

UNITED FOODS COMPANY (PSC)
DUBAI – UNITED ARAB EMIRATES

AUDITORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2007

UNITED FOODS COMPANY (PSC)
Dubai – United Arab Emirates

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For the year ended 31 December 2007

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DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2007

The Directors are pleased to present their report together with audited financial statements of the Company for the year ended 31 December 2007.

The year 2007 witnessed sky rocketing edible oil prices in the global market and this trend is continuing with no signs of abating. This along with stiff competition gave us enormous challenge to achieve our planned profit. Despite all odds, your Company achieved a growth of 173% in net profitability mainly because of timely sourcing of raw oils at better rates. This year sales volume growth showed an increase of 14% over the previous year.

The accumulated profit is proposed to be appropriated and distributed as follows:

	AED
Balance brought forward from the year 2006	2,845,543
Dividend paid in 2007 for the year 2006	(2,500,000)
Profit for the year 2007	<u>12,929,355</u>
Profit available for appropriation	13,274,898

Proposed Appropriations:

Transfer to Statutory Reserve	1,300,000	
Transfer to General Reserve	8,000,000	
Directors' Fee	250,000	9,550,000
Balance carried forward		<u>3,724,898</u> =====

The Directors have proposed a dividend of 10% (2006: 10%) for the current year.

The Directors wish to thank the staff and the management of the Company for their commitment and dedication to their work.

Directors

The list of Directors of the Company is as per page 3.

Auditors

Grant Thornton, the Auditors of the Company, being eligible, have offered themselves for reappointment.

On behalf of the Board,

ALI BIN HUMAID AL OWAIS
CHAIRMAN

Dubai, United Arab Emirates

March 8, 2008

Board of Directors and Management

- | | |
|-----------------------------------|---------------------|
| ▪ Mr Ali Bin Humaid Al Owais | – Chairman |
| ▪ Mr Abdulla Sultan Al Owais | – Vice Chairman |
| ▪ Mr Yousif Mohamed Al Rasheed | – Director |
| ▪ Mr Sajjad Ahmad | – Director |
| ▪ Mr Salem Bin Mohammad Al Shamsi | – Managing Director |

General Manager

- Mr Bhaskar Banerji

Dy. General Manager & Secretary

- Mr Imdad Ali

Report of Independent Auditors

**To the shareholders of
United Foods Company (PSC)
Dubai, United Arab Emirates**

Report on the Financial Statements

We have audited the accompanying financial statements of United Foods Company (PSC), (the “Company”) which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as on December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No 8 of 1984 (as amended), we also confirm that we have obtained all the information and explanations necessary for our audit, proper books of account have been kept by the Company, stocktaking was conducted in accordance with established accounting principles and the contents of the Directors' report which relate to the financial statements are in agreement with the Company's books of account. To the best of our knowledge and belief, no violations of above mentioned Law or of the Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Abdulkader Mohamed Ramadan

(Registration no. 70)

Dubai, United Arab Emirates

March 8, 2008

UNITED FOODS COMPANY (PSC)
Dubai - United Arab Emirates

BALANCE SHEET
As at 31 December 2007

	Notes	2007 AED	2006 AED
Assets			
Non-Current			
Property, plant and equipment	3	67,585,356	71,694,319
Current			
Available-for-sale investment	4	1,567,714	257,550
Inventories	5	85,606,167	53,726,562
Accounts receivable and prepayments	6	81,640,532	55,242,801
Bank balances and cash	7	1,105,897	313,814
		169,920,310	109,540,727
Total assets		237,505,666	181,235,046
		=====	=====
Equity			
Share capital	10	25,000,000	25,000,000
Statutory reserve	11	8,750,000	7,450,000
General reserve	12	58,500,000	25,500,000
Assets replacement reserve	13	-	25,000,000
Fair value reserve for available-for-sale investment		1,291,028	-
Retained earnings		3,724,898	2,845,543
Total equity		97,265,926	85,795,543
		=====	=====
Liabilities			
Non-current			
Employees' end of service benefits	14	2,685,991	2,272,043
Long term loan	15	12,500,000	17,500,000
		15,185,991	19,772,043
		=====	=====
Current			
Accounts payable and accruals	8	90,771,317	55,746,422
Bank overdrafts	9	34,282,432	19,921,038
		125,053,749	75,667,460
Total liabilities		140,239,740	95,439,503
		=====	=====
Total equity and liabilities		237,505,666	181,235,046
		=====	=====

These financial statements were approved by the Board of Directors on March 8, 2008 and signed on their behalf by:

DIRECTOR

DIRECTOR

The notes on pages 10 to 26 form an integral part of these financial statements.

UNITED FOODS COMPANY (PSC)
Dubai - United Arab Emirates
INCOME STATEMENT
For the year ended 31 December 2007

	Notes	2007 AED	2006 AED
Sales	16	434,732,127	308,199,317
Cost of sales	16	<u>388,121,160</u>	<u>273,511,594</u>
GROSS PROFIT		46,610,967	34,687,723
Selling and distribution		21,331,885	18,894,449
Advertising		3,552,170	3,760,225
General and administration		7,569,544	6,554,364
Provision for doubtful debts		<u>360,000</u>	<u>360,000</u>
PROFIT FROM OPERATIONS		13,797,368	5,118,685
Other income	17	3,476,566	2,197,649
Finance charges	18	<u>(4,344,579)</u>	<u>(2,576,969)</u>
NET PROFIT FOR THE YEAR	18	12,929,355 =====	4,739,365 =====
Earnings per share - Basic	19	0.52 =====	0.19 =====

The notes on pages 10 to 26 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2007

	Share capital AED	Statutory reserve AED	General reserve AED	Assets replacement reserve AED	Fair value adjustment for available-for-sale investment AED	Retained earnings AED	Total AED
Balance at 1 January 2006	25,000,000	6,950,000	22,500,000	25,000,000	-	3,206,178	82,656,178
Dividend paid	-	-	-	-	-	(1,250,000)	(1,250,000)
Net profit for the year	-	-	-	-	-	4,739,365	4,739,365
Directors' fees	-	-	-	-	-	(350,000)	(350,000)
Transfer	-	500,000	3,000,000	-	-	(3,500,000)	-
Balance at 31 December 2006	25,000,000	7,450,000	25,500,000	25,000,000	-	2,845,543	85,795,543
Dividend paid (note 21)	-	-	-	-	-	(2,500,000)	(2,500,000)
Net profit for the year	-	-	-	-	-	12,929,355	12,929,355
Unrealised profit on investment	-	-	-	-	1,291,028	-	1,291,028
Directors' fees	-	-	-	-	-	(250,000)	(250,000)
Transfers	-	1,300,000	33,000,000	(25,000,000)	-	(9,300,000)	-
Balance at 31 December 2007	25,000,000	8,750,000	58,500,000	-	1,291,028	3,724,898	97,265,926
	=====	=====	=====	=====	=====	=====	=====

The notes on pages 10 to 26 form an integral part of these financial statements.

UNITED FOODS COMPANY (PSC)
Dubai - United Arab Emirates

STATEMENT OF CASH FLOWS
for the year ended 31 December 2007

	Notes	2007 AED	2006 AED
OPERATING ACTIVITIES			
Net profit for the year		12,929,355	4,739,365
Adjustments for:			
Depreciation	3 (v)	9,796,889	7,815,063
Provision for employees' end of service benefits	14	629,768	652,138
Interest expense	18	3,915,184	1,360,857
Profit on sale of property, plant and equipment	17	(80,866)	(94,873)
Operating profit before working capital changes:		27,190,330	14,472,550
Increase in inventories		(31,879,605)	(8,717,914)
Increase in accounts receivables and prepayments		(26,397,731)	(15,161,755)
Increase in accounts payable and accruals		32,624,895	4,254,041
Cash from/(used in) operations		1,537,889	(5,153,078)
Interest paid	18	(3,915,184)	(1,360,857)
Employees' end of service benefits paid	14	(215,820)	(134,892)
Net cash used in by operating activities		(2,593,115)	(6,648,827)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(5,689,210)	(12,979,123)
Proceeds from sale of property, plant and equipment		82,150	122,545
Purchase of investment	4	(19,136)	(257,550)
Net cash used in investing activities		(5,626,196)	(13,114,128)
FINANCING ACTIVITIES			
Term loan (paid)/received	15	(2,500,000)	3,369,347
Dividend paid	21	(2,500,000)	(1,250,000)
Directors' fees		(350,000)	(350,000)
Cash (used in)/provided by financing activities		(5,350,000)	1,769,347
DECREASE IN CASH AND CASH EQUIVALENTS		(13,569,311)	(17,993,608)
Cash and cash equivalents at 1 January		(19,607,224)	(1,613,616)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	(33,176,535)	(19,607,224)

The notes on pages 10 to 26 form an integral part of these financial statements.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

1. LEGAL STATUS AND ACTIVITIES

United Foods Company (PSC) (previously operating as United Foods Limited) (the “Company”) was incorporated in Dubai under a decree issued by His Highness The Ruler of Dubai. On 27 June 1994 it amended its status to comply with the provisions of the UAE Commercial Companies Law of 1984 (as amended) as a public shareholding company. The Company's registered office is in Al Quoz, Dubai and its address is PO Box 5836, Dubai, United Arab Emirates. The principal activities of the Company are the manufacture, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine and butter products.

The Company listed its share on the Dubai Financial Market (DFM) in July 2006.

The Company had 422 employees as of 31 December 2007 (2006: 394).

2 SIGNIFICANT ACCOUNTING POLICIES

a) Adoption of new and revised standards

In the current year, the Company has adopted IFRS 7, *Financial Instruments: Disclosures*, mandatory for reporting periods beginning on January 1, 2007 or later. The new standard replaces and amends disclosure requirements previously set out in IAS-32, *Financial Instruments: Disclosure and presentation* and the consequential amendments to IAS-1, *Presentation of Financial Statements*.

The new disclosure that become necessary due to adoption of IFRS 7 and changes in IAS-1 can be found in note 22.

Four Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) are effective for the current period. These are: IFRIC-7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment*. The adoption of these Interpretations has not led to any changes in the Company's accounting policies.

The following new Standards which are yet to become mandatory, have not been applied by the Company:

IAS-1 (Revised)	Presentation of Financial Statements (effective for accounting periods on or after January 1, 2009).
IAS-23 (Revised)	Borrowing Costs (effective for accounting periods beginning on or after January 1, 2009).
IFRS-8	Operating Segments (effective for accounting periods beginning on or after January 1, 2009).

Based on the Company business model and accounting policies, management does not expect material impact on financial statements when the Interpretations become effective and management does not intend to apply any of these pronouncements early.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the Standing Interpretations Committee of the IASC, and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

The significant accounting policies adopted by the Company are as follows:

c) Accounting convention

The financial statements are prepared under the historical cost convention except for quoted investments available-for-sale, which are stated at their fair value.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

The financial statements have been presented in Arab Emirates Dirhams.

d) Property, plant and equipment and capital work-in-progress

Property, plant and equipment are recorded at cost.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the recoverable amount, assets are written down to their recoverable amount.

The cost of capital work-in-progress includes the amounts certified by external consultant/internal valuation and other directly attributable expenses.

e) Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land, which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Buildings	20 years
Plant and equipment	4 - 10 years
Furniture and fittings	4 years
Motor vehicles	4 years

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

f) Available-for-sale investment

Investments in securities are classified as available for sale. They are initially recognised at fair value of the consideration given which includes acquisition charges associated with the investment.

After initial recognition, quoted securities are measured at fair value, with unrealised gains or losses reported as fair value reserve, and shown as part of shareholders' equity until the investment is derecognised. On de-recognition, the cumulative gain or loss previously reported in equity is included in the income statement for the period.

g) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Raw material, work-in-progress and trading goods for resale	- Purchase cost on a weighted average basis.
Finished goods	- Cost of direct material and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

h) Accounts receivable

Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

i) Cash and cash equivalents

For the purpose of the statement of cash flows, all bank and cash balances including overdrafts, and bank deposits with maturities of less than three months, are considered to be cash equivalents.

j) Amounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services rendered whether or not billed to the Company.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k) Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

l) Term loans

The term loans are carried on the balance sheet at their principal amounts. Instalments due within one year are shown as a current liability. Interest is charged as an expense as it accrues, with unpaid amounts included in accounts payable and accruals.

m) Employees' end of service benefits

The Company provides end of service benefits to its employees in accordance with the UAE Labour Law. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

n) UAE Nationals – Pension and social security

The UAE Government has introduced Federal Labour Law no. 7 of 1999 for pension and social security. Under this law employers are required to contribute 12.5% of the 'contribution calculation salary' of those employees who are UAE nationals. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The Company's contribution is recognised as an expense in the income statement as incurred. The employees' and employers' contribution to the extent remaining unpaid at the balance sheet date, has been shown under provisions.

o) Revenue

Sales represent the invoiced value of goods supplied by the Company during the year. Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) the amount of revenue can be measured reliably;
- d) it is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue is recognised on a time proportion basis.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

p) Finance charges

Finance charges are recognised on a time proportion basis.

q) Borrowing cost

Finance charges on borrowings to finance the construction of Building and property, plant and equipment are being capitalised as part of assets.

r) Foreign currencies

Transactions in foreign currencies are recorded in Arab Emirates Dirhams at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

s) Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

t) Financial instruments

Financial instruments include on balance sheet items which comprise receivables, bank balances and cash, bank deposits, term loans, payables, bank overdraft and certain other assets and liabilities.

Fair values of financial instruments are based on management estimates.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings AED	Plant and equipment AED	Furniture and fittings AED	Motor vehicles AED	Capital work-in- progress AED	Total AED
Cost:						
At 1 January 2007	45,032,383	92,281,087	2,502,434	8,545,207	20,500	148,381,611
Additions	362,500	1,749,920	395,413	952,050	2,229,327	5,689,210
Allocation	-	1,600,275	-	-	(1,600,275)	-
Disposals	-	-	(960)	(272,500)	-	(273,460)
At 31 December 2007	45,394,883	95,631,282	2,896,887	9,224,757	649,552	153,797,361
Depreciation:						
At 1 January 2007	13,690,167	55,172,401	1,957,782	5,866,942	-	76,687,292
Provided during the year	1,959,780	6,420,919	251,470	1,164,720	-	9,796,889
Disposals	-	-	(960)	(271,216)	-	(272,176)
At 31 December 2007	15,649,947	61,593,320	2,208,292	6,760,446	-	86,212,005
Net book value at 31 December 2007	29,744,936 =====	34,037,962 =====	688,595 =====	2,464,311 =====	649,552 =====	67,585,356 =====
Net book value at 31 December 2006	31,342,216 =====	37,108,686 =====	544,652 =====	2,678,265 =====	20,500 =====	71,694,319 =====

- i) a) The buildings on Sheikh Zayed Road are constructed on land granted to the Company by His Highness The Ruler of Dubai. The land is registered in the name of the Company.
- b) The buildings in Jebel Ali Industrial Area are constructed on land taken lease from the Government of Dubai (note 27).
- ii) Capital work-in-progress relates to construction of boiler house and construction of workers accommodation at Al Quoz Industrial Area.
- iii) Additions of AED 2,229K (2006: AED 9,620K) to WIP include capitalisation of interest of AED Nil (2006: AED 638K), as per IAS – 23 “Borrowing Cost”.
- iv) Plant and equipment are under finance from a lending institution and are hypothecated in favour of the institution up to an amount (at cost) of AED 19,777K (note 15).

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3 PROPERTY, PLANT AND EQUIPMENT (CONT.)

v) The depreciation charge for the year has been dealt with in the statement of income as follows:

	2007	2006
	AED	AED
Cost of sales (note 16)	8,731,573	6,958,073
General and administration expenses	1,065,316	856,990
	<u>9,796,889</u>	<u>7,815,063</u>
	=====	=====

In the opinion of the Board of Directors, there has been no impairment to the net book value of the Company's property, plant and equipment at 31 December 2007.

At the year end, cost of fully depreciated assets still in use is about AED 43.3 million (2006: AED 43.5 million).

4 AVAILABLE-FOR-SALE-INVESTMENT

Quoted securities	276,686	257,550
Fair value adjustment	1,291,028	-
	<u>1,567,714</u>	<u>257,550</u>
	=====	=====

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

5 INVENTORIES

	2007	2006
	AED	AED
Raw materials*	38,685,725	31,786,427
Less: Provision for obsolescence	(915,092)	(613,145)
	37,770,633	31,173,282
Work-in-progress	3,195,321	1,315,015
Finished goods and goods for resale:		
Own manufactured goods (note 16)	21,067,569	12,993,296
Trading goods (Mini Mart)	156,250	130,215
Others	702,463	995,967
	62,892,236	46,607,775
Goods-in-transit	22,713,931	7,118,787
	85,606,167	53,726,562
	=====	=====

* This includes raw-material stock with third party of AED 1,353K (2006: AED 108K).

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

Trade accounts receivable – net of provision	77,506,871	51,105,692
Amounts due from related parties (note 23)	1,272,924	2,492,225
Other receivables	1,426,550	889,139
Prepaid expenses	760,696	695,374
Advance to suppliers	673,491	60,371
	81,640,532	55,242,801
	=====	=====

Trade accounts receivable include an amount of AED 10,332K (2006: AED 11,142K) due in foreign currencies, mainly in US Dollars.

As accounts receivable are stated net of any required provision and are short term in nature, fair value approximates carrying values.

The Company's terms of sale require the amounts to be paid within 30 to 90 days from the date of sale.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

7 BANK BALANCES AND CASH

	2007	2006
	AED	AED
Cash in hand	89,627	95,475
Cash at bank	1,016,270	218,339
	<u>1,105,897</u>	<u>313,814</u>
	=====	=====

8 ACCOUNTS PAYABLE AND ACCRUALS

Trade accounts payable	34,438,933	24,215,761
Amounts due to related parties (note 23)	8,827,241	6,459,992
Advances from customers	5,066,633	2,132,795
Accrued expenses	4,960,841	3,721,980
Trust receipts	30,698,440	14,876,077
Other payables	418,101	551,238
Provision for leave salaries and air passage	1,361,128	1,288,579
Short term portion of bank loan (note 15)	5,000,000	2,500,000
	<u>90,771,317</u>	<u>55,746,422</u>
	=====	=====

Trade accounts payable include an amount of AED 22,514K (2006: AED 8,147K) due in foreign currencies, mainly in US Dollars.

Trade accounts payable are normally settled within 30 to 90 days of the date of the invoice.

9 BANK OVERDRAFTS

Bank overdraft	34,282,432	19,921,038
	=====	=====

The Bank overdraft carries interest at the normal commercial rate.

10 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2007	2006	2007	2006
	AED	AED	AED	AED
Shares of AED 1.00 each	25,000,000	25,000,000	25,000,000	25,000,000
	=====	=====	=====	=====

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

11 STATUTORY RESERVE

As required by Article 192 of the UAE Commercial Companies Law of 1984 (as amended) and the Company's Articles of Association, at least 10% of the net profit for each year is required to be transferred to statutory reserve. The reserve is not available for distribution except in the circumstances stipulated by the Law.

	2007	2006
	AED	AED
Balance at 1 January	7,450,000	6,950,000
Transferred from profit	1,300,000	500,000
	<u>8,750,000</u>	<u>7,450,000</u>
	=====	=====

12 GENERAL RESERVE

In accordance with Clause (58) of the Company's Articles of Association, 10% of the net profit for each year should be transferred to the general reserve and such transfers may cease when the reserve equals to 50% of the paid up share capital of the Company.

Even though the reserve has already reached more than 50% of the paid up share capital of the Company, the Management has continued to make additional allocations to the reserve.

The reserve is to be used for purpose as recommended by the Board of Directors and approved by the Annual General Meeting.

The movement of the account is as follows:

	2007	2006
	AED	AED
Balance at 1 January	25,500,000	22,500,000
Transfer from Asset replacement reserve(note 13)	25,000,000	-
Transferred from profit	8,000,000	3,000,000
	<u>58,500,000</u>	<u>25,500,000</u>
	=====	=====

13 ASSETS REPLACEMENT RESERVE

Board of Directors of the Company has proposed transfer of balance in the Assets replacement reserve to General reserved as on balance sheet date (note 12).

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14 EMPLOYEES' END OF SERVICE BENEFITS

In accordance with UAE Labour Law the Company provides for an end of service benefit for its employees. The amounts recognised in the Balance Sheet in respect of end of service benefits are as follows:

	2007 AED	2006 AED
Present value of end of service liability	2,685,991 =====	2,272,043 =====

Movements in the liability recognised in the balance sheet are as follows:

Liability as at 1 January	2,272,043	1,754,797
Expense recognised in the income statement	629,768	652,138
Paid during the year	(215,820)	(134,892)
Liability as at 31 December	<u>2,685,991</u> =====	<u>2,272,043</u> =====

An actuarial valuation has not been performed as the net impact of discount rate and future increase in staff salaries is not likely to be material.

15 LONG TERM LOAN

Bank loan	17,500,000		
Less: Short term portion (note 8)	<u>5,000,000</u>	12,500,000	17,500,000
		=====	=====

The above loan is repayable in 8 equal semi-annual instalments commencing from 17 November 2007. The loan carries interest of 4.5% (payable semi-annually).

The loan is secured by way of mortgage of the Company's plant and equipment up to an amount of AED 19,777K [note 3(iv)].

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16 SALES AND COST OF SALES

	2007 AED	2006 AED
Sales	434,732,127	308,199,317
Cost of sales	388,121,160	273,511,594
GROSS PROFIT	<u>46,610,967</u> =====	<u>34,687,723</u> =====
Cost of sales of manufactured goods comprises:		
Materials:		
Raw materials, packing materials and chemicals	345,012,840	230,264,561
Other related costs	12,648,527	8,624,735
Manufactured overheads:		
Salaries and wages benefits	9,356,527	8,306,229
Fuel and power	14,324,574	13,981,589
Repairs and maintenance	1,594,550	1,185,505
Depreciation [note 3(v)]	8,731,573	6,958,073
Other	4,526,842	4,179,282
Cost of goods manufactured	<u>396,195,433</u>	<u>273,499,974</u>
Opening stock of finished goods	12,993,296	13,004,916
Closing stock of finished goods (note 5)	(21,067,569)	(12,993,296)
	<u>388,121,160</u> =====	<u>273,511,594</u> =====

17 OTHER INCOME

Profit on sale of property, plant and equipment	80,866	94,873
Miscellaneous	3,395,700	2,102,776
	<u>3,476,566</u> =====	<u>2,197,649</u> =====

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18 NET PROFIT FOR THE YEAR

	2007	2006
	AED	AED
The net profit for the year is stated after charging:		
Staff costs:		
Wages and salaries	10,928,896	9,407,238
End of service benefits	629,768	654,138
Other benefits	3,486,378	3,037,930
	<u>15,045,042</u>	<u>13,099,306</u>
	=====	=====
Finance cost:		
Interest on term loans	898,438	452,601
Bank interest	3,016,746	908,256
Other bank charges	429,395	1,216,112
	<u>4,344,579</u>	<u>2,576,969</u>
	=====	=====

19 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

Profit for the year	12,929,355	4,739,365
	=====	=====
Weighted number of shares outstanding during the year	25,000,000	25,000,000
	=====	=====
Earnings per share – Basic	0.52	0.19
	=====	=====

20 CASH AND CASH EQUIVALENTS

Bank balances and cash (note 7)	1,105,897	313,814
Bank overdraft (note 9)	(34,282,432)	(19,921,038)
	<u>(33,176,535)</u>	<u>(19,607,224)</u>
	=====	=====

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21 PROPOSED DIVIDEND

The Board has proposed dividends of 10% i.e. AED 2,500,000 for the year.

During the previous year, the Board had proposed a dividend of AED 2,500,000 representing 10% of the paid up capital as at 31 December 2006. This was approved by the Annual General Meeting held on 14 April 2007 and paid during the current year.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities. Accounting policies for assets and liabilities are set out in note 2.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders.

Categories of financial instruments

Year- 2007

Assets	Loans and Receivables	Available for sale Investments	Non- Financial instruments	Total
			AED	
Property, plant and equipment	-	-	67,585,356	67,585,356
Available-for-sale investments	-	1,567,714	-	1,567,714
Inventories	-	-	85,606,167	85,606,167
Accounts receivable and prepayments	80,879,836	-	760,696	81,640,532
Bank balances and cash	1,105,897	-	-	1,105,897
Total assets	81,985,733	1,567,714	153,952,219	237,505,666
	=====	=====	=====	=====

Year- 2007

Liabilities	Loans and Payables	Non- Financial instruments	Total
		AED	
Employees' end of service benefits	-	2,685,991	2,685,991
Long term loan	12,500,000	-	12,500,000
Accounts payable and accruals	84,449,348	6,321,969	90,771,317
Bank overdrafts	34,282,432	-	34,282,432
Total liabilities	131,231,780	9,007,960	140,239,740
	=====	=====	=====

UNITED FOODS COMPANY (PSC)
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22 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

The main risk arising from the Company's financial instruments are currency risk, interest rate risk, credit risk, liquidity risk and market risk. The board review and agreed policies for management of these risks are summarized below:

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company does not have major exposure in currency other than Arab Emirates Dirhams and United States Dollars. The Dirham is effectively pegged to the Dollar, thus currency rate risks occur only in respect of other currencies, which is very minimal.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Company's borrowings are made at normal commercial rates. The effective interest rate is the historical rate for a fixed rate instrument carried at cost and the current market rate for a floating rate instruments. However the Company does not foresee any material impact due to interest rate fluctuation in the foreseeable future.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Cash is placed with national banks. Credit risks on receivables are limited to customers which are carried net of provisions for doubtful receivables. The Company manage credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. Credit list is limited to the carrying value of financial assets in the balance sheet.

Liquidity risk

Liquidity risk also referred to as funding risk is the risk that enterprises will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and the management ensures that sufficient funds are available to meet any future commitments.

UNITED FOODS COMPANY (PSC)
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22 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of change in market prices, whether those changes are caused by factor specific to the individual security or its issuer, or factors affecting all securities, traded in the market. The Company is exposed to market risk with respect to its investment in quoted shares. The Company limits market risks by continuous monitoring of development in stock markets. In addition, the Company actively monitors the key factors that affect stock movements including analysis of operational and financial performance of investee.

All the Company's investments are within the United Arab Emirates.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between the book values under the historical cost method and fair value estimates. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Available for sale investments are quoted and carried at fair value as at 31 December 2007 based on the year end market quotes and resultant increase in the fair value taken as "Fair value reserve for available for sale investment" as part of equity.

The fair values of all classes of the Company's financial assets and financial liabilities are not materially different from their carrying values in the balance sheet and these are based on management's estimates.

23 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. shareholders and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management. The terms of such transactions are not significantly different from those that could have been obtained from the third parties.

Summary of significant transactions with related parties included in the statements of income are as follows:

	2007	2006
	AED	AED
Sales	7,209,385	7,713,717
	=====	=====
Purchases	34,132,161	30,561,571
	=====	=====
Salaries and allowances to directors	549,500	594,300
	=====	=====

Amounts due from and due to related parties are disclosed in notes 6 and 8 respectively.

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24 SEGMENTAL ANALYSIS

The analysis of the Company's sales of manufactured products by geographical location is as follows:

	2007	2006
	AED	AED
United Arab Emirates	174,281,646	117,009,842
Other Middle East countries	212,450,423	173,294,591
Other countries	48,000,058	17,894,884
	<u>434,732,127</u>	<u>308,199,317</u>
	=====	=====

Trade accounts receivable comprise amounts receivable from customers located in:

United Arab Emirates	46,786,103	28,502,091
Other Middle East countries	27,499,796	21,268,169
Other countries	3,220,972	1,335,432
	<u>77,506,871</u>	<u>51,105,692</u>
	=====	=====

25 CAPITAL COMMITMENTS

The capital commitments of the Company as at 31 December 2007 were AED 89K (2006: AED 1,390K).

26 CONTINGENT AND OTHER COMMITMENTS

Irrevocable letters of credit	5,655,143	417,283
	=====	=====
Guarantees	1,043,011	689,640
	=====	=====

27 OPERATING LEASE OBLIGATIONS

The land at Jebel Ali Industrial Area is taken on lease for annual rent of AED 244,905 for 10 years ending December 2013, which can be renewed for further period of 10 years [note 3 (i) (b)].