United Foods Company (PSC)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 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 statement of financial position of United Foods Company (PSC) (the "Company") as at 30 September 2014 and the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended, the related interim condensed statements 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 IAS 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 and, consequently, 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
29 October 2014
Dubai, United Arab Emirates

INTERIM CONDENSED STATEMENT OF INCOME

For the period ended 30 September 2014 (Unaudited)

		Nine months ended		*Three months ended*	
	Notes	***30 September 2014 AED***	*30 September 2013 AED*	***30 September 2014 AED***	*30 September 2013 AED*
Sales		**318,966,097**	283,998,387	**98,393,476**	84,076,463
Cost of sales		**(277,061,885)**	(246,561,622)	**(87,559,782)**	(75,792,707)
GROSS PROFIT		**41,904,212**	37,436,765	**10,833,694**	8,283,756
Selling and distribution expenses		**(22,374,621)**	(16,161,517)	**(7,462,285)**	(5,754,545)
General and administrative expenses		**(9,542,734)**	(9,088,007)	**(3,119,553)**	(2,741,987)
Finance expense		**(586,302)**	(797,597)	**(215,482)**	(239,609)
Other income		**2,325,073**	1,706,423	**832,305**	673,885
PROFIT FOR THE PERIOD	3	**11,725,628**	13,096,067	**868,679**	221,500
Earnings per share in AED	6	**0.43**	0.48	**0.03**	0.01

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2014 (Unaudited)

	Nine months ended		*Three months ended*	
	30 Septemebr 2014 AED	*30 Septemebr 2013 AED*	***30 Septemebr 2014 AED***	*30 Septemebr 2013 AED*
Profit for the period	**11,725,628**	13,096,067	**868,679**	221,500
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in the subsequent period:				
Change in fair value of available-for-sale investments	**224,721**	260,750	**188,266**	85,643
Total comprehensive income for the period	**11,950,349**	13,356,817	**1,056,945**	307,143

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

	Notes	*30 September 2014 AED (Unaudited)*	*31 December 2013 AED (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**60,700,858**	54,866,392
Intangible assets		**1,546,957**	1,542,705
Available-for-sale investments		**855,155**	630,434
		63,102,970	57,039,531
Current assets			
Inventories		**83,567,388**	79,967,981
Accounts receivable and prepayments		**80,998,411**	75,262,623
Due from a related party	7	**262,286**	70,067
Bank balances and cash	5	**13,856,947**	6,942,471
		178,685,032	162,243,142
TOTAL ASSETS		**241,788,002**	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		**578,462**	353,741
Retained earnings		**64,946,232**	55,970,604
Total equity		**185,839,674**	176,639,325
Non-current liability			
Employees' end of service benefits		**3,748,300**	3,503,215
Current liabilities			
Trade and other payables		**37,498,007**	22,950,416
Due to a related party	7	**1,816,413**	3,940,015
Trust receipts payable		**12,885,608**	12,249,702
		52,200,028	39,140,133
Total liabilities		**55,948,328**	42,643,348
TOTAL EQUITY AND LIABILITIES		**241,788,002**	219,282,673

Ali Bin Humaid Al Owais
Chairman
29 October 2014

Mohamed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
29 October 2014

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 September 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	-	-	-	-	-	11,725,628	11,725,628
Other comprehensive income	-	-	-	-	224,721	-	224,721
Total comprehensive income for the period	-	-	-	-	224,721	11,725,628	11,950,349
Dividends declared (Note 8)	-	-	-	-	-	(2,750,000)	(2,750,000)
Balance as at 30 September 2014	**27,500,000**	**13,750,000**	**13,750,000**	**65,314,980**	**578,462**	**64,946,232**	**185,839,674**

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 September 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	-	-	-	-	-	13,096,067	13,096,067
Other comprehensive income for the period	-	-	-	-	260,750	-	260,750
Total comprehensive income for the period	-	-	-	-	260,750	13,096,067	13,356,817
Bonus shares issued (Note 8)	2,500,000	-	-	-	-	(2,500,000)	-
Balance as of 30 September 2013	27,500,000	12,500,000	12,500,000	65,314,980	247,602	58,160,063	176,222,645

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period ended 30 September 2014 (Unaudited)

	Notes	*Nine months ended 30 September 2014 AED*	*Nine months ended 30 September 2013 AED*
OPERATING ACTIVITIES			
Profit for the period		**11,725,628**	13,096,067
Adjustments for:			
Depreciation		**6,212,535**	6,515,939
Amortisation		**294,492**	40,958
Loss / (gain) on disposal of property, plant and equipment		**63,653**	(87,600)
Property, plant and equipment written off		-	4,200
Finance expense		**586,302**	797,597
Provision for employees' end of service benefits		**643,262**	840,126
		19,525,872	21,207,287
Working capital changes:			
Inventories		**(3,599,407)**	16,576,784
Accounts receivable and prepayments		**(5,735,788)**	(25,476,448)
Trade and other payables		**14,350,791**	(12,336,264)
Due from a related party		**(192,219)**	41,389
Due to a related party		**(2,123,602)**	(2,742,003)
		22,225,647	(2,729,255)
Employees' end of service benefits paid		**(398,177)**	(317,183)
Net cash from / (used in) operating activities		**21,827,470**	(3,046,438)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	4	**(12,208,654)**	(2,480,974)
Acquisition of intangible assets		**(298,744)**	(1,664,175)
Proceeds from disposal of property, plant and equipment		**98,000**	129,852
Proceeds from disposal of asset classified as held for sale		-	281,000
Net cash used in investing activities		**(12,409,398)**	(3,734,297)
FINANCING ACTIVITIES			
Net movement in trust receipts payable		**635,906**	17,487,662
Finance expense paid		**(586,302)**	(797,597)
Dividends paid		**(2,553,200)**	-
Net cash (used in)/ from financing activities		**(2,503,596)**	16,690,065
INCREASE IN CASH AND CASH EQUIVALENTS		**6,914,476**	9,909,330
Cash and cash equivalents at 1 January		**5,442,471**	(4,584,467)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	**12,356,947**	5,324,863

The attached notes 1 to 13 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 CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

Basis of preparation
The interim condensed financial statements 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 nine months period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 also 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:

	Nine months ended		*Three months ended*	
	30 September 2014 AED (Unaudited)	*30 September 2013 AED (Unaudited)*	***30 September 2014 AED (Unaudited)***	*30 September 2013 AED (Unaudited)*
Staff and labour costs	**19,226,633**	16,080,280	**6,528,168**	5,370,632
Rental - operating lease	**1,472,789**	1,020,172	**716,999**	355,798
Inventories charged to cost of sales	**249,172,671**	218,497,916	**79,226,669**	66,948,492

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals
During the period ended 30 September 2014, the Company acquired assets amounting to AED 12,208,654 (period ended 30 September 2013: AED 2,480,974).

During the period ended 30 September 2014, assets with a net book value of AED 161,653 were disposed off by the Company (period ended 30 September 2013: AED 42,252).

5 CASH AND CASH EQUIVALENTS

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

	30 September 2014 AED (Unaudited)	*31 December 2013 AED (Audited)*
Cash in hand	**87,021**	94,344
Bank balances	**12,269,926**	5,348,127
Deposits	**1,500,000**	1,500,000
	13,856,947	6,942,471
Less: deposits with an original maturity of more than three months	**(1,500,000)**	(1,500,000)
Cash and cash equivalents	**12,356,947**	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 by the weighted average number of shares outstanding during the period ended 30 September 2014 of 27,500,000 shares (30 September 2013: 27,500,000 shares). The profit for the nine months ended 30 September 2014 amounting to AED 11,725,628 (30 September 2013: AED 13,096,067) and three months ended 30 September 2014 amounting to AED 868,679 (30 September 2013: AED 221,500) are attributable to the shareholders of the Company.

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 condensed statement of income are as follows:

	Nine months ended		*Three months ended*	
	30 September 2014 AED (Unaudited)	*30 September 2013 AED (Unaudited)*	***30 September 2014 AED (Unaudited)***	*30 September 2013 AED (Unaudited)*
Sales to related parties	**833,746**	1,171,960	**309,584**	349,984
Purchases from related parties	**16,001,295**	18,707,316	**4,381,588**	4,187,834

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

	Nine months ended		*Three months ended*	
	30 September 2014 AED (Unaudited)	*30 September 2013 AED (Unaudited)*	***30 September 2014 AED (Unaudited)***	*30 September 2013 AED (Unaudited)*
Short-term benefits	**2,173,684**	2,001,615	**699,136**	676,617
Employees' end of service benefits	**36,657**	78,587	**12,367**	26,554
Bonus	**262,500**	247,500	**87,500**	82,500
	2,472,841	2,327,702	**799,003**	785,671

b) Due from a related party:

	30 September 2014 AED (Unaudited)	*31 December 2013 AED (Audited)*
Other related party		
Modern Bakery LLC	**262,286**	70,067

c) Due to a related party:

	30 September 2014 AED (Unaudited)	*31 December 2013 AED (Audited)*
Other related party		
United Can Company LLC	**1,816,413**	3,940,015

8 DIVIDENDS AND BONUS SHARES

During the Annual General Meeting held on 24 April 2014, the shareholders approved a 10% cash dividend totaling to AED 2.75 million relating to 2013.

During the Annual General Meeting held on 24 April 2013, the shareholders approved a 10% bonus share issue totaling to AED 2.5 million relating to 2012.

9 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 30 September 2014, the Company has contingent liabilities in respect of bank and other guarantees amounting to AED 1,412,000 (31 December 2013: AED 1,412,000), from which it is anticipated that no material liabilities will arise.

Legal claim contingency
The Company has a few pending litigations that occur in the ordinary course of business. To the extent, the management and Directors believe appropriate, adequate provisions have been made in the accounts.

Capital commitments
At 30 September 2014, the Company has capital commitments in respect of purchase of property, plant and equipment amounting to AED 34,092,585 (31 December 2013: AED 15,810,378).

Operating lease commitments
The land at Jebel Ali Industrial Area is taken on lease for annual rent of AED 979,616 for 10 years ending January 2023, which can be renewed for a further period of 10 years. The future aggregate minimum lease payments on the land and other leases under non-cancellable operating leases are as follows:

	30 September 2014 AED (Unaudited)	*31 December 2013 AED (Audited)*
Within 1 year	**1,537,981**	1,173,981
After one year but not more than five years	**3,918,464**	4,022,464
More than five years	**3,224,569**	3,959,281
Total operating lease expenditure contracted for at the reporting date	**8,681,014**	9,155,726

10 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 period ended 30 September 2014, revenue from one customer amounting to AED 52,527,931 accounts for 10% or more of the Company's total revenue.

During the period ended 30 September 2013, revenue from one customer amounting to AED 29,215,882 accounts for 10% or more of the Company's total revenue.

11 FIDUCIARY ASSETS

As at 30 September 2014, the Company held raw materials, in a fiduciary capacity, held for and on behalf of a third party amounting to AED 997,846 (31 December 2013: AED 1,469,091).

12 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash in hand, bank balances and deposits, accounts receivables, due from a related party and available-for-sale investments. Financial liabilities consist of trust receipts payable, 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 30 September 2014, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	30 September 2014 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
Quoted equity securities				
Investments and Financial Services Sector	**840,000**	**840,000**	-	-
Marine Terminal Operations Sector	**15,155**	**15,155**	-	-
	855,155	**855,155**	-	-

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	-	-
	630,434	630,434	-	-

During the period ended 30 September 2014 and year ended 31 December 2013, there were no transfers between the various levels of fair value measurements.

13 COMPARATIVE INFORMATION

During the current period, certain account balances of prior period were reclassified to improve the quality of information presented. Such reclassifications do not affect previously reported profit and equity. The details are as follows:

	As previously reported AED	*Reclassifications AED*	*As reported now AED*
Statement of income (nine months ended)			
Cost of sales	(247,447,495)	885,873	(246,561,622)
Selling and distribution expenses	(13,862,045)	(2,299,472)	(16,161,517)
General and administrative expenses	(10,501,606)	1,413,599	(9,088,007)
Statement of income (three months ended)			
Cost of sales	(76,038,859)	246,152	(75,792,707)
Selling and distribution expenses	(5,027,831)	(726,714)	(5,754,545)
General and administrative expenses	(3,222,549)	480,562	(2,741,987)

Statement of Financial Position:
In the prior period, capitalised software license amounting to AED 1,542,705 was presented under property, plant and equipment. These have been now been separately presented as intangible assets.