641,424)**	(79,054,581)
GROSS PROFIT		**14,105,818**	13,279,457
Selling and distribution expenses		**(6,897,782)**	(4,995,647)
General and administrative expenses		**(3,001,031)**	(3,150,992)
Finance expense		**(149,955)**	(144,381)
Other income		**818,046**	631,538
PROFIT FOR THE PERIOD	3	**4,875,096**	5,619,975
Earnings per share in AED		**0.18**	0.20

The attached notes 1 to 11 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2014 (Unaudited)

		Three months ended	
	Note	***31 March 2014 AED***	*31 March 2013 AED*
Profit for the period		**4,875,096**	5,619,975
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments		**237,639**	11,680
Total comprehensive income for the period		**5,112,735**	5,631,655

The attached notes 1 to 11 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	*31 March 2014 AED (Unaudited)*	*31 December 2013 AED (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**55,454,866**	56,409,097
Available-for-sale investments		**868,073**	630,434
		56,322,939	57,039,531
Current assets			
Inventories		**78,231,096**	79,967,981
Accounts receivable and prepayments		**86,186,746**	75,262,623
Due from related parties	7	**251,619**	70,067
Bank balances and cash	5	**5,106,681**	6,942,471
		169,776,142	162,243,142
TOTAL ASSETS		**226,099,081**	219,282,673
EQUITY AND LIABILITIES			
Equity			
Share capital		**27,500,000**	27,500,000
Statutory reserve		**13,750,000**	13,750,000
Regular reserve		**13,750,000**	13,750,000
General reserve		**65,314,980**	65,314,980
Fair value reserve		**591,380**	353,741
Retained earnings		**60,845,700**	55,970,604
Total equity		**181,752,060**	176,639,325
Non-current liabilities			
Employees' end of service benefits		**3,775,629**	3,503,215
Current liabilities			
Trade and other payables		**20,448,789**	22,950,416
Due to a related party	7	**4,686,907**	3,940,015
Bank overdrafts	5	**3,219,646**	-
Trust receipts payable		**12,216,050**	12,249,702
		40,571,392	39,140,133
Total liabilities		**44,347,021**	42,643,348
TOTAL EQUITY AND LIABILITIES		**226,099,081**	219,282,673

Ali Bin Humaid Al Owais
Chairman
13 May 2014

Mohamed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
13 May 2014

The attached notes 1 to 11 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2014 (Unaudited)

2014:	*Share capital AED*	*Statutory reserve AED*	*Regular reserve AED*	*General reserve AED*	*Fair value reserve AED*	*Retained earnings AED*	*Total AED*
Balance as at 1 January 2014	27,500,000	13,750,000	13,750,000	65,314,980	353,741	55,970,604	176,639,325
Profit for the period	-	-	-	-	-	4,875,096	4,875,096
Change in fair value of available-for-sale investments	-	-	-	-	237,639	-	237,639
Total comprehensive income for the period	-	-	-	-	237,639	4,875,096	5,112,735
Balance as at 31 March 2014	**27,500,000**	**13,750,000**	**13,750,000**	**65,314,980**	**591,380**	**60,845,700**	**181,752,060**

The attached notes 1 to 11 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2014 (Unaudited)

2013:	*Share capital AED*	*Statutory reserve AED*	*Regular reserve AED*	*General reserve AED*	*Fair value reserve AED*	*Retained earnings AED*	*Total AED*
Balance as at 1 January 2013	25,000,000	12,500,000	12,500,000	65,314,980	(13,148)	47,563,996	162,865,828
Profit for the period	-	-	-	-	-	5,619,975	5,619,975
Change in fair value of available-for-sale investments	-	-	-	-	11,680	-	11,680
Total comprehensive income for the period	-	-	-	-	11,680	5,619,975	5,631,655
Balance as at 31 March 2013	25,000,000	12,500,000	12,500,000	65,314,980	(1,468)	53,183,971	168,497,483

The attached notes 1 to 11 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period ended 31 March 2014 (Unaudited)

	Notes	Three months ended 31 March 2014 AED	31 March 2013 AED
OPERATING ACTIVITIES			
Profit for the period		**4,875,096**	5,619,975
Adjustments for:			
Depreciation		**2,152,869**	2,171,891
Profit on disposal of property, plant and equipment		-	(15,700)
Assets written off		-	4,200
Finance expense		**149,955**	144,381
Provision for employees' end of service benefits		**425,106**	469,201
		7,603,026	8,393,948
Working capital changes:			
Inventories		**1,736,885**	2,369,715
Trade and other receivables		**(10,924,123)**	(4,622,446)
Trade and other payables		**(2,501,627)**	(12,735,767)
Due from related parties		**(181,552)**	6,644
Due to a related party		**746,892**	(168,888)
		(3,520,499)	(6,756,794)
Employees' end of service benefits paid		**(152,692)**	(70,191)
Net cash used in operating activities		**(3,673,191)**	(6,826,985)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	4	**(1,198,638)**	(285,507)
Proceeds from disposal of property, plant and equipment		-	15,700
Proceeds from disposal of asset classified as held for sale		-	281,000
Net cash (used in) / from investing activities		**(1,198,638)**	11,193
FINANCING ACTIVITIES			
Net movement in bank borrowings		**(33,652)**	8,531,469
Finance expense paid		**(149,955)**	(144,381)
Net cash (used in) / from financing activities		**(183,607)**	8,387,088
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(5,055,436)**	1,571,296
Cash and cash equivalents at 1 January		**5,442,471**	(4,584,467)
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	**387,035**	(3,013,171)

The attached notes 1 to 11 form part of these interim condensed financial statements.

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 June 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) in July 2006.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation
The interim condensed financial statements for the three months period ended 31 March 2014 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 2013.

In addition, results for the three months period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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 2013, except for the adoption of the amended standards as at 1 January 2014, noted below:

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of recoverable amounts for the assets or cash generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

The following new amendments and standards did not have an impact on the interim condensed financial statements of the Company:

- Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements;
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 Financial Instruments: Recognition and Measurement; and
- IFRIC 21 Levies.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 PROFIT FOR THE PERIOD

Profit for the period is stated after charging:

	Three months ended	
	31 March 2014 AED (Unaudited)	*31 March 2013 AED (Unaudited)*
Staff costs	**6,577,623**	5,323,497
Rental - operating lease	**366,001**	291,409

4 PROPERTY, PLANT AND EQUIPMENT

Additions
During the period ended 31 March 2014, the Company acquired assets amounting to AED 1,198,638 (quarter ended 31 March 2013: AED 285,507).

5 CASH AND CASH EQUIVALENTS

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

	31 March 2014 AED (Unaudited)	*31 December 2013 AED (Audited)*
Cash in hand	**213,982**	94,344
Bank balances	**3,392,699**	5,348,127
Deposits	**1,500,000**	1,500,000
	5,106,681	6,942,471
Bank overdrafts	**(3,219,646)**	-
Less: deposits with an original maturity of more than three months	**(1,500,000)**	(1,500,000)
Cash and cash equivalents	**387,035**	5,442,471

6 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 4,875,096 (quarter ended 31 March 2013: AED 5,619,975) by the weighted average number of shares outstanding during the quarter of 27,500,000 shares (quarter ended 31 March 2013: 27,500,000 shares).

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

7 RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Significant transactions with related parties:

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

	Three months ended	
	31 March 2014 AED (Unaudited)	*31 March 2013 AED (Unaudited)*
Sales to related parties	**320,702**	421,382
Purchases from related parties	**5,608,785**	6,866,652

Compensation of key management personnel
The remuneration of directors and other key members of management during the quarter were as follows:

	Three months ended	
	31 March 2014 AED (Unaudited)	*31 March 2013 AED (Unaudited)*
Short-term employee benefits	**740,095**	659,693
End of Service Benefit	**46,190**	25,873
Bonus	**82,500**	82,500
	868,785	768,066

b) Due from a related party:

	31 March 2014 AED (Unaudited)	*31 December 2013 AED (Audited)*
Other related party		
Modern Bakery LLC	**251,619**	70,067

c) Due to a related party:

	31 March 2014 AED (Unaudited)	*31 December 2013 AED (Audited)*
Other related party		
United Can Company LLC	**4,686,907**	3,940,015

8 CONTINGENCIES AND CAPITAL COMMITMENTS

	31 March 2014 AED (Unaudited)	*31 December 2013 AED (Audited)*
Letter of guarantees	**1,412,000**	1,412,000
Capital commitments	**13,574,593**	15,810,378

9 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. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, income statement and notes to the financial statements.

IFRS also requires an entity to report its segment assets and revenues along geographical regions. All significant activities of the Company are performed on an integrated basis in the Middle East and the Directors do not consider an analysis by individual country would be meaningful.

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

Major customer

During the quarter ended 31 March 2014, revenue from one customer amounting to AED 13,516,144 accounts for 10% or more of the Company's total revenue.

During the quarter ended 31 March 2013, revenue from two customers amounting to AED 22,307,334 accounts for 10% or more of the Company's total revenue.

10 FIDUCIARY ASSETS

As at 31 March 2014, the Company held raw materials, in a fiduciary capacity on behalf of a third party amounting to AED 161,671 (quarter ended 31 March 2013: 1,005,853).

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

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

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 March 2014, the Company held the following financial instruments measured at fair value:

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value

	31 March 2014 AED	***Level 1 AED***	***Level 2 AED***	***Level 3 AED***
Quoted equity securities				
Investments and Financial Services Sector	**855,000**	**855,000**	-	-
Marine Terminal Operations Sector	**13,073**	**13,073**	-	-

As at 31 December 2013, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 Dec 2013 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
Quoted equity securities				
Investments and Financial Services Sector	617,500	617,500	-	-
Marine Terminal Operations Sector	12,934	12,934	-	-

During the quarter ended 31 March 2014 and year ended 31 December 2013, there were no transfers between the various levels of fair value measurements.