UNITED FOODS COMPANY (PSC)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2021

Building a better working world

Ernst & Young Middle East (Dubai Branch)
P.O. Box 9267
Ground Floor, ICD Brookfield Place
Al Mustaqbal Street
Dubai International Financial Centre
Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC)

Introduction

We have reviewed the accompanying interim condensed financial statements of United Foods Company (PSC) (the "Company") which comprise the interim condensed statement of financial position as at 31 March 2021 and the related interim condensed statements of profit and loss and comprehensive income for the three-month period then ended, and statement of interim condensed changes in equity and cashflows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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.

Other Matters

The financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor who issued an unmodified audit report on those statements on 8 February 2021. The interim condensed financial statements of the Company as at and for the three-month period ended 31 March 2020 were reviewed by another auditor who issued an unmodified review conclusion on those interim condensed financial statements on 4 June 2020.

For Ernst & Young

Signed by
Ashraf Abu Sharkh
Partner
Registration No. 690

11 May 2021

Dubai, United Arab Emirates

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the period ended 31 March 2021 (Unaudited)

		Three months ended	
	Notes	***31 March 2021 AED***	*31 March 2020 AED*
Sales, gross		**140,948,229**	122,269,285
Less: Discounts and marketing expenses		**(6,123,024)**	(5,912,390)
Sales, net		**134,825,205**	116,356,895
Cost of sales		**(113,893,975)**	(96,703,342)
GROSS PROFIT		**20,931,230**	19,653,553
Selling and distribution expenses		**(8,868,426)**	(8,917,553)
General and administrative expenses		**(4,249,865)**	(4,230,432)
Finance expense		**(247,140)**	(242,671)
Gain on sale of investment in an associate	6	**-**	10,572,453
Other income, net		**682,647**	909,944
PROFIT FOR THE PERIOD	3	**8,248,446**	17,745,294
Earnings per share in AED	9	**0.27**	0.59

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2021 (Unaudited)

	Three months ended	
	31 March 2021 AED	*31 March 2020 AED*
Profit for the period	**8,248,446**	17,745,294
Other comprehensive income		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of investment securities measured at FVOCI, equity securities	**212,751**	(178,433)
Other comprehensive income / (loss)	**212,751**	(178,433)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**8,461,197**	17,566,861

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	*31 March 2021 AED (Unaudited)*	*31 December 2020 AED (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**93,424,121**	95,951,200
Right-of-use assets	5	**19,517,413**	19,848,951
Intangible asset		**621,632**	214,952
Investment securities		**1,196,733**	983,982
		114,759,899	116,999,085
Current assets			
Inventories		**91,662,551**	61,512,632
Trade and other receivables		**101,163,180**	77,855,187
Amounts due from related parties	11	**287,753**	139,335
Bank balances and cash	7	**123,565,075**	115,015,279
		316,678,559	254,522,433
TOTAL ASSETS		**431,438,458**	371,521,518
EQUITY AND LIABILITIES			
Equity			
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		**79,354**	(133,397)
Retained earnings		**174,566,835**	185,980,889
Total equity		**300,461,169**	311,662,472
Non-current liabilities			
Employees' end of service benefits		**8,160,996**	7,804,771
Lease liabilities	10	**12,072,195**	12,717,526
		20,233,191	20,522,297
Current liabilities			
Trade and other payables		**108,589,334**	37,558,345
Lease liabilities	10	**2,154,764**	1,778,404
		110,744,098	39,336,749
Total liabilities		**130,977,289**	59,859,046
TOTAL EQUITY AND LIABILITIES		**431,438,458**	371,521,518

Ali Bin Humaid Al Owais
Chairman
9/5/ 2021

Mohammed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
9/5/ 2021

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2021 (Unaudited)

2021:	*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 2021	30,250,000	15,125,000	15,125,000	65,314,980	(133,397)	185,980,889	311,662,472
Profit for the period	-	-	-	-	-	8,248,446	8,248,446
Other comprehensive income	-	-	-	-	212,751	-	212,751
Total comprehensive income for the period	-	-	-	-	-	8,248,446	8,461,197
Dividends declared	-	-	-	-	-	(19,662,500)	(19,662,500)
Balance as at 31 March 2021	**30,250,000**	**15,125,000**	**15,125,000**	**65,314,980**	**79,354**	**174,566,835**	**300,461,169**

The Annual General Meeting held on 22 March 2021 approved a dividend of AED 0.65 per share totalling to AED 19,662,500, which was paid subsequent to the period ended 31 March 2021, and approved the remuneration of the Board of Directors of AED 3,700,000 accounted for as at 31 December 2020.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2021 (Unaudited)

2020:	*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 2020	30,250,000	15,125,000	15,125,000	65,314,980	(404,786)	159,889,472	285,299,666
Impact of sale of an associate (Note 6)	-	-	-	-	380,160	108,549	488,709
Profit for the period	-	-	-	-	-	17,745,294	17,745,294
Other comprehensive loss	-	-	-	-	(178,433)	-	(178,433)
Total comprehensive income for the period	-	-	-	-	(178,433)	17,745,294	17,566,861
Dividends declared	-	-	-	-	-	(9,075,000)	(9,075,000)
Balance as at 31 March 2020	30,250,000	15,125,000	15,125,000	65,314,980	(203,059)	168,668,315	294,280,236

The Annual General Meeting held on 12 March 2020 approved a dividend of AED 0.30 per share totalling to AED 9,075,000, which was paid during March 2020, and approved the remuneration of the Board of Directors of AED 2,475,000 accounted for as at 31 December 2019.

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the period ended 31 March 2021 (Unaudited)

		Three months ended	
	Notes	***31 March 2021 AED***	*31 March 2020 AED*
OPERATING ACTIVITIES			
Profit for the period		**8,248,446**	17,745,294
Adjustments for:			
Depreciation on property, plant and equipment		**2,798,906**	2,880,072
Depreciation on right-of-use assets	5	**476,495**	405,710
Amortisation of intangible assets		**54,273**	45,358
Gain on sale of investment in an associate	6	**-**	(10,572,453)
Finance cost		**247,140**	242,671
Provision for employees' end of service benefits		**401,169**	525,847
Provision for expected credit losses		**31,349**	261,977
		12,257,778	11,534,476
Working capital changes:			
Inventories		**(30,149,919)**	(9,969,161)
Trade and other receivables		**(23,339,342)**	(24,200,104)
Trade and other payables		**51,368,489**	3,200,125
Amounts due from related parties		**(148,418)**	46,287
		9,988,588	(19,388,377)
Employees' end of service benefits paid		**(44,944)**	(167,172)
Net cash generated from / (used in) operating activities		**9,943,644**	(19,555,549)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(271,827)**	(255,517)
Proceeds from disposal of investment in an associate		**-**	20,059,639
Purchase of investment securities		**-**	(856,306)
Fixed deposits placement		**(500,000)**	-
Acquisition of intangible assets		**(460,953)**	-
Net cash (used in) / generated from investing activities		**(1,232,780)**	18,947,816
FINANCING ACTIVITIES			
Payment of lease liabilities	10	**(599,002)**	(517,453)
Finance costs paid		**(62,066)**	(60,848)
Dividends paid		**-**	(9,075,000)
Net cash used in financing activities		**(661,068)**	(9,653,301)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**8,049,796**	(10,261,034)
Cash and cash equivalents at 1 January		**114,515,279**	82,925,907
CASH AND CASH EQUIVALENTS AT 31 MARCH	7	**122,565,075**	72,664,873

Non cash transactions:
During the period ended, the Company declared a dividend of AED 19,662,500 which remained unpaid and included in accounts payable and accruals as of 31 March 2021. This being non-cash transaction not included above.

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 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 31 March 2021 have been prepared in accordance with IAS 34 "*Interim Financial Reporting*". The condensed interim 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 2020.

In addition, results for the three months period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

When preparing the condensed interim financial statements, management undertakes number of judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management.

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021 which are required to be fully complied within one year from the date amendments came into effect. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than the transition period given in the amendments.

New standards, interpretations and amendments adopted by the Company
The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2020, except for the adoption of new standards, amendments and interpretations effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several standards, amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

3 PROFIT FOR THE PERIOD

Profit for the period is stated after charging:

	Three months ended	
	31 March 2021 AED (Unaudited)	*31 March 2020 AED (Unaudited)*
Inventories charged to cost of sales	**107,555,935**	89,630,565
Employee expenses	**9,248,074**	9,404,216
Rental - operating lease	**200,526**	83,617

Rental – operating leases expense for the period ended 31 March 2021 relates to the lease contracts that have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals
During the period ended 31 March 2021, the Company incurred costs in respect of additions amounting to AED 271,827 (for the year ended 31 December 2020: AED 2,727,444).

As at 31 March 2021, capital work-in-progress of AED 1,336,076 (31 December 2020: AED 1,690,822) includes the expenditure incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 207,363 (31 December 2020: AED 117,027). During the period ended 31 March 2021, capital work-in-progress amounting to AED 623,474 (31 December 2020: AED 1,276,314) pertaining to expenditures incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area have been capitalized.

5 RIGHT-TO-USE ASSETS

	31 March 2021 AED (Unaudited)	*31 December 2020 AED (Audited)*
As at 1 January	**19,848,951**	14,326,567
Addition during the period/year	**144,957**	7,294,099
Less: depreciation for the period/year	**(476,495)**	(1,771,715)
	19,517,413	19,848,951

The Company has lease contracts for various items of land and motor vehicles.

6 INVESTMENT IN AN ASSOCIATE

On February 2, 2020, the Company disposed 100% of its shares in Emirates Refreshments Co., an associate. The Company recognized gain on disposal of investment in associate amounting to AED 10,572,453 recorded in the statement of profit or loss. On derecognition of the associate on February 2, 2020, amount of AED 488,709 relating to share of other comprehensive income of the associate was derecognized and reclassified from the statement of changes in equity to the statement of profit or loss.

7 CASH AND CASH EQUIVALENTS

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

	31 March 2021 AED (Unaudited)	*31 December 2020 AED (Audited)*
Cash in hand	**143,851**	96,885
Bank balances	**43,321,224**	9,318,394
Deposits	**80,100,000**	105,600,000
Bank balances and cash	**123,565,075**	115,015,279
Less: deposits subject to lien	**(1,000,000)**	(500,000)
Cash and cash equivalents	**122,565,075**	114,515,279

Deposits are placed with local banks and accrue interest at prevailing market rates.

8 SHARE CAPITAL

	31 March 2021 AED (Unaudited)	*31 December 2020 AED (Audited)*
Authorised, issued and fully paid up: 30,250,000 ordinary shares of 1 AED each (31 December 2020: 30,250,000 ordinary shares of 1 AED each)	**30,250,000**	30,250,000

9 EARNINGS PER SHARE

Basic and diluted earnings per share of AED 0.27 per share (for the three months period ended 31 March 2020: AED 0.59 per share) are calculated by dividing the profit for the period amounting to AED 8,248,446 (for the three months period ended 31 March 2020: AED 17,745,294) by the weighted average number of ordinary shares outstanding during the period ended 31 March 2021 of 30,250,000 shares (during the three months period ended 31 March 2020: 30,250,000 shares).

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

10 LEASE LIABILITIES

	31 March 2021 AED (Unaudited)	*31 December 2020 AED (Audited)*
At 1 January	**14,495,930**	14,509,578
Addition during the period/ year	**144,957**	2,079,814
Add: finance cost	**185,074**	732,848
Less: payments during the period / year, net of prepayments and accruals adjustment	**(599,002)**	(2,826,310)
	14,226,959	14,495,930

Presented on statement of financial position as follows:

	31 March 2021 AED (Unaudited)	*31 December 2020 AED (Audited)*
Current	**2,154,764**	1,778,404
Non-current	**12,072,195**	12,717,526
	14,226,959	14,495,930

Additions to lease liabilities during the year ended 31 December 2020 were recognised at inception of respective leases after netting off an advance payment of AED 5,000,000 and other receivables of AED 214,285 from one of the lessors at the inception of lease.

11 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 in line with the Company's board of directors.

a) Significant transactions with related parties:

Significant transactions with related parties are as follows:

	Three months ended	
	31 March 2021 AED (Unaudited)	*31 March 2020 AED (Unaudited)*
Entities under common control:		
Sales to related parties	**274,050**	219,569
Associate:		
Purchases of raw materials and services	**-**	10,115
Expenses recharged	**-**	792
Rental income	**-**	131,250

Until last year, a portion of some land and building was rented out to a related party and earned rentals of AED 131,250 for the three months' period ended 31 March 2020.

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Significant transactions with related parties: (continued)

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 2021 AED (Unaudited)	*31 March 2020 AED (Unaudited)*
Short-term benefits	**798,699**	798,699
Employees' end of service benefits	**36,717**	35,643
Bonus	**143,014**	144,603
Directors Sitting fee	**30,000**	45,000
	1,008,430	1,023,945

b) Amounts due from related parties:

	31 March 2021 AED (Unaudited)	*31 December 2020 AED (Audited)*
Entities under common control		
Trade receivables	**287,753**	139,335
Shareholders		
Dividends payable	**19,755,544**	93,044

12 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 31 March 2021, the Company had contingent liabilities in respect of banks amounting to AED 4,045,926 (31 December 2020: AED 2,124,372) 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 2021, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 1,661,546 (31 December 2020: AED 1,601,326).

13 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 condensed interim statement of financial position, condensed interim statement of profit or loss, condensed interim statement of comprehensive income and notes to the condensed interim 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 2021, revenue from no customer accounts for 10% or more of the Company's total revenue (31 March 2020: Revenue from no customer accounts for 10% or more of the Company's total revenue).

14 FIDUCIARY ASSETS

As at 31 March 2021, the Company held 3.09 MT (31 December 2020: 3.9 MT) raw materials, in a fiduciary capacity on behalf of third parties.

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, trade and other receivables, amounts due from related parties and investment securities at fair value through other comprehensive income. Financial liabilities consist of trade and other payables and lease liabilities.

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 2021, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 March 2021 AED	***Level 1 AED***	***Level 2 AED***	***Level 3 AED***
Quoted equity securities				
Consumer Staples Sector	**939,233**	**939,233**	**-**	**-**
Investments and Financial Services Sector	**257,500**	**257,500**	**-**	**-**
Total	**1,196,733**	**1,196,733**	**-**	**-**

As at 31 December 2020, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2020 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
Quoted equity securities	751,482	751,482	-	-
Marine Terminal Operations Sector	232,500	232,500	-	-
Total	983,982	983,982	-	-

During the period ended 31 March 2021 and year ended 31 December 2020, there were no transfers between the various levels of fair value measurements.