

UNITED FOODS COMPANY (PSC)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of United Foods Company (PSC) (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as at 30 June 2022 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month and six-month periods then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated 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 consolidated 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 consolidated 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

12 August 2022

Dubai, United Arab Emirates

United Foods Company (PSC)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2022 (Unaudited)

		<i>Six months ended</i>		<i>Three months ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>Notes</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Revenue from contracts with customers, gross		385,526,887	270,406,446	189,676,099	129,458,217
Less: Discounts and marketing expenses		(13,179,460)	(10,926,178)	(6,751,629)	(4,803,154)
Revenue from contracts with customers, net		372,347,427	259,480,268	182,924,470	124,655,063
Cost of sales		(320,098,869)	(223,314,553)	(154,546,380)	(109,420,578)
GROSS PROFIT		52,248,558	36,165,715	28,378,090	15,234,485
Selling and distribution expenses		(24,105,344)	(17,345,002)	(12,690,349)	(8,476,576)
General and administrative expenses		(9,285,735)	(15,769,295)	(4,699,989)	(11,519,430)
Finance expense		(818,658)	(479,395)	(549,829)	(232,255)
Other income, net		1,121,362	1,163,096	505,853	480,449
PROFIT/ (LOSS) FOR THE PERIOD	3	19,160,183	3,735,119	10,943,776	(4,513,327)
Profit attributable to:					
Owners of the Group		19,160,183	3,735,119	10,943,776	(4,513,327)
Earnings per share:					
Basic and diluted in AED	9	0.63	0.12	0.36	(0.15)

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

United Foods Company (PSC)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2022 (Unaudited)

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>30 June 2022 AED</i>	<i>30 June 2021 AED</i>	<i>30 June 2022 AED</i>	<i>30 June 2021 AED</i>
Profit/(loss) for the period	19,160,183	3,735,119	10,943,776	(4,513,327)
Other comprehensive (loss) / income				
<i>Other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods:</i>				
Change in fair value of equity securities measured at FVOCI	(295,970)	248,845	(187,273)	36,094
Other comprehensive (loss) / income	(295,970)	248,845	(187,273)	36,094
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	18,864,213	3,983,964	10,756,503	(4,477,233)

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

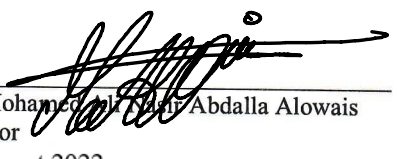
United Foods Company (PSC)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 AED (Unaudited)	31 December 2021 AED (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	4	84,076,890	86,982,728
Right-of-use assets	5	18,474,821	17,739,476
Intangible asset		838,186	920,402
Goodwill	6	1,321,304	1,321,304
Investment securities		1,654,842	1,950,812
		106,366,043	108,914,722
Current assets			
Inventories		151,344,337	104,766,259
Trade and other receivables		140,001,310	105,860,579
Amounts due from related parties	11	540,079	602,070
Bank balances and cash	7	57,051,087	52,267,356
		348,936,813	263,496,264
TOTAL ASSETS		455,302,856	372,410,986
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		537,463	833,433
Retained earnings		187,464,566	174,354,383
Total equity		313,817,009	301,002,796
Non-current liabilities			
Employees' end of service benefits		8,773,130	8,285,260
Lease liabilities	10	11,996,130	11,216,471
		20,769,260	19,501,731
Current liabilities			
Trade and other payables		48,149,598	45,498,979
Lease liabilities	10	2,102,345	2,036,582
Due to banks	7	70,464,644	4,370,898
		120,716,587	51,906,459
Total liabilities		141,485,847	71,408,190
TOTAL EQUITY AND LIABILITIES		455,302,856	372,410,986


 Mohammed Abdel Aziz Ali Abdalla Al Owais
 Executive Vice Chairman
 11 August 2022


 Mr. Mohamed Ali Abdalla Alowais
 Director
 11 August 2022

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

United Foods Company (PSC)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2022 (Unaudited)

2022:	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 2022	30,250,000	15,125,000	15,125,000	65,314,980	833,433	174,354,383	301,002,796
Profit for the period	-	-	-	-	-	19,160,183	19,160,183
Other comprehensive loss	-	-	-	-	(295,970)	-	(295,970)
Total comprehensive income for the period	-	-	-	-	(295,970)	19,160,183	18,864,213
Dividends declared	-	-	-	-	-	(6,050,000)	(6,050,000)
Balance as at 30 June 2022	30,250,000	15,125,000	15,125,000	65,314,980	537,463	187,464,566	313,817,009

The Annual General Meeting held on 11 April 2022 approved a dividend of AED 0.20 per share totalling to AED 6,050,000, which was paid during the period ended 30 June 2022, and approved the remuneration of the Board of Directors of AED 725,000 accounted for as at 31 December 2021.

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

United Foods Company (PSC)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 30 June 2022 (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	-	-	-	-	-	3,735,119	3,735,119
Other comprehensive income	-	-	-	-	248,845	-	248,845
Total comprehensive income for the period	-	-	-	-	248,845	3,735,119	3,983,964
Dividends declared	-	-	-	-	-	(19,662,500)	(19,662,500)
Balance as at 30 June 2021	30,250,000	15,125,000	15,125,000	65,314,980	115,448	170,053,508	295,983,936

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 during the period ended 30 June 2021, and approved the remuneration of the Board of Directors of AED 3,700,000 accounted for as at 31 December 2020.

United Foods Company (PSC)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2022 (Unaudited)

		<i>Six months ended</i>	
		<i>30 June 2022 AED</i>	<i>30 June 2021 AED</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit for the period		19,160,183	3,735,119
Adjustments for:			
Depreciation on property, plant and equipment		5,548,143	5,579,264
Depreciation on right-of-use assets	5	851,166	942,568
Amortisation of intangible assets		82,216	125,753
Gain on disposal of property, plant and equipment		(200,952)	-
Finance cost		479,395	479,395
Provision for employees' end of service benefits		799,454	655,436
Provision for expected credit losses		1,584,865	97,897
Provision for legal claims		-	7,140,723
Provision for slow moving inventories		1,115,527	898,126
		29,419,997	19,654,281
Working capital changes:			
Inventories		(47,693,605)	(22,698,949)
Trade and other receivables		(35,725,595)	(25,255,913)
Trade and other payables		2,650,619	(2,595,193)
Amounts due from related parties		61,991	(379,837)
Cash used in operations		(51,286,593)	(31,275,611)
Employees' end of service benefits paid		(311,584)	(562,427)
Net cash flows used in operating activities		(51,598,177)	(31,838,038)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(2,642,306)	(1,199,387)
Proceeds from disposal of property, plant and equipment		200,952	-
Purchase of intangible assets		-	(460,953)
Refund against purchase of property, plant and equipment		-	932,200
Fixed deposit placements		-	(500,000)
Net cash flows used in investing activities		(2,441,354)	(1,228,140)
FINANCING ACTIVITIES			
Payment of lease liabilities	10	(1,083,541)	(1,178,423)
Finance costs paid		(136,943)	(121,690)
Dividends paid		(6,050,000)	(19,662,500)
Net cash flows used in financing activities		(7,270,484)	(20,962,613)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(61,310,015)	(54,028,791)
Cash and cash equivalents at 1 January		46,896,458	114,515,279
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	(14,413,557)	60,486,488

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

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022 (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 applicable UAE Federal Law at the time.

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.

Effective 31 August 2021, the Company has acquired 100% controlling interest in Stratus General Trading LLC and PAL Foodstuff & Beverages Trading LLC (refer to note 6).

The Company and its following subsidiaries form the “Group” and together referred as the “Group” in these interim condensed consolidated financial statements. The subsidiaries’ principal activities and legal and beneficial ownership are set out below:

<i>Name of the subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership% 30 June 2022</i>	<i>Ownership% 31 December 2021</i>
Stratus General Trading LLC	General Trading -Wholesalers	UAE	100%	100%
PAL Foodstuff & Beverages Trading LLC	Food and Beverages Trading	UAE	100%	100%

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months period ended 30 June 2022 have been prepared in accordance with IAS 34 “*Interim Financial Reporting*”. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2021.

In addition, results for the period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

When preparing the interim condensed consolidated 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. 32 of 2021 which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 20 September 2021 and is effective from 2 January 2022. The General Assembly meeting of the shareholders dated 11 April 2022 approved the amendments of the Articles of Association to comply with the requirements of Federal Decree-Law No. 32 of 2021 regarding commercial companies.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards, amendments and interpretations effective as of 1 January 2022. The Group 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 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022 (Unaudited)

3 PROFIT FOR THE PERIOD

Profit for the period is stated after charging:

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Inventories charged to cost of sales	305,519,136	210,624,755	147,231,497	103,068,820
Employee expenses	20,557,275	18,975,002	10,246,973	9,726,928
Rental - operating lease*	214,475	423,793	106,665	223,267

*Rental – operating leases expense for the period ended 30 June 2022 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 30 June 2022, the Group incurred costs in respect of additions amounting to AED 2,642,306 (for the year ended 31 December 2021: AED 2,901,428).

As at 30 June 2022, capital work-in-progress of AED 2,638,906 (31 December 2021: AED 1,643,917) includes the expenditure incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area.

5 RIGHT-OF-USE ASSETS

	<i>30 June</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
As at 1 January	17,739,476	19,848,951
Addition during the period/year	1,586,511	726,820
Acquired through business combination (Note 6)	-	8,156
Less: retirements during the period/year	-	(1,034,138)
Less: depreciation for the period/year	(851,166)	(1,810,313)
	18,474,821	17,739,476

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

6 BUSINESS COMBINATION

Effective 31 August 2021, the Company has entered into share purchase agreements to acquire 100% of voting shares of Stratus General Trading LLC ("SGT") and PAL Foodstuff & Beverages Trading LLC ("PAL"), unlisted companies incorporated and registered in United Arab Emirates. The Company has acquired SGT and PAL because these expand both its existing product portfolio and customer base in GCC region. No non-controlling interest arose from the acquisitions.

The Company has accounted for the above acquisition on provisional basis by applying the acquisition method as per IFRS 3 "Business Combinations" on achieving the control and expect to finalise the acquisition accounting on finalisation of fair values of assets acquired and liabilities assumed within one year of the acquisition date.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022 (Unaudited)

6 BUSINESS COMBINATION (continued)

The Group has recognised a provisional value of goodwill of AED 1,321,304. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of SGT and PAL with those of the Group. The Group intends to allocate the goodwill on finalisation of acquisition accounting. The Group has concluded that there are no indicators of impairment of goodwill as at the reporting date.

The consolidated financial statements include the results of SGT and PAL from date of acquisition.

Assets acquired and liabilities assumed - SGT

The provisional fair values of the identifiable assets and liabilities of SGT as at date of acquisition 31 August 2021 were:

	<u><i>Provisional fair values recognised on acquisition AED</i></u>
Assets	
Property, plant and equipment	474,113
Intangible assets	84,514
Right-of-use assets	8,156
Inventories	1,078,231
Trade receivables and other receivables	1,408,669
Bank balances and cash	83,029
	<u>3,136,712</u>
	<u><i>Provisional fair values recognised on acquisition AED</i></u>
Liabilities	
Trade and other payables	257,762
Employees' end of service benefits	147,547
	<u>405,309</u>
Total liabilities	
	<u>2,731,403</u>
Total identifiable net assets at fair value	
	<u>3,820,000</u>
Consideration payable by the Company to acquire 100% of equity	
Less: fair value of net assets acquired	<u>(2,731,403)</u>
Goodwill	<u>1,088,597</u>

Consideration

As per sale and purchase agreement, the consideration agreed was AED 4,250,000, subject to certain adjustments resulting from change in net assets of SGT from the date of sale and purchase agreement to closing date i.e. 31 August 2021, to be agreed between the parties. The Company has adjusted the consideration to AED 3,820,000 after considering the adjustments as per agreement. However, those adjustments are yet to be formally agreed with seller.

Contribution during the period

From 1 January 2022 to 30 June 2022, SGT has contributed AED 7,262,949 of revenue and profit of AED 412,262 from the continuing operations of the Group.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022 (Unaudited)

6 BUSINESS COMBINATION (continued)

Assets acquired and liabilities assumed – PAL

	<u>Provisional Fair value recognised on acquisition AED</u>
Assets	
Property, plant and equipment	37,157
Inventories	596
Trade receivables and other receivables	107,291
Bank balances and cash	98,726
	<u>243,770</u>
	<u>Provisional Fair value recognised on acquisition AED</u>
Liabilities	
Trade and other payables	162,726
Employees' end of service benefits	48,751
	<u>211,477</u>
Total liabilities	
	<u>32,293</u>
Total identifiable net assets at fair value	<u>265,000</u>
Consideration payable by the Company to acquire 100% of equity	(32,293)
Less: fair value of net assets acquired	<u>232,707</u>
Goodwill	<u>232,707</u>

Consideration

As per sale and purchase agreements, the consideration agreed was AED 300,000, subject to certain adjustments resulting from change in net assets of PAL from the date of sale and purchase agreement to closing date i.e. 31 August 2021, to be agreed between the parties. The Company has adjusted the consideration to AED 265,000 after considering the adjustments as per agreement. However, those adjustments are yet to be formally agreed with seller.

Contribution during the period

From 1 January 2022 to 30 June 2022, PAL has contributed AED 1,442,154 of revenue and loss of AED 7,472 from the continuing operations of the Group.

Analysis of cash flows on acquisitions:

	<u>AED</u>
Net cash acquired with the subsidiaries	181,755
Cash paid	(4,085,000)
Net cash flow on acquisition	<u>(3,903,245)</u>

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022 (Unaudited)

6 BUSINESS COMBINATION (continued)

Assets acquired and liabilities assumed – PAL (continued)

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

	Goodwill AED
Gross carrying amount	
At 1 January 2022	
- SGT	1,088,597
- PAL	232,707
At 30 June 2022	1,321,304

The Group has assessed the provisional goodwill for impairment and concluded that there is no impairment.

7 CASH AND CASH EQUIVALENTS

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

	30 June 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Cash in hand	173,784	187,049
Bank balances	26,777,303	1,980,307
Deposits *	30,100,000	50,100,000
Bank balances and cash	57,051,087	52,267,356
Less: Deposits with an original maturities of more than 3 months	(1,000,000)	(1,000,000)
Due to banks **	(70,464,644)	(4,370,898)
Cash and cash equivalents	(14,413,557)	46,896,458

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

** Due to banks represent short-term trust receipts to meet the Group's working capital requirements.

8 SHARE CAPITAL

	30 June 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Authorised, issued and fully paid up:		
30,250,000 ordinary shares of 1 AED each		
(31 December 2021: 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 0.63 per share (for the period ended 30 June 2021: AED 0.12 per share) are calculated by dividing the profit for the period amounting to AED 19,160,183 (for the period ended 30 June 2021: AED 3,735,119) by the weighted average number of ordinary shares outstanding during the period ended 30 June 2022 of 30,250,000 shares (during the period ended 30 June 2021: 30,250,000 shares).

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

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022 (Unaudited)

10 LEASE LIABILITIES

	30 June 2022 AED (Unaudited)	31 December 2021 AED (Audited)
At 1 January	13,253,053	14,495,930
Additions during the period/ year	1,586,511	726,820
Add: finance costs	342,452	729,427
Retirements during the year	-	(1,018,741)
Less: payments during the period / year, net of prepayments and accruals adjustment	(1,083,541)	(1,680,383)
	14,098,475	13,253,053

Presented on statement of financial position as follows:

	30 June 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Current	2,102,345	2,036,582
Non-current	11,996,130	11,216,471
	14,098,475	13,253,053

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management in line with the Group's board of directors.

a) Significant transactions with related parties:

Significant transactions with related parties are as follows:

	Six months ended		Three months ended	
	30 June 2022 AED (Unaudited)	30 June 2021 AED (Unaudited)	30 June 2022 AED (Unaudited)	30 June 2021 AED (Unaudited)
<i>Entities under common control:</i>				
Sales to related parties	1,185,935	768,500	619,360	494,450
<i>Associate:</i>				
Purchases of raw materials and services	-	8,610	-	-

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022 (Unaudited)

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel

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

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short-term benefits	1,533,752	1,597,398	766,876	798,699
Employees' end of service benefits	72,220	72,920	36,203	36,203
Bonus	286,028	287,616	143,014	144,603
Directors sitting fee	45,000	45,000	30,000	15,000
	<u>1,937,000</u>	<u>2,002,934</u>	<u>976,093</u>	<u>994,505</u>

b) Amounts due from related parties:

	<i>30 June</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>AED</i>	<i>AED</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Entities under common control</i>		
Trade receivables	<u>540,079</u>	<u>602,070</u>

12 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 30 June 2022, the Group had contingent liabilities in respect of banks amounting to AED 734,875 (31 December 2021: AED 1,718,938) from which it is anticipated that no material liabilities will arise.

Legal claim contingency

The Group 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.

During 2021, a court of first instance had ordered the Group to pay an amount of AED 7.1 million under a claim by an ex-distributor. Accordingly, the Group booked a provision for this amount during the year ended 31 December 2021. During 2022, an amount of AED 7,212,949 was given as a bank guarantee to the court against the case filed against the Group by a claimant. The Group, as per the directives of the court, was required to submit the amount as a bank guarantee. The court of cassation ruled its judgement of appeal no. 150/2022 on 20 April 2022 and obligated the Group to liquidate the bank guarantee and deposit the same to the execution account favoring the claimant. In compliance with the court judgement, the Group executed a bank transfer of AED 7.1 million on 24 May 2022 in favor of Dubai courts execution account.

Capital commitments

At 30 June 2022, the Group had capital commitments in respect of purchase of property, plant and equipment amounting to AED 3,303,477 (31 December 2021: AED 2,682,932).

13 SEGMENTAL REPORTING

The Group operates in a single reporting segment primarily engaged in manufacturing, processing and marketing of 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 interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income and notes to the interim condensed consolidated financial statements.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022 (Unaudited)

13 SEGMENTAL REPORTING (continued)

IFRS also requires an entity to report its segment assets and revenues along geographical regions. All significant activities of the Group 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 June 2022, revenue from no customer accounts for 10% or more of the Group's total revenue (30 June 2021: Revenue from no customer accounts for 10% or more of the Group's total revenue).

14 FIDUCIARY ASSETS

As at 30 June 2022, the Group held 5.68 MT (31 December 2021: 54.75 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 Group 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.

The Group held the following financial instruments measured at fair value:

	30 June 2022 AED	Level 1 AED	Level 2 AED	Level 3 AED
Assets measured at fair value				
Quoted equity securities				
Consumer Staples Sector	1,239,842	1,239,842	-	-
Investments and Financial Services Sector	415,000	415,000	-	-
Total	1,654,842	1,654,842	-	-
	31 December 2021 AED	Level 1 AED	Level 2 AED	Level 3 AED
Assets measured at fair value				
Quoted equity securities				
Consumer Staples Sector	1,240,812	1,240,812	-	-
Investments and Financial Services Sector	710,000	710,000	-	-
Total	1,950,812	1,950,812	-	-

During the period ended 30 June 2022 and year ended 31 December 2021, there were no transfers between the various levels of fair value measurements.