United Foods Company (PSC)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2016

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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 statement of United Foods Company (PSC) (the "Company") which comprise the interim condensed statement of financial position as at 31 March 2016 and the related interim condensed statements of income and 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 Financial Reporting Standard 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
Thodla Harigopal
Partner
Registration No. 689
27 April 2016
Dubai, United Arab Emirates

INTERIM CONDENSED STATEMENT OF INCOME

For the period ended 31 March 2016 (Unaudited)

	Note	*Three months ended* 31 March 2016 AED	31 March 2015 AED
Sales		**99,856,952**	99,251,980
Cost of sales		**(79,473,611)**	(80,757,894)
Gross profit		**20,383,341**	18,494,086
Selling and distribution expenses		**(10,096,103)**	(8,475,450)
Administrative expenses		**(3,627,603)**	(3,688,153)
Finance costs		**(180,163)**	(183,977)
Other income		**156,375**	316,586
Profit for the period	3	**6,635,847**	6,463,092
Earnings per share in AED		**0.22**	0.21

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 2016 (Unaudited)

	Note	*Three months ended* *31 March 2016 AED*	*31 March 2015 AED*
Profit for the period		**6,635,847**	6,463,092
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net (loss)/gain on change in fair value of available-for-sale investments		**31,397**	(124,562)
Total comprehensive income for the period		**6,667,244**	6,338,530

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 2016

	Notes	*31 March 2016 AED (Unaudited)*	*31 December 2015 AED (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	4	122,754,791	123,692,035
Intangible asset		980,775	1,108,569
Available-for-sale investments		353,723	322,326
		124,089,289	125,122,930
Current assets			
Inventories		67,204,670	65,183,699
Accounts receivable and prepayments		80,794,479	74,865,139
Due from a related party	8	209,300	223,152
Bank balances and cash	5	6,150,752	5,386,574
		154,359,201	145,658,564
TOTAL ASSETS		278,448,490	270,781,494
EQUITY AND LIABILITIES			
Equity			
Share capital		30,250,000	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		77,030	45,633
Retained earnings		92,392,252	91,256,405
Total equity		215,534,262	211,617,018
LIABILITIES			
Non-current liability			
Employees' end of service benefits		4,963,095	4,516,670
Current liabilities			
Trade and other payables		31,282,662	32,694,070
Due to a related party	8	755,248	1,862,071
Trust receipts		25,913,223	20,091,665
		57,951,133	54,647,806
Total liabilities		62,914,228	59,164,476
TOTAL EQUITY AND LIABILITIES		278,448,490	270,781,494

Mohammed Salim Rashid Abdalla Al Owais
Vice Chairman
27/4/ 2016

Mohammed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
27/4/ 2016

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2016 (Unaudited)

2016:	*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 2016	27,500,000	13,750,000	13,750,000	65,314,980	45,633	91,256,405	211,617,018
Profit for the period	-	-	-	-	-	6,635,847	6,635,847
Other comprehensive income	-	-	-	-	31,397	-	31,397
Total comprehensive income for the period	-	-	-	-	31,397	6,635,847	6,667,244
Dividends declared	-	-	-	-	-	(2,750,000)	(2,750,000)
Bonus shares issued (Note 6)	2,750,000	-	-	-	-	(2,750,000)	-
Balance as at 31 March 2016	**30,250,000**	**13,750,000**	**13,750,000**	**65,314,980**	**77,030**	**92,392,252**	**215,534,262**

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2016 (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
Dividends 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 CASH FLOWS

For the period ended 31 March 2016 (Unaudited)

	Notes	*Three months ended* 31 March 2016 AED	31 March 2015 AED
OPERATING ACTIVITIES			
Profit for the period		**6,635,847**	6,463,092
Adjustments for:			
Depreciation		**3,148,092**	1,914,518
Amortisation		**127,794**	113,470
Loss / (profit) on disposal of property, plant and equipment		**3,881**	(55,655)
Finance cost		**180,163**	183,977
Provision for employees' end of service benefits		**520,146**	472,281
		10,615,923	9,091,683
Working capital changes:			
Inventories		**(2,020,971)**	1,261,982
Accounts receivable and prepayments		**(5,929,340)**	(7,557,994)
Trade and other payables		**(1,411,408)**	6,636,688
Due from a related party		**13,852**	(30,573)
Due to a related party		**(1,106,823)**	290,945
		161,233	9,692,731
Employees' end of service benefits paid		**(73,721)**	(204,483)
Net cash from operating activities		**87,512**	9,488,248
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(2,214,729)**	(27,555,670)
Purchase of intangible assets		**-**	(193,222)
Proceeds from disposal of property, plant and equipment		**-**	62,662
Net cash used in investing activities		**(2,214,729)**	(27,686,230)
FINANCING ACTIVITIES			
Trust receipts obtained		**25,913,223**	34,486,336
Trust receipts paid		**(20,091,665)**	(9,565,279)
Finance costs paid		**(180,163)**	(183,977)
Dividends paid		**(2,750,000)**	-
Net cash from financing activities		**2,891,395**	24,737,080
INCREASE IN CASH AND CASH EQUIVALENTS		**764,178**	6,539,098
Cash and cash equivalents at 1 January		**3,886,574**	5,328,652
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	**4,650,752**	11,867,750

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

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 Federal Law No. (2) of 2015. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Company is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on 30 June 2016.

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 and fat manufacturing. The registered address of the Company is P.O. Box 5836, Dubai, UAE.

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 2016 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 2015.

In addition, results for the three months period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2016 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:

	Three months ended	
	31 March 2016 AED (Unaudited)	*31 March 2015 AED (Unaudited)*
Employee expenses	**8,525,492**	7,915,607
Rental - operating leases	**439,714**	809,432
Inventories charged to cost of sales	**70,576,977**	73,124,981

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the period ended 31 March 2016, the Company incurred cost in respect of additions amounting to AED 2,214,729 (31 December 2015: AED 47,372,797).

During the period ended 31 March 2016, assets with a net book value of AED 3,881 were disposed off by the Company (31 December 2015: AED 7,007).

As at 31 March 2016, capital work-in-progress of AED 20,674,531 (31 December 2015: AED 19,637,661) pertains to the expenditures incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 1,444,915 (31 December 2015: AED 1,915,323).

5 CASH AND CASH EQUIVALENTS

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

	31 March 2016 AED (Unaudited)	*31 December 2015 AED (Audited)*
Cash in hand	**128,326**	177,213
Bank balances	**4,522,426**	3,709,361
Deposits	**1,500,000**	1,500,000
Bank balances and cash	**6,150,752**	5,386,574
Less: deposits with an original maturity of more than three months	**(1,500,000)**	(1,500,000)
Cash and cash equivalents	**4,650,752**	3,886,574

6 SHARE CAPITAL

	31 March 2016 AED (Unaudited)	*31 December 2015 AED (Audited)*
Authorised issued and fully paid up:		
30,250,000 shares of 1 AED each (31 December 2015: 27,500,000 shares of 1 AED each)	**30,250,000**	27,500,000

During the Board of Directors meeting held on 9 February 2016, the Directors proposed a 10% bonus issue of shares totaling to AED 2.75 million relating to 2015. The bonus issue was approved by the shareholders in the Annual General Meeting held on 9 March 2016.

7 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period amounting to AED 6,635,847 (31 March 2015: AED 6,463,092) by the weighted average number of ordinary shares outstanding during the period ended 31 March 2016 of 30,250,000 shares (31 March 2015: 30,250,000 shares).

The weighted average number of shares outstanding during the period ended 31 March 2015 has been amended for the bonus shares issued during 2016 (Note 6).

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

8 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:

	Three months ended	
	31 March 2016 AED (Unaudited)	*31 March 2015 AED (Unaudited)*
Other related parties:		
Sales	**314,900**	313,352
Purchases of raw materials and services	**4,701,666**	5,549,554

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

	Three months ended	
	31 March 2016 AED (Unaudited)	*31 March 2015 AED (Unaudited)*
Short-term benefits	**991,755**	868,261
End of service benefits	**44,416**	12,087
	1,036,171	**880,348**

b) Due from a related party:

	31 March 2016 AED (Unaudited)	*31 December 2015 AED (Audited)*
Other related party:		
Modern Bakery LLC	**209,300**	223,152

c) Due to a related party:

	31 March 2016 AED (Unaudited)	*31 December 2015 AED (Audited)*
Other related party:		
United Can Company LLC	**755,248**	1,862,071

9 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 31 March 2016, the Company had Nil Open Letter of Credit in respect of bank (31 December 2015: AED 331,691), 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.

Contingent liabilities
At 31 March 2016, the Company had guarantees with the bank amounting to AED 1,570,000 (31 December 2015: AED 1,570,000), from which it is anticipated that no material liabilities will arise.

Capital commitments
At 31 March 2016, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 7,943,613 (31 December 2015: AED 8,707,356).

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 2016 AED (Unaudited)	*31 December 2015 AED (Audited)*
Within one year	**1,574,189**	1,633,589
After 1 year but not more than five years	**4,334,834**	4,445,069
More than five years	**1,755,145**	2,000,049
	7,664,168	8,078,707

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, 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 2016, revenue from one customer amounting to AED 10,027,992 accounts for 10% or more of the Company's total revenue.

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.

11 FIDUCIARY ASSETS

As at 31 March 2016, the Company held raw materials, in a fiduciary capacity on behalf of a third party amounting to AED 842,119 (31 December 2015: AED 949,121).

12 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 2016, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 March 2016 AED	*Level 1* AED	*Level 2* AED	*Level 3* AED
Quoted equity securities				
Investments and Financial Services Sector	**340,000**	**340,000**	-	-
Marine Terminal Operations Sector	**13,723**	**13,723**	-	-
Total	**353,723**	**353,723**	-	-

As at 31 December 2015, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 Dec 2015 AED	*Level 1* AED	*Level 2* AED	*Level 3* AED
Quoted equity securities				
Investments and Financial Services Sector	307,500	307,500	-	-
Marine Terminal Operations Sector	14,826	14,826	-	-
Total	322,326	322,326	-	-

During the period ended 31 March 2016 and year ended 31 December 2015, there were no transfers between the various levels of fair value measurements.