

# **United Foods Company (PSC)**

## **UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

## **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”) which comprising of the interim condensed statement of financial position as at 30 September 2018 and the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended and, interim condensed changes in equity and interim condensed 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 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.

For Ernst & Young



Signed by:  
Ashraf Abu Sharkh  
Partner  
Registration No. 690

4 November 2018

Dubai, United Arab Emirates

# United Foods Company (PSC)

## INTERIM CONDENSED STATEMENT OF INCOME

For the period ended 30 September 2018 (Unaudited)

|                                               |       | Nine months ended           |                                           | Three months ended          |                                           |
|-----------------------------------------------|-------|-----------------------------|-------------------------------------------|-----------------------------|-------------------------------------------|
|                                               |       | 30 September<br>2018<br>AED | 30 September<br>2017<br>AED<br>(Restated) | 30 September<br>2018<br>AED | 30 September<br>2017<br>AED<br>(Restated) |
|                                               | Notes |                             |                                           |                             |                                           |
| Sales, gross                                  |       | 355,947,455                 | 345,336,452                               | 102,201,825                 | 99,605,724                                |
| Less: Discount and marketing expense          |       | (10,824,879)                | (12,375,666)                              | (2,689,194)                 | (2,988,655)                               |
| <b>Sales, net</b>                             |       | <b>345,122,576</b>          | <b>332,960,786</b>                        | <b>99,512,631</b>           | <b>96,617,069</b>                         |
| Cost of sales                                 |       | (292,663,906)               | (282,221,635)                             | (83,201,789)                | (82,036,330)                              |
| <b>GROSS PROFIT</b>                           |       | <b>52,458,670</b>           | <b>50,739,151</b>                         | <b>16,310,842</b>           | <b>14,580,739</b>                         |
| Selling and distribution expenses             |       | (25,561,882)                | (23,711,524)                              | (7,930,454)                 | (8,419,122)                               |
| General and administrative expenses           |       | (12,146,972)                | (11,839,763)                              | (4,079,735)                 | (3,840,986)                               |
| Finance expense                               |       | (535,742)                   | (364,568)                                 | (54,366)                    | (130,645)                                 |
| Relocation expenses                           | 15    | (1,200,000)                 | -                                         | (800,000)                   | -                                         |
| Other income                                  |       | 2,262,161                   | 1,652,974                                 | 359,689                     | 271,437                                   |
| <b>Profit before the results of associate</b> | 3     | <b>15,276,235</b>           | <b>16,476,270</b>                         | <b>3,805,976</b>            | <b>2,461,423</b>                          |
| Share of results of an associate              | 6     | (1,603,263)                 | (430,781)                                 | (552,972)                   | (70,205)                                  |
| <b>PROFIT FOR THE PERIOD</b>                  | 3     | <b>13,672,972</b>           | <b>16,045,489</b>                         | <b>3,253,004</b>            | <b>2,391,218</b>                          |
| Earnings per share in AED                     | 9     | 0.45                        | 0.53                                      | 0.11                        | 0.08                                      |

The attached notes 1 to 16 form part of these interim condensed financial statements.

# United Foods Company (PSC)

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2018 (Unaudited)

|                                                                                                              | <i>Nine months ended</i>             |                                      | <i>Three months ended</i>            |                                      |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                                                                                              | <i>30 September<br/>2018<br/>AED</i> | <i>30 September<br/>2017<br/>AED</i> | <i>30 September<br/>2018<br/>AED</i> | <i>30 September<br/>2017<br/>AED</i> |
| <b>Profit for the period</b>                                                                                 | <b>13,672,972</b>                    | <b>16,045,489</b>                    | <b>3,253,004</b>                     | <b>2,391,218</b>                     |
| <b>Other comprehensive income</b>                                                                            |                                      |                                      |                                      |                                      |
| <i>Other comprehensive income not to be<br/>reclassified to profit or loss in the<br/>subsequent period:</i> |                                      |                                      |                                      |                                      |
| Change in fair value of investment securities<br>measured at FVOCI, equity securities                        | (54,382)                             | -                                    | (15,422)                             | -                                    |
| <i>Other comprehensive income to be<br/>reclassified to profit or loss in the<br/>subsequent period:</i>     |                                      |                                      |                                      |                                      |
| Change in fair value of<br>available-for-sale investments                                                    | -                                    | (31,386)                             | -                                    | 1,124                                |
| Share of other comprehensive<br>income of an associate                                                       | (180,851)                            | (62,100)                             | (9,297)                              | 21,253                               |
| Other comprehensive income for the period                                                                    | (235,233)                            | (93,486)                             | (24,719)                             | 22,377                               |
| <b>Total comprehensive (loss) / income<br/>for the period</b>                                                | <b>13,437,739</b>                    | <b>15,952,003</b>                    | <b>3,228,285</b>                     | <b>2,413,595</b>                     |

The attached notes 1 to 16 form part of these interim condensed financial statements.

# United Foods Company (PSC)

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (Unaudited)

|                                     |       | 30 September<br>2018<br>AED<br>(Unaudited) | 31 December<br>2017<br>AED<br>(Audited) |
|-------------------------------------|-------|--------------------------------------------|-----------------------------------------|
|                                     | Notes |                                            |                                         |
| <b>ASSETS</b>                       |       |                                            |                                         |
| <b>Non-current assets</b>           |       |                                            |                                         |
| Property, plant and equipment       | 4     | 115,683,653                                | 118,264,775                             |
| Intangible asset                    |       | 497,238                                    | 576,844                                 |
| Investment securities               | 5     | 243,876                                    | 298,258                                 |
| Investment in an associate          | 6     | 14,109,933                                 | 15,894,047                              |
|                                     |       | <u>130,534,700</u>                         | <u>135,033,924</u>                      |
| <b>Current assets</b>               |       |                                            |                                         |
| Inventories                         |       | 49,035,424                                 | 62,527,261                              |
| Accounts receivable and prepayments |       | 82,913,053                                 | 80,819,343                              |
| Due from a related party            | 10    | 328,190                                    | 217,000                                 |
| Bank balances and cash              | 7     | 40,350,316                                 | 23,031,298                              |
|                                     |       | <u>172,626,983</u>                         | <u>166,594,902</u>                      |
| <b>TOTAL ASSETS</b>                 |       | <u><b>303,161,683</b></u>                  | <u><b>301,628,826</b></u>               |
| <b>EQUITY AND LIABILITIES</b>       |       |                                            |                                         |
| <b>Equity</b>                       |       |                                            |                                         |
| Share capital                       | 8     | 30,250,000                                 | 30,250,000                              |
| Statutory reserve                   |       | 15,125,000                                 | 15,125,000                              |
| Regular reserve                     |       | 15,125,000                                 | 15,125,000                              |
| General reserve                     |       | 65,314,980                                 | 65,314,980                              |
| Fair value reserve                  |       | (179,221)                                  | 56,012                                  |
| Retained earnings                   |       | 137,484,470                                | 126,836,498                             |
| <b>Total equity</b>                 |       | <u><b>263,120,229</b></u>                  | <u><b>252,707,490</b></u>               |
| <b>LIABILITIES</b>                  |       |                                            |                                         |
| <b>Non-current liability</b>        |       |                                            |                                         |
| Employees' end of service benefits  |       | 6,588,794                                  | 5,920,943                               |
| <b>Current liabilities</b>          |       |                                            |                                         |
| Trade and other payables            |       | 33,452,660                                 | 42,952,070                              |
| Due to a related party              | 10    | -                                          | 48,323                                  |
|                                     |       | <u>33,452,660</u>                          | <u>43,000,393</u>                       |
| <b>Total liabilities</b>            |       | <u><b>40,041,454</b></u>                   | <u><b>48,921,336</b></u>                |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <u><b>303,161,683</b></u>                  | <u><b>301,628,826</b></u>               |

Ali Bin Humaid Al Owais  
Chairman

4/11/2018

Mohammed Abdel Aziz Ali Abdalla Al Owais  
Executive Vice Chairman

4/11/2018

The attached notes 1 to 16 form part of these interim condensed financial statements.

# United Foods Company (PSC)

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2018 (Unaudited)

| <u>2018:</u>                              | Share<br>capital<br>AED | Statutory<br>reserve<br>AED | Regular<br>reserve<br>AED | General<br>reserve<br>AED | Fair value<br>reserve<br>AED | Retained<br>earnings<br>AED | Total<br>AED |
|-------------------------------------------|-------------------------|-----------------------------|---------------------------|---------------------------|------------------------------|-----------------------------|--------------|
| Balance as at 1 January 2018              | 30,250,000              | 15,125,000                  | 15,125,000                | 65,314,980                | 56,012                       | 126,836,498                 | 252,707,490  |
| Profit for the period                     | -                       | -                           | -                         | -                         | -                            | 13,672,972                  | 13,672,972   |
| Other comprehensive loss                  | -                       | -                           | -                         | -                         | (235,233)                    | -                           | (235,233)    |
| Total comprehensive income for the period | -                       | -                           | -                         | -                         | (235,233)                    | 13,672,972                  | 13,437,739   |
| Dividends declared (Note 8)               | -                       | -                           | -                         | -                         | -                            | (3,025,000)                 | (3,025,000)  |
| Balance as at 30 September 2018           | 30,250,000              | 15,125,000                  | 15,125,000                | 65,314,980                | (179,221)                    | 137,484,470                 | 263,120,229  |

# United Foods Company (PSC)

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 30 September 2017 (Unaudited)

| 2017:                                     | Share<br>capital<br>AED | Statutory<br>reserve<br>AED | Regular<br>reserve<br>AED | General<br>reserve<br>AED | Fair value<br>reserve<br>AED | Retained<br>earnings<br>AED | Total<br>AED |
|-------------------------------------------|-------------------------|-----------------------------|---------------------------|---------------------------|------------------------------|-----------------------------|--------------|
| Balance as at 1 January 2017              | 30,250,000              | 15,125,000                  | 15,125,000                | 65,314,980                | 96,685                       | 107,381,693                 | 233,293,358  |
| Profit for the period                     | -                       | -                           | -                         | -                         | -                            | 16,045,489                  | 16,045,489   |
| Other comprehensive loss                  | -                       | -                           | -                         | -                         | (93,486)                     | -                           | (93,486)     |
| Total comprehensive income for the period | -                       | -                           | -                         | -                         | (93,486)                     | 16,045,489                  | 15,952,003   |
| Dividends declared (Note 8)               | -                       | -                           | -                         | -                         | -                            | (3,025,000)                 | (3,025,000)  |
| Balance as at 30 September 2017           | 30,250,000              | 15,125,000                  | 15,125,000                | 65,314,980                | 3,199                        | 120,402,182                 | 246,220,361  |

# United Foods Company (PSC)

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period ended 30 September 2018 (Unaudited)

|                                                         |              | <i>Nine months ended</i>     |                              |
|---------------------------------------------------------|--------------|------------------------------|------------------------------|
|                                                         |              | <i>30 September<br/>2018</i> | <i>30 September<br/>2017</i> |
|                                                         | <i>Notes</i> | <i>AED</i>                   | <i>AED</i>                   |
| <b>OPERATING ACTIVITIES</b>                             |              |                              |                              |
| Profit for the period                                   |              | 13,672,972                   | 16,045,489                   |
| Adjustments for:                                        |              |                              |                              |
| Depreciation                                            |              | 8,330,212                    | 8,790,674                    |
| Amortisation of intangible assets                       |              | 349,425                      | 313,622                      |
| Gain on disposal of property, plant and equipment       |              | (97,270)                     | (85,158)                     |
| Share of loss of associate                              |              | 1,603,263                    | 430,781                      |
| Finance cost                                            |              | 535,742                      | 364,568                      |
| Provision for employees' end of service benefits        |              | 869,830                      | 765,215                      |
|                                                         |              | <u>25,264,174</u>            | <u>26,625,191</u>            |
| Working capital changes:                                |              |                              |                              |
| Inventories                                             |              | 13,491,837                   | (18,633,896)                 |
| Accounts receivable and prepayments                     |              | (2,093,710)                  | 5,165,983                    |
| Trade and other payables                                |              | (9,499,410)                  | 8,524,860                    |
| Due from a related party                                |              | (111,190)                    | 16,898                       |
| Due to a related party                                  |              | (48,323)                     | 29,572                       |
|                                                         |              | <u>27,003,378</u>            | <u>21,728,608</u>            |
| Employees' end of service benefits paid                 |              | (201,979)                    | (269,124)                    |
| Net cash generated from operating activities            |              | <u>26,801,399</u>            | <u>21,459,484</u>            |
| <b>INVESTING ACTIVITIES</b>                             |              |                              |                              |
| Additions of property, plant and equipment              | 4            | (5,751,684)                  | (4,267,475)                  |
| Additions of intangible assets                          |              | (269,819)                    | (42,347)                     |
| Proceeds from disposal of property, plant and equipment |              | 99,864                       | 85,444                       |
| Dividend received from associate                        |              | -                            | 1,033,905                    |
| Net cash used in investing activities                   |              | <u>(5,921,639)</u>           | <u>(3,190,473)</u>           |
| <b>FINANCING ACTIVITIES</b>                             |              |                              |                              |
| Trust receipts obtained                                 |              | 64,913,661                   | 76,020,011                   |
| Trust receipts paid                                     |              | (64,913,661)                 | (81,388,392)                 |
| Finance costs paid                                      |              | (535,742)                    | (364,568)                    |
| Dividends paid                                          |              | (3,025,000)                  | (3,025,000)                  |
| Net cash used in financing activities                   |              | <u>(3,560,742)</u>           | <u>(8,757,949)</u>           |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>            |              | <u>17,319,018</u>            | <u>9,511,062</u>             |
| Cash and cash equivalents at 1 January                  |              | <u>21,531,298</u>            | <u>3,435,213</u>             |
| <b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>        | 7            | <u><u>38,850,316</u></u>     | <u><u>12,946,275</u></u>     |

The attached notes 1 to 16 form part of these interim condensed financial statements.



# United Foods Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (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 Federal Law No. (2) of 2015.

The Company's shares are listed on the Dubai Financial Market (DFM) since July 2006.

The Company is primarily engaged in the manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products and fat including trading of food products. 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 30 September 2018 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 2017.

In addition, results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

#### Changes in accounting policies

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 financial statements for the year ended 31 December 2017, except for adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

As required by IAS 34, the nature and effect of these changes are disclosed below.

#### Rental income

Rental income from property, plant and equipment is recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

#### Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

|                                          |                                     |
|------------------------------------------|-------------------------------------|
| Buildings                                | 20 (2017: 20 years)                 |
| Plant, machinery and equipment           | 4 to 15 years (2017: 4 to 10 years) |
| Furniture, fixtures and office equipment | 4 years (2017: 4 years)             |
| Motor vehicles                           | 4 to 7 years (2017: 4 years)        |

Land and capital work-in-progress are not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of income in the period the asset is derecognised.

## 2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

### Significant accounting judgements, estimates and assumptions

#### Estimates

##### *Useful lives and depreciation of property, plant and equipment and intangible assets*

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.

During the period, the Company has change the estimated useful lives of the certain items of plant, machinery and equipment, and motor vehicles as disclosed above under 'property, plant and equipment' and its impact in note 4 to these interim condensed financial statements.

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

#### IFRS 15 – Revenue from Contracts with customers

This standard on revenue recognition replaces IAS 11, 'Construction Contracts' and IAS 18, 'Revenue' and related interpretations. IFRS 15 is more prescriptive, provides detailed guidance on revenue recognition and reduces the use of judgement in applying the revenue recognition policies and practices as compared to the replaced IFRS and related interpretations. It establishes a five step model to account for revenue arising from contracts with customers.

Revenue is recognised when a customer obtains control of goods or services. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or services. The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services in an amount that reflects the consideration to which the entity to be entitled in exchange for those goods or services.

The Company has adopted IFRS 15 using the full retrospective method of adoption. However, as contracts entered with customers are for the period starting 1 January to 31 December that are renewed annually, therefore, there has not been any significant impact on the financial position of the Company as at 31 December 2017.

#### (a) Sale of goods

The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods (except in case of high sea sales transactions with the customers). Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognized was affected, as noted below.

#### (i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Prior to adoption of IFRS 15, the Company recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable.

If revenue cannot be reliably measured, the Company deferred revenue recognition until the uncertainty was resolved. Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is resolved.

#### - Right of return

The Company's contract with a customer provides a right to return the good within the specified period. However, the amount of returns being immaterial, therefore, the impact on revenue recognition after adoption of IFRS 15 is not significant.

#### - Volume rebates

The Company provides volume rebates to its certain customers on certain products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Prior to adoption of IFRS 15, the Company estimates the expected volume rebates using the probability weighted average amount of rebates approach and includes them in Trade and other payables. These amounts are subsequently were offset against amounts receivable from customers.

Under IFRS 15, volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Company considered that the most likely amount method better predicts the amount of variable consideration for contracts with only a single volume threshold while for contracts with more than one volume threshold it has applied either the expected value method or the most likely amount method, depending on which of them better predicts the amount of variable consideration for the particular type of contract.

# United Foods Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

**New standards, interpretations and amendments thereof, adopted by the Company (continued)**

**IFRS 15 – Revenue from Contracts with customers (continued)**

#### *(a) Sale of goods (continued)*

##### *(ii) Consideration paid or payable to customers*

The Company pays slotting fees, listing fees and promotions fee to its customers for providing various display and promotional services. The Company believes that certain services provided by its customers and based on the arrangements are distinct or not distinct from the goods sold to them. The Company assess the nature of these services and if considered not distinct to goods sold to customer, recognizes revenue by appropriately reducing the transaction price.

##### *(iii) Price concessions and other discounts*

The Company provides price concessions and other discounts to its customers. Prior to adoption of IFRS 15, these concessions and discounts were considered as selling and distribution expense. However, after the adoption of IFRS 15, the Company assess the nature of these incentives and if considered not distinct to goods sold to customer, recognizes revenue by appropriately reducing the transaction price.

The Company has recorded an adjustment in revenue by reducing it by AED 10,824,879 (for the nine months ended 30 September 2017: AED 12,375,666) included in discount and marketing expenses which prior to adoption of IFRS 15 were recorded as selling and distribution expenses.

The Company has assessed the disclosure requirements of IFRS 15 and as there has been no change in the timing of revenue recognition and its assessment of reportable segment therefore, it has concluded that IFRS 15 has no significant impact on disclosures in the condensed financial statements.

#### **IFRS 9 Financial Instruments**

The Company has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represents a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

##### *Classification and measurement*

The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories has been replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost.

IFRS 9 also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities has largely remained similar to requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are now presented in OCI with no subsequent reclassification to the statement of profit or loss, unless an accounting mismatch in profit or loss arises.

##### *Impairment of financial assets*

The Company has adopted the simplified expected credit losses model that is lifetime basis and which replaces the incurred loss impairment model used in IAS 39. There were no material impact of first time adoption of IFRS 9 on the condensed interim financial statements of the Company as at the reporting date.

#### **Interpretation 22 – Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)**

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an activity pays or receives consideration in advance for foreign currency-denominated contracts. The Company has assessed that it does not have any material impact on the accounting policies, financial position or performance upon adoption of this Standard.

# United Foods Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 3 PROFIT FOR THE PERIOD

Profit for the period is stated after charging:

|                                      | <i>Nine months ended</i>                             |                                                      | <i>Three months ended</i>                            |                                                      |
|--------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
|                                      | <i>30 September<br/>2018<br/>AED<br/>(Unaudited)</i> | <i>30 September<br/>2017<br/>AED<br/>(Unaudited)</i> | <i>30 September<br/>2018<br/>AED<br/>(Unaudited)</i> | <i>30 September<br/>2017<br/>AED<br/>(Unaudited)</i> |
| Employee expenses                    | <b>28,765,165</b>                                    | 26,310,434                                           | <b>9,258,294</b>                                     | 8,765,487                                            |
| Rental - operating lease             | <b>1,653,541</b>                                     | 1,552,316                                            | <b>553,459</b>                                       | 537,989                                              |
| Inventories charged to cost of sales | <b>266,036,654</b>                                   | 255,292,687                                          | <b>75,343,317</b>                                    | 73,117,830                                           |

### 4 PROPERTY, PLANT AND EQUIPMENT

#### *Additions and disposals*

During the period ended 30 September 2018, the Company incurred cost in respect of additions amounting to AED 5,751,684 (for the year ended 31 December 2017: AED 7,374,442).

During the period ended 30 September 2018, assets with a net book value of AED 2,594 were disposed off by the Company (for the year ended 31 December 2017: AED 286).

As at 30 September 2018, capital work-in-progress of AED 18,247,323 (for the year ended 31 December 2017: AED 16,178,870) pertains to the expenditures incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 442,143 (for the year ended 31 December 2017: AED 930,271).

During the period, the Company has temporarily rented out certain staff accommodation units to third party to earn rentals.

#### *Change in useful lives*

During the period, the Company has changed the useful lives of certain plant, machinery and equipment and motor vehicles based on historical experiences of the Company with useful lives of similar assets being higher than estimated in prior years.

The Company has applied the change in estimate of useful lives of assets prospectively under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', which has resulted in lower depreciation charge and higher profit for the nine month and three month periods ended 30 September 2018 by AED 571,335. Using the new estimation, property, plant and equipment, profit for the period and retained earnings as of 30 September 2018 are higher by AED 571,335. There were no impacts on earlier periods.

### 5 INVESTMENT SECURITIES

|                                                                                                 | <i>30 September<br/>2018<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2017<br/>AED<br/>(Audited)</i> |
|-------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|
| Quoted equity securities (in the UAE) at Fair Value through other comprehensive income (FVTOCI) | <b>243,876</b>                                       | 298,258                                           |

On adoption of IFRS 9, effective 1 January 2018, the Company has classified the equity instruments investment securities as measured at FVOCI, previously classified as available-for-sale investments, and re-designated the related fair value reserve as at 1 January 2018 accordingly as not to be reclassified to profit and loss. The comparative information is presented under IAS 39 as previously reported in the annual financial statements of the Company under IAS 39.

# United Foods Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 6 INVESTMENT IN AN ASSOCIATE

|                                                                             | <b>30 September<br/>2018<br/>AED<br/>(Unaudited)</b> | <b>31 December<br/>2017<br/>AED<br/>(Audited)</b> |
|-----------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|
| Opening balance 1 January                                                   | 15,894,047                                           | 18,126,420                                        |
| Share of total comprehensive income of associate                            | (1,638,893)                                          | (860,214)                                         |
| Share of dividend declared by associate                                     | -                                                    | (1,033,905)                                       |
| Share of director's remuneration by associate                               | -                                                    | (108,549)                                         |
| Amortisation of intangible assets and depreciation on investment properties | (145,221)                                            | (229,705)                                         |
|                                                                             | <b>14,109,933</b>                                    | <b>15,894,047</b>                                 |

The Company's share of loss of associate for the period ended 30 September 2018 amounting to AED 1,458,042 (for the year ended 31 December 2017: AED 846,572) is recorded in share of results of an associate and share of other comprehensive income of associate amounting to AED 180,851 (for the year ended 31 December 2017: AED 13,642) is recorded in other comprehensive income of the Company.

### 7 CASH AND CASH EQUIVALENTS

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

|                                                                    | <b>30 September<br/>2018<br/>AED<br/>(Unaudited)</b> | <b>31 December<br/>2017<br/>AED<br/>(Audited)</b> |
|--------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|
| Cash in hand                                                       | 144,846                                              | 165,087                                           |
| Bank balances                                                      | 13,555,470                                           | 11,266,211                                        |
| Deposits                                                           | 26,650,000                                           | 11,600,000                                        |
| Bank balances and cash                                             | <b>40,350,316</b>                                    | <b>23,031,298</b>                                 |
| Less: deposits with an original maturity of more than three months | <b>(1,500,000)</b>                                   | <b>(1,500,000)</b>                                |
| Cash and cash equivalents                                          | <b>38,850,316</b>                                    | <b>21,531,298</b>                                 |

### 8 SHARE CAPITAL

|                                                     | <b>30 September<br/>2018<br/>AED<br/>(Unaudited)</b> | <b>31 December<br/>2017<br/>AED<br/>(Audited)</b> |
|-----------------------------------------------------|------------------------------------------------------|---------------------------------------------------|
| <i>Authorised issued and fully paid up:</i>         |                                                      |                                                   |
| 30,250,000 shares of 1 AED each                     |                                                      |                                                   |
| (31 December 2017: 30,250,000 shares of 1 AED each) | <b>30,250,000</b>                                    | <b>30,250,000</b>                                 |

The Annual General Meeting held on 22 March 2018 approved a 10% cash dividend totaling to AED 3,025,000 relating to 2017 and it has been paid subsequently.

# United Foods Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 9 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period amounting to AED 13,672,972 (30 September 2017: AED 16,045,489) by the weighted average number of ordinary shares outstanding during the period ended 30 September 2018 of 30,250,000 shares (during the period ended 30 September 2017: 30,250,000 shares). The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

### 10 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>Nine months ended</i>                             |                                                      | <i>Three months ended</i>                            |                                                      |
|-----------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
|                                         | <i>30 September<br/>2018<br/>AED<br/>(Unaudited)</i> | <i>30 September<br/>2017<br/>AED<br/>(Unaudited)</i> | <i>30 September<br/>2018<br/>AED<br/>(Unaudited)</i> | <i>30 September<br/>2017<br/>AED<br/>(Unaudited)</i> |
| Other related parties:                  |                                                      |                                                      |                                                      |                                                      |
| Sales to related parties                | <u>695,311</u>                                       | <u>904,202</u>                                       | <u>158,857</u>                                       | <u>345,727</u>                                       |
| Purchases of raw materials and services | <u>-</u>                                             | <u>1,367,859</u>                                     | <u>-</u>                                             | <u>-</u>                                             |

#### 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<br/>2018<br/>AED<br/>(Unaudited)</i> | <i>30 September<br/>2017<br/>AED<br/>(Unaudited)</i> | <i>30 September<br/>2018<br/>AED<br/>(Unaudited)</i> | <i>30 September<br/>2017<br/>AED<br/>(Unaudited)</i> |
| Short-term benefits                | <u>2,436,097</u>                                     | <u>2,423,597</u>                                     | <u>811,199</u>                                       | <u>811,199</u>                                       |
| Employees' end of service benefits | <u>108,610</u>                                       | <u>102,660</u>                                       | <u>36,390</u>                                        | <u>36,390</u>                                        |
| Bonus                              | <u>373,973</u>                                       | <u>373,973</u>                                       | <u>126,028</u>                                       | <u>127,398</u>                                       |
|                                    | <u>2,918,680</u>                                     | <u>2,900,230</u>                                     | <u>973,617</u>                                       | <u>974,987</u>                                       |

#### b) Due from a related parties:

|                        | <i>30 September<br/>2018<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2017<br/>AED<br/>(Audited)</i> |
|------------------------|------------------------------------------------------|---------------------------------------------------|
| Other related parties: | <u>328,190</u>                                       | <u>217,000</u>                                    |

#### c) Due to a related parties:

|                        | <i>30 September<br/>2018<br/>AED<br/>(Unaudited)</i> | <i>31 December<br/>2017<br/>AED<br/>(Audited)</i> |
|------------------------|------------------------------------------------------|---------------------------------------------------|
| Other related parties: | <u>-</u>                                             | <u>48,323</u>                                     |

# United Foods Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 11 CONTINGENCIES AND COMMITMENTS

#### Contingent liabilities

At 30 September 2018, the Company had contingent liabilities in respect of banks amounting to AED 1,700,000 (31 December 2017: AED 1,713,030), 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 30 September 2018, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 2,622,833 (31 December 2017: AED 5,376,364).

#### 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<br>2018<br>AED<br>(Unaudited) | 31 December<br>2017<br>AED<br>(Audited) |
|-------------------------------------------|--------------------------------------------|-----------------------------------------|
| Within one year                           | 1,046,544                                  | 1,801,821                               |
| After 1 year but not more than five years | 4,014,397                                  | 4,904,979                               |
| More than five years                      | -                                          | 40,817                                  |
|                                           | <u>5,060,941</u>                           | <u>6,747,617</u>                        |

### 12 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 and fat including trading of food products. 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 30 September 2018, revenue from no customer accounts for 10% or more of the Company's total revenue (30 September 2017: Revenue from no customer accounts for 10% or more of the Company's total revenue).

### 13 FIDUCIARY ASSETS

As at 30 September 2018, the Company held 10.5 MT (31 December 2017: 2.3 MT) raw materials, in a fiduciary capacity on behalf of third parties.

## United Foods Company (PSC)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

#### 14 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 investment securities. 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 30 September 2018, the Company held the following financial instruments measured at fair value:

##### Assets measured at fair value

|                                           | <i>30 September<br/>2018<br/>AED</i> | <i>Level 1<br/>AED</i> | <i>Level 2<br/>AED</i> | <i>Level 3<br/>AED</i> |
|-------------------------------------------|--------------------------------------|------------------------|------------------------|------------------------|
| Quoted equity securities:                 |                                      |                        |                        |                        |
| Investments and Financial Services Sector | 230,000                              | 230,000                | -                      | -                      |
| Marine Terminal Operations Sector         | 13,876                               | 13,876                 | -                      | -                      |
| Total                                     | 243,876                              | 243,876                | -                      | -                      |

As at 31 December 2017, the Company held the following financial instruments measured at fair value:

##### Assets measured at fair value

|                                           | <i>31 December<br/>2017<br/>AED</i> | <i>Level 1<br/>AED</i> | <i>Level 2<br/>AED</i> | <i>Level 3<br/>AED</i> |
|-------------------------------------------|-------------------------------------|------------------------|------------------------|------------------------|
| Quoted equity securities:                 |                                     |                        |                        |                        |
| Investments and Financial Services Sector | 280,000                             | 280,000                | -                      | -                      |
| Marine Terminal Operations Sector         | 18,258                              | 18,258                 | -                      | -                      |
| Total                                     | 298,258                             | 298,258                | -                      | -                      |

During the period ended 30 September 2018 and year ended 31 December 2017, there were no transfers between the various levels of fair value measurements.

#### 15 RELOCATION EXPENSES

Relocation expenses are incurred by the Company on account of ongoing shifting of manufacturing facility from one location to another. The expenses for the period are recorded based on best estimate of the management based on the assigned value of work performed by the contractor for which invoices are partially received.



## United Foods Company (PSC)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

#### 16 COMPARATIVE INFORMATION

On adoption of IFRS 15 during the period, the Company has reclassified certain selling and distribution expense as adjustment to revenue for the period. As the Company has adopted IFRS 15 under full retrospective method, certain selling and distribution expenses of prior year were reclassified as adjustment to prior period revenue as required by IFRS 15. Such reclassifications do not affect previously reported profit and equity. The details and impact of reclassification are as follows:

|                                                            | <i>As previously<br/>reported<br/>AED</i> | <i>Reclassifications<br/>AED</i> | <i>As reported<br/>AED</i> |
|------------------------------------------------------------|-------------------------------------------|----------------------------------|----------------------------|
| <b><i>Statement of comprehensive income</i></b>            |                                           |                                  |                            |
| <b><i>For the nine months ended 30 September 2017</i></b>  |                                           |                                  |                            |
| Revenue                                                    | 345,336,452                               | (12,375,666)                     | 332,960,786                |
| Selling and distribution expenses                          | (36,087,190)                              | 12,375,666                       | (23,711,524)               |
| <b><i>For the three months ended 30 September 2017</i></b> |                                           |                                  |                            |
| Revenue                                                    | 99,605,724                                | (2,988,655)                      | 96,617,069                 |
| Selling and distribution expenses                          | (11,407,777)                              | 2,988,655                        | (8,419,122)                |