

United Foods Company (PSC)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2015

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 31 March 2015 and the related interim condensed 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 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. 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.



Signed by
Joe Murphy
Partner
Registration No. 492
29 April 2015
Dubai, United Arab Emirates

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF INCOME

For the period ended 31 March 2015 (Unaudited)

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March 2015 AED</i>	<i>31 March 2014 AED</i>
Sales		99,251,980	103,099,118
Cost of sales		(80,757,894)	(88,459,838)
Gross profit		18,494,086	14,639,280
Selling and distribution expenses		(8,475,450)	(7,034,368)
Administrative expenses		(3,688,153)	(3,046,031)
Finance costs		(183,977)	(149,955)
Other income		316,586	466,170
Profit for the period	3	6,463,092	4,875,096
Earnings per share in AED		0.24	0.18

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2015 (Unaudited)

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March 2015 AED</i>	<i>31 March 2014 AED</i>
Profit for the period		6,463,092	4,875,096
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net (loss)/gain on change in fair value of available-for-sale investments		(124,562)	237,639
Total comprehensive income for the period		6,338,530	5,112,735

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

		31 March 2015 AED (Unaudited)	31 December 2014 AED (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	4	110,285,127	84,592,091
Intangible asset		1,522,418	1,442,666
Available-for-sale investments		393,275	517,837
		112,200,820	86,552,594
Current assets			
Inventories		62,618,517	63,880,499
Accounts receivable and prepayments		77,562,672	70,004,678
Due from a related party	7	220,340	189,767
Bank balances and cash	5	13,367,750	6,828,652
		153,769,279	140,903,596
TOTAL ASSETS		265,970,099	227,456,190
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		116,582	241,144
Retained earnings		71,737,058	68,023,966
Total equity		192,168,620	188,580,090
LIABILITIES			
Non-current liability			
Employees' end of service benefits		4,146,832	3,879,034
Current liabilities			
Trade and other payables		29,650,182	20,204,603
Due to a related party	7	524,132	233,187
Trust receipts		39,480,333	14,559,276
		69,654,647	34,997,066
Total liabilities		73,801,479	38,876,100
TOTAL EQUITY AND LIABILITIES		265,970,099	227,456,190

Ali Bin Humaid Al Owais
Chairman

29 APRIL, 2015

Mohamed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman

29 APRIL, 2015

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2015 (Unaudited)

2015:

	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 2015	27,500,000	13,750,000	13,750,000	65,314,980	241,144	68,023,966	188,580,090
Profit for the period	-	-	-	-	-	6,463,092	6,463,092
Other comprehensive income	-	-	-	-	(124,562)	-	(124,562)
Total comprehensive income for the period	-	-	-	-	(124,562)	6,463,092	6,338,530
Dividend declared	-	-	-	-	-	(2,750,000)	(2,750,000)
Balance as at 31 March 2015	27,500,000	13,750,000	13,750,000	65,314,980	116,582	71,737,058	192,168,620

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2015 (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
Other comprehensive income	-	-	-	-	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 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period ended 31 March 2015 (Unaudited)

		Three months ended	
		31 March 2015 AED	31 March 2014 AED
Notes			
OPERATING ACTIVITIES			
		6,463,092	4,875,096
Profit for the period			
Adjustments for:			
Depreciation		1,914,518	2,152,869
Amortisation		113,470	-
Gain on disposal of property, plant and equipment		(55,655)	-
Finance cost		183,977	149,955
Provision for employees' end of service benefits		472,281	425,106
		9,091,683	7,603,026
Working capital changes:			
Inventories		1,261,982	1,736,885
Accounts receivable and prepayments		(7,557,994)	(10,924,123)
Trade and other payables		6,636,688	(2,501,627)
Due from a related party		(30,573)	(181,552)
Due to a related party		290,945	746,892
		9,692,731	(3,520,499)
Employees' end of service benefits paid		(204,483)	(152,692)
Net cash from/(used in) operating activities		9,488,248	(3,673,191)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(27,555,670)	(1,198,638)
Purchase of intangible assets		(193,222)	-
Proceeds from disposal of property, plant and equipment		62,662	-
Net cash used in investing activities		(27,686,230)	(1,198,638)
FINANCING ACTIVITIES			
Trust receipts obtained		34,486,336	26,471,170
Trust receipts paid		(9,565,279)	(26,504,822)
Finance costs paid		(183,977)	(149,955)
Net cash from/(used in) financing activities		24,737,080	(183,607)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		5,328,652	5,442,471
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	11,867,750	387,035

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

1 ACTIVITIES

United Foods Company (PSC) (the “Company”) is a Public Shareholding Company, incorporated on 1 November 1976 by a Decree issued by His Highness, The Ruler of Dubai. On 27 June 1994, the Company amended its status to a Public Shareholding Company to comply with the provisions of the UAE 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 for the three months period ended 31 March 2015 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 2014.

In addition, results for the three months period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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 2014. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2015 has had no effect on the interim financial statements of the Company.

3 PROFIT FOR THE PERIOD

Profit for the period is stated after charging:

	<i>Three months ended</i>	
	<i>31 March 2015 AED (Unaudited)</i>	<i>31 March 2014 AED (Unaudited)</i>
Employee expenses	7,897,240	6,577,623
Rental - operating leases	809,432	366,001
Inventories charged to cost of sales	71,240,183	74,734,860

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the period ended 31 March 2015, the Company incurred cost in respect of additions amounting to AED 27,555,670 (31 December 2014: AED 35,821,207).

During the period ended 31 March 2015, assets with a net book value of AED 7,007 were disposed off by the Company (31 December 2014: AED 221,190).

As at 31 March 2015, capital work-in-progress of AED 63,567,155 (31 December 2014: AED 36,673,765) pertains to the expenditures incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 10,318,711 (31 December 2014: AED 8,093,872).

5 CASH AND CASH EQUIVALENTS

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

	31 March 2015 AED (Unaudited)	31 December 2014 AED (Audited)
Cash in hand	74,662	76,054
Bank balances	11,793,088	5,252,598
Deposits	1,500,000	1,500,000
Bank balances and cash	13,367,750	6,828,652
Less: deposits with an original maturity of more than three months	(1,500,000)	(1,500,000)
Cash and cash equivalents	<u>11,867,750</u>	<u>5,328,652</u>

6 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period amounting to AED 6,463,092 (31 March 2014: AED 4,875,096) by the weighted average number of ordinary shares outstanding during the period ended 31 March 2015 of 27,500,000 shares (31 March 2014: 27,500,000 shares).

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

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

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:

	<i>Three months ended</i>	
	<i>31 March 2015 AED (Unaudited)</i>	<i>31 March 2014 AED (Unaudited)</i>
Other related parties:		
Sales	313,352	320,702
Purchases of raw materials and services	5,549,554	5,608,785

Compensation of key management personnel

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

	<i>Three months ended</i>	
	<i>31 March 2015 AED (Unaudited)</i>	<i>31 March 2014 AED (Unaudited)</i>
Short-term benefits	868,261	822,595
End of service benefits	12,087	46,190
	880,348	868,785

b) Due from a related party:

	<i>31 March 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
Other related party: Modern Bakery LLC	220,340	189,767

c) Due to a related party:

	<i>31 March 2015 AED (Unaudited)</i>	<i>31 December 2014 AED (Audited)</i>
Other related party: United Can Company LLC	524,132	233,187

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

8 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 31 March 2015, the Company had contingent liabilities in respect of bank and other guarantees amounting to AED 1,512,000 (31 December 2014: AED 1,512,000), 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 Directors believe appropriate, adequate provisions have been made in the accounts.

Capital commitments

At 31 March 2015, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 16,006,796 (31 December 2014: AED 29,113,321).

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:

	31 March 2015 AED (Unaudited)	31 December 2014 AED (Audited)
Within one year	1,287,911	1,138,648
After 1 year but not more than five years	3,964,809	3,918,464
More than five years	2,734,761	2,979,665
	<u>7,987,481</u>	<u>8,036,777</u>

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, statements of income and other comprehensive income and notes to the financial statements.

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

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

Major customer

During the period ended 31 March 2015, revenue from one customer amounting to AED 13,619,200 accounts for 10% or more of the Company's total revenue.

During the period 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.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

10 FIDUCIARY ASSETS

As at 31 March 2015, the Company held raw materials, in a fiduciary capacity on behalf of a third party amounting to AED 1,786,486 (31 December 2014: AED 2,282,457).

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 trust receipts, trade and other payables and due to a related party.

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

Fair value hierarchy

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

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

Level 2: other techniques for which all inputs which have 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 2015, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 March 2015</i> <i>AED</i>	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>
Quoted equity securities				
Investments and Financial Services Sector	377,500	377,500	-	-
Marine Terminal Operations Sector	15,775	15,775	-	-
Total	<u>393,275</u>	<u>393,275</u>	<u>-</u>	<u>-</u>

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

Assets measured at fair value

	<i>31 Dec 2014</i> <i>AED</i>	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>
Quoted equity securities				
Investments and Financial Services Sector	502,500	502,500	-	-
Marine Terminal Operations Sector	15,337	15,337	-	-
Total	<u>517,837</u>	<u>517,837</u>	<u>-</u>	<u>-</u>

During the period ended 31 March 2015 and year ended 31 December 2014, there were no transfers between the various levels of fair value measurements.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

12 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:

	<i>As previously reported AED</i>	<i>Reclassifications AED</i>	<i>As reported now AED</i>
<i>Statement of income (three months period ended)</i>			
Sales	102,747,242	351,876	103,099,118
Cost of sales	(88,641,424)	181,586	(88,459,838)
Selling and distribution expenses	(6,897,782)	(136,586)	(7,034,368)
General and administrative expenses	(3,001,031)	(45,000)	(3,046,031)
Other income	818,046	(351,876)	466,170