



Grant Thornton

United Foods Company (PSC)

Dubai, United Arab Emirates

AUDITORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2009

United Foods Company (PSC)
Dubai – United Arab Emirates

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For the year ended 31 December 2009

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**UNITED FOOD COMPANY (PSC)
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

The Directors are pleased to present their report together with audited financial statements of United Foods Company (PSC) ("the Company") for the year ended 31 December 2009.

1 Review of the activities

The year 2009 has been a tumultuous year for the global economy that witnessed the peak of the credit crunch, which has now started to subside. On the contrary, for your Company it has been the most profitable year since its inception. In view of last year's losses, the Board's decision to change the management and re-orient the Company towards better performance yielded excellent results.

Despite difficult market conditions and stiff competition, the management intends to consolidate the Company's financial position by improving the market coverage of our established brands.

Following is the status of retained earnings:

	AED
Balance brought forward from the year 2008	-
Net profit for the year 2009	<u>55,321,560</u>
Profit available for appropriation	55,321,560
Appropriations:	
Transfer to Statutory reserve	3,750,000
Transfer to Regular reserve	12,500,000
Transfer to General reserve	20,000,000
Distribution to directors	<u>600,000</u>
	<u>36,850,000</u>
Retained profit	<u><u>18,471,560</u></u>

The Directors have proposed dividends of 30% on share capital amounting to AED 7.5 million for the year. No dividend was declared for the year 2008.



2 Directors

The Board appointed Mr Mohamed Salim Rashid Abdalla Al Owais as a director of the Company on 18 January 2010 in place of Mr Salem Bin Mohammad Al Shamsi who had resigned. The list of Directors of the Company is as follows;

Board of Directors

- | | |
|---|---------------------|
| ▪ Mr. Ali Bin Humaid Al Owais | - Chairman |
| ▪ H.E. Abdulla Sultan Al Owais | - Vice Chairman |
| ▪ Mr. Yousif Mohamed Al Rasheed | - Director |
| ▪ Mr. Mohamed Salim Rashid Abdalla Al Owais | - Director |
| ▪ Mr. Sajjad Ahmad | - Managing Director |

3 Auditors

Grant Thornton was appointed auditors of the Company for the year ended 31 December 2009 and being eligible, they have offered themselves for reappointment for the year ended 31 December 2010.

On behalf of the Board,

Ali Bin Humaid Al Owais
Chairman

Dubai, United Arab Emirates
Date: 23 February 2010



Report of Independent Auditors

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

Public Accountants

P.O. Box 1620
Warba Centre
Deira-Abu Baker Al Siddique Road
Dubai, United Arab Emirates
Tel. : 971 (4) 2688070
Fax. : 971 (4) 2694599
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Report on the Financial Statements

We have audited the accompanying financial statements of United Foods Company (PSC) (the "Company"), which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of United Foods Company (PSC) as on 31 December 2009, 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.



Grant Thornton
Farouk Mohamed
(Registration no. 86)

Dubai, United Arab Emirates
Date: 23 February 2010

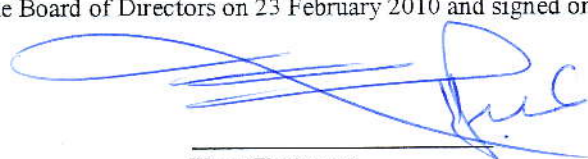
UNITED FOODS COMPANY (PSC)
Dubai, United Arab Emirates
STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	2009 AED	2008 AED
Assets			
Non-current assets			
Property, plant and equipment	3	60,099,882	63,247,639
Available-for-sale financial assets	4	476,149	318,209
Current assets		60,576,031	63,565,848
Inventories	5	92,074,892	81,461,077
Trade and other receivables	6	41,031,233	71,433,255
Cash and bank	7	555,865	1,047,713
		<u>133,661,990</u>	<u>153,942,045</u>
Total assets		<u>194,238,021</u>	<u>217,507,893</u>
Equity and liabilities			
Equity			
Share capital	8	25,000,000	25,000,000
Statutory reserve	9	12,500,000	8,750,000
Regular reserve	10	12,500,000	-
General reserve	11	35,314,980	15,314,980
Fair value reserve for available-for-sale financial assets		199,456	41,517
Retained earnings		18,471,560	-
Total equity		<u>103,985,996</u>	<u>49,106,497</u>
Non-current liabilities			
Employees' end of service benefits	12	2,380,991	2,940,052
Borrowings	13	5,000,000	10,000,000
		<u>7,380,991</u>	<u>12,940,052</u>
Current liabilities			
Borrowings	13	34,016,445	88,121,202
Bank overdrafts	14	16,622,316	40,163,268
Trade and other payables	15	32,232,273	27,176,874
		<u>82,871,034</u>	<u>155,461,344</u>
Total liabilities		<u>90,252,025</u>	<u>168,401,396</u>
Total equity and liabilities		<u>194,238,021</u>	<u>217,507,893</u>

These financial statements were approved by the Board of Directors on 23 February 2010 and signed on their behalf by:



 Chairman



 Vice Chairman

The notes on pages 9 to 38 form an integral part of these financial statements.

UNITED FOODS COMPANY (PSC)
Dubai, United Arab Emirates
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	2009 AED	2008 AED
Sales		394,264,108	618,851,485
Cost of sales	16	(314,481,178)	(623,632,284)
Gross profit / (loss)		<u>79,782,930</u>	<u>(4,780,799)</u>
Selling and distribution expenses		(14,207,428)	(24,243,157)
Advertising expenses		(767,393)	(4,200,712)
General and administration expenses	17	(7,935,386)	(9,749,798)
Profit / (loss) from operations		<u>56,872,723</u>	<u>(42,974,466)</u>
Other income	19	3,055,105	5,785,511
Finance charges		(4,606,268)	(7,220,963)
Net profit / (loss) for the year	20	<u>55,321,560</u>	<u>(44,409,918)</u>
Other comprehensive income			
Fair value adjustment on available-for-sale financial assets		157,939	(1,249,511)
Total comprehensive income / (loss)		<u><u>55,479,499</u></u>	<u><u>(45,659,429)</u></u>
Earnings / (loss) per share - basic and diluted	21	<u><u>2.21</u></u>	<u><u>(1.78)</u></u>

The notes on pages 9 to 38 form an integral part of these financial statements.

UNITED FOODS COMPANY (PSC)
Dubai, United Arab Emirates

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Fair value adjustment for available-for-sale financial assets AED	Retained earnings AED	Total AED
Balance at 1 January 2008	25,000,000	8,750,000	-	58,500,000	1,291,028	3,724,898	97,265,926
Dividend paid	-	-	-	-	-	(2,500,000)	(2,500,000)
Total comprehensive income	-	-	-	-	(1,249,511)	(44,409,918)	(45,659,429)
Transfer of Reserves	-	-	-	(43,185,020)	-	43,185,020	-
Balance at 31 December 2008	25,000,000	8,750,000	-	15,314,980	41,517	-	49,106,497
Distribution to directors	-	-	-	-	-	(600,000)	(600,000)
Total comprehensive income	-	-	-	-	157,939	55,321,560	55,479,499
Transfer of reserves	-	3,750,000	12,500,000	20,000,000	-	(36,250,000)	-
Balance at 31 December 2009	25,000,000	12,500,000	12,500,000	35,314,980	199,456	18,471,560	103,985,996

The notes on pages 9 to 38 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 2009

	Notes	2009 AED	2008 AED
Operating activities			
Net profit / (loss) for the year		55,321,560	(44,409,918)
Adjustments for:			
Depreciation	3	8,205,166	8,487,511
Provision for employees' end of service benefits	12	563,430	1,710,612
Profit on sale of property, plant and equipment	19	(26,735)	(107,818)
Finance charges	20	4,588,788	7,205,880
Operating profit before working capital changes:		68,652,209	(27,113,733)
(Increase) / decrease in inventories		(10,613,815)	4,145,090
Decrease in trade and other receivables		30,402,022	10,305,080
Increase / (decrease) in trade and other payables		4,353,169	(27,852,145)
		92,793,585	(40,515,708)
Employees' end of service benefits paid	12	(1,122,491)	(1,456,551)
Net cash provided by / (used in) operating activities		91,671,094	(41,972,259)
Investing activities			
Purchase of property, plant and equipment	3	(5,101,039)	(4,208,945)
Proceeds from sale of property, plant and equipment		70,365	166,963
Net cash used in investing activities		(5,030,674)	(4,041,982)
Financing activities			
Repayment of borrowings	13	(5,000,000)	(2,500,000)
Net (outflow) / inflow on trust receipts		(23,247,324)	21,565,329
(Payment of) / proceeds from time loan		(30,857,433)	30,857,433
Finance charges paid		(4,486,559)	(7,097,541)
Dividend paid		-	(2,500,000)
Distribution to directors		-	(250,000)
Cash (used in) / provided by financing activities		(63,591,316)	40,075,221
Net increase / (decrease) in cash and cash equivalents		23,049,104	(5,939,020)
Cash and cash equivalents at 1 January		(39,115,555)	(33,176,535)
Cash and cash equivalents at 31 December	7	(16,066,451)	(39,115,555)

The notes on pages 9 to 38 form an integral part of these financial statements.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1 LEGAL STATUS AND ACTIVITIES

United Foods Company (PSC) (the “Company”) was incorporated in Dubai under a decree issued by His Highness the Ruler of Dubai. On 27 June 1994 the Company 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 shares on the Dubai Financial Market (DFM) in July 2006.

The Company had 446 employees as of 31 December 2009 (2008: 416).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Company are as follows:

(a) 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 thereof issued by the International Financial Reporting Interpretation Committees.

The financial statements are prepared under the historical cost convention except for certain financial instruments, which are stated at fair value. The significant accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(b) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use.

Advances paid towards acquisition of property, plant and equipment and the cost of assets acquired but not ready for use as at the statement of financial position date are disclosed under capital work-in-progress. As the assets are subsequently put for use, the capital work in progress is transferred to the appropriate category of property, plant and equipment.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (continued)

Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets concerned. The annual rates used are:

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

Capital work in progress is not depreciated as that relates to assets that are not ready for use at the statement of financial position date.

Land held for use in production or administration is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gains and losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the income statement.

(c) Impairment of assets

The Company assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the income statement. If at the statement of financial position date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

(d) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Subsequent measurement criteria of financial assets and financial liabilities are described below;

Financial assets

For the purpose of subsequent measurement, the Company's financial assets can be classified into the following categories upon initial recognition:

- Loans and receivables; and
- Available for sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognised in the statement of comprehensive income or in the statement of changes in equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at cost, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, accounts receivables and other receivables fall into this category of financial instruments.

Individually significant loans and receivables are considered for impairment when they are past due or when there is other objective evidence that a specific counterparty will default. Impairment of loans and receivables are presented within 'administrative expenses'.

Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. The Company's available-for-sale financial assets include quoted securities.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

Available-for-sale financial assets (continued)

Available-for-sale financial assets are subsequently measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses which are recognised in the profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in equity is reclassified from the available-for-sale reserve to income statement. Reversals of impairment losses are recognised in shareholders' equity.

When the asset is disposed of or is determined to be impaired, the cumulative gain/loss recognized in other comprehensive income is reclassified from equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Financial liabilities

The Company's financial liabilities include trade and other payables, bank overdrafts, short and long term borrowings. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

(e) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, current account deposits and bank overdrafts with maturities of less than three months and are subject to insignificant risks of change in value.

(f) Provisions, contingent liabilities and contingent assets

Provisions are recognised when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a present obligation that may, but probably will not, require an outflow of resources. Disclosure is also made in respect of a present obligation as a result of past event that probably requires an outflow of resource, where it is not possible to make a reliable estimate of the outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Borrowing costs

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized as part of the related property, plant and equipment.

(h) Foreign currencies

Financial statements are presented in Arab Emirates Dirhams ('AED'), which is also the functional currency of the Company.

Foreign currency transactions are translated into AED at rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the statement of financial position date. Differences on settlement of foreign exchange transactions and re-measurement of monetary items are recognised in the income statement. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction.

(i) Equity and retained earnings

Share capital represents the nominal value of shares that have been issued. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of the Company.

Retained earnings include all current year profit or losses and prior period retained earnings.

(j) Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include all expenses incurred in bringing each product to its present location and condition. Cost is determined on the following basis

Raw material and trading goods for resale	-	Purchase cost on a weighted average basis.
Work-in-progress and 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.

(l) 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.

(m) 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 on an accrual basis. The employees' and employers' contribution to the extent it remains unpaid at the statement of financial position date is shown under provisions.

(n) Revenue recognition

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods supplied are transferred to the buyer and is stated net of trade discounts and sales returns.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Finance charges

Finance charges are recognised on an accrual basis using effective interest rate method.

(p) 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.

(q) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in the above notes, management is required to make judgments, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are addressed below:

Bad and doubtful debts

The Company assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income statement, the Company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provision for slow moving, damaged and obsolete stock

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognized in the income statement, the Company makes judgments as to whether there is any observable data indicating that there are any future sales of the product and the net realizable value for such product. Accordingly, provision for impairment is made where the net realizable value is less than cost based on best estimates by management. The provision for obsolescence of inventory is based on management review and movement of the inventory.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(q) Critical accounting judgements and key sources of estimation uncertainty
(continued)**

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Company's core business is subject to fluctuations in commodity prices which may cause selling prices and the future realisation of the carrying amounts of inventory to change rapidly.

Useful life of assets

Management reviews the useful lives of depreciation assets at each reporting date. Management assesses at each reporting date, that the useful lives represent the expected utility of the assets to the Company.

(r) New standards and interpretation

Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations;

IAS 1 (Revised) Presentation of Financial Statements

The effective date of the standard is for periods beginning on or after January 01, 2009.

The Company has adopted the standard for the first time in the 2009 annual financial statements.

The Company has elected to present only the 'Statement of comprehensive income'. Two comparative periods are presented for the statement of financial position when the Company:

- (i) applies an accounting policy retrospectively;
- (ii) makes a retrospective restatement of items in its financial statements; or
- (iii) reclassifies items in the financial statements.

The adoption of this standard has not had a material impact on the results of the Company, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretation (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 10 Events after the Reporting Period

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretation (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 7 Statement of Cash Flows

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 18 Revenue

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual improvements to IFRS's: Amendments to IAS 36 Impairment of Assets

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretation (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 Financial Instruments: Recognition and Measurement

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first in the 2009 annual financial statements.

The impact of the amendment is not material.

IAS 18 Revenue: Consequential amendments

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

IAS 21 The Effects of Changes in Foreign Exchange Rates: Consequential amendments

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

IAS 36 Impairment of Assets: Consequential amendments

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretation (continued)

Amendment to IAS 39 and IFRS 7: Reclassification of Financial Assets

The effective date of the amendment is for years beginning on or after July 01, 2008.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

IFRS 8 Operating segments: Amendment to IAS 14 Segment Reporting

The effective date of the amendment is for years beginning on or after January 01, 2009.

The Company has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is not material.

Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after January 01, 2010 or later periods:

IAS 39 Financial Instruments: Recognition and Measurement –Amendments for eligible hedged items

The effective date of the amendment is for years beginning on or after July 01, 2009.

The Company expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the Company's annual financial statements.

2009 Annual Improvements Project: Amendments to IAS 18 Revenue

The effective date of the amendment is for years beginning on or after July 01, 2009.

The Company expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the Company's annual financial statements.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretation (continued)

2009 Annual Improvements Project Amendments to IAS 39 Financial Instruments: Recognition and Measurement

The effective date of the amendment is for years beginning on or after January 01, 2010.

The Company expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the Company's annual financial statements.

IFRS 9 Financial Instruments: Classification and measurement

The effective date of the standard is for years beginning on or after January 01, 2013.

The Company expects to adopt the standard for the first time in the 2013 annual financial statements.

The adoption of this standard is not expected to impact on the results of the Company, but may result in more disclosure than is currently provided in the annual financial statement.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

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 2008	45,394,882	95,631,282	2,896,887	9,224,757	649,552	153,797,360
Additions	-	1,865,626	101,657	803,150	1,438,512	4,208,945
Allocation	483,742	-	-	-	(483,742)	-
Disposals	-	-	(11,254)	(426,585)	-	(437,839)
At 1 January 2009	45,878,624	97,496,908	2,987,290	9,601,322	1,604,322	157,568,466
Additions	156,104	516,273	98,818	2,652,750	1,677,094	5,101,039
Allocation	2,625,263	292,154	-	-	(2,917,417)	-
Disposals	-	(13,441)	(95,785)	(98,534)	-	(207,760)
At 31 December 2009	48,659,991	98,291,894	2,990,323	12,155,538	363,999	162,461,745
Depreciation:						
At 1 January 2008	15,649,947	61,593,320	2,208,292	6,760,445	-	86,212,004
Charge for the year	1,972,457	5,072,562	271,069	1,171,423	-	8,487,511
Disposals	-	-	(7,755)	(370,933)	-	(378,688)
At 1 January 2009	17,622,404	66,665,882	2,471,606	7,560,935	-	94,320,827
Charge for the year	2,035,608	4,785,767	238,469	1,145,322	-	8,205,166
Disposals	-	-	(74,709)	(89,421)	-	(164,130)
At 31 December 2009	19,658,012	71,451,649	2,635,366	8,616,836	-	102,361,863
Net book value						
At 31 December 2009	29,001,979 =====	26,840,245 =====	354,957 =====	3,538,702 =====	363,999 =====	60,099,882 =====
Net book value						
At 31 December 2008	28,256,220 =====	30,831,026 =====	515,684 =====	2,040,387 =====	1,604,322 =====	63,247,639 =====

- i) a) The Company's 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 Company's buildings in Jebel Ali Industrial Area are constructed on land taken on lease from the Government of Dubai (note 26).
- ii) Capital work-in-progress relates to construction of a storage tank at Jebel Ali factory. The asset is brought into use during the current year and the capital work in progress was allocated to plant and equipment.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

iii) Plant and equipment are under finance from a lending institution and are hypothecated in favour of the institution up to an amount of AED 22,391,477 (2008: 22,391,477).

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

	2009	2008
	AED	AED
Cost of sales (note 16)	7,141,415	7,404,797
General and administration expenses	1,063,751	1,082,714
	<u>8,205,166</u>	<u>8,487,511</u>
	=====	=====

In the opinion of the management, there has been no impairment to the net book value of the Company's property, plant and equipment at 31 December 2009 (2008: Nil).

At the year end, cost of fully depreciated assets still in use was AED 66.4 million (2008: AED 60.1 million).

4 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Balance as at 1 January	318,209	1,567,714
Fair value adjustment	157,940	(1,249,505)
	<u>476,149</u>	<u>318,209</u>
	=====	=====

The financial assets are quoted on Dubai Financial Market and are valued at closing market prices at the statement of financial position date. In the opinion of the management, there has been no impairment to the net book value of the Company's financial assets at 31 December 2009.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

5 INVENTORIES

	2009	2008
	AED	AED
Raw materials*	74,436,302	62,572,996
Less: Provision for obsolescence	(742,489)	(2,888,073)
	73,693,813	59,684,923
Work-in-progress (note 16)	2,257,870	2,107,995
Finished goods and goods for resale:		
Own manufactured goods (note 16)	10,494,564	19,290,391
Others	511,986	377,768
	86,958,233	81,461,077
Goods-in-transit	5,116,659	-
	92,074,892	81,461,077
	=====	=====

* This includes raw-material stock held by a third party of AED 380,306 (2008: 4,249,572).

6 TRADE AND OTHER RECEIVABLES

Trade receivables	40,446,006	72,540,288
Less : provision for doubtful debts (note 6.1)	(1,328,309)	(3,037,893)
Trade receivables – net of provision	39,117,697	69,502,395
Amounts due from related parties (note 18)	65,438	614,965
Other receivables	542,365	326,467
Prepaid expenses	804,081	708,357
Advances to suppliers	501,652	281,071
	41,031,233	71,433,255
	=====	=====

As trade receivable are stated net of any required provision and are short term in nature, fair values approximate carrying values. The Company's terms of sale require the amounts to be paid within 30 to 90 days from the transaction date.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

6 TRADE AND OTHER RECEIVABLES (CONTINUED)

6.1 Provision for doubtful debts

	2009 AED	2008 AED
Balance at 1 January	3,037,893	2,655,264
Provision for doubtful debts	-	390,000
Written off as uncollectible	(181,437)	(7,371)
Unutilized amounts reversed	(1,528,147)	-
Balance at 31 December	<u>1,328,309</u> =====	<u>3,037,893</u> =====

7 CASH AND CASH EQUIVALENTS

Cash in hand	64,800	63,800
Cash at bank	491,065	983,913
Cash and bank	<u>555,865</u>	<u>1,047,713</u>
Bank overdraft (note 14)	(16,622,316)	(40,163,268)
Cash and cash equivalents	<u>(16,066,451)</u> =====	<u>(39,115,555)</u> =====

All bank accounts are maintained with banks operating in United Arab Emirates.

8 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2009 AED	2008 AED	2009 AED	2008 AED
Shares of AED 1.00 each	25,000,000 =====	25,000,000 =====	25,000,000 =====	25,000,000 =====

9 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 and such transfers ceases whenever the sum of the reserve reaches some amount equivalent to (at least 50%) of the paid up share capital of the Company. The reserve is not available for distribution except in the circumstances stipulated by law.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

9 STATUTORY RESERVE (CONTINUED)

	2009	2008
	AED	AED
Balance at 1 January	8,750,000	8,750,000
Transferred from profit	3,750,000	-
	<u>12,500,000</u>	<u>8,750,000</u>
	=====	=====

10 REGULAR 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 regular reserve and such transfers ceases through a resolution of the usual general assembly upon a suggestion of the management board or it reached 50% of the paid up share capital of the Company.

The reserve is to be used for purposes as recommended by the management board and approved at the general assembly.

The movement of the account is as follows:

Balance at 1 January	-	-
Transferred from profit	12,500,000	-
	<u>12,500,000</u>	<u>-</u>
	=====	=====

11 GENERAL RESERVE

In accordance with Clause (58) of the Company's Articles of Association, any undistributed net profit may be transferred to the general reserve according to the decisions of the management board.

The movement of the account is as follows:

Balance at 1 January	15,314,980	58,500,000
Transferred from profit	20,000,000	-
Transferred from retained earnings	-	(43,185,020)
	<u>35,314,980</u>	<u>15,314,980</u>
	=====	=====

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

12 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 statement of financial position in respect of end of service benefits are as follows:

	2009	2008
	AED	AED
Employees' end of service benefits	2,380,991	2,940,052
	=====	=====

Movements in the liability recognised in the statement of financial position are as follows:

Liability as at 1 January	2,940,052	2,685,991
Expense recognised in the income statement	563,430	1,710,612
Paid during the year	(1,122,491)	(1,456,551)
	<u>2,380,991</u>	<u>2,940,052</u>
	=====	=====
Liability as at 31 December	2,380,991	2,940,052
	=====	=====

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

13 BORROWINGS

Long term borrowings

Balance as at 1 January	15,000,000	17,500,000
Repayment during the year	(5,000,000)	(2,500,000)
	<u>10,000,000</u>	<u>15,000,000</u>
Less: Short term portion	(5,000,000)	(5,000,000)
	<u>5,000,000</u>	<u>10,000,000</u>
	=====	=====
Balance as at 31 December	5,000,000	10,000,000
	=====	=====

The loan is taken from Emirates Industrial Bank and carried interest rate at 4.5%, payable semi-annually for the principal plus interest. The loan is secured by way of mortgage of the Company's plant and equipment.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

13 BORROWINGS (CONTINUED)

Short term borrowings

	2009	2008
	AED	AED
Trust receipts	29,016,445	52,263,769
Time loans	-	30,857,433
Short term portion of long term loan	5,000,000	5,000,000
	<u>34,016,445</u>	<u>88,121,202</u>
	=====	=====

Trust receipts represents cash against documents availed by the Company for financing import purchases. Time loan represents facilities availed by the Company for financing purchases. The facilities carry interest at EIBOR plus bank margin with a minimum floor and are repayable within 120-150 days.

14 BANK OVERDRAFTS

Bank overdrafts	16,622,316	40,163,268
	<u>=====</u>	<u>=====</u>

Certain bank overdrafts are secured by corporate guarantee of United Foods Company PSC and assignment of insurance on inventories of AED 25 million (2008: 25 million) on pari- passu basis.

The bank overdraft facilities carry interest at EIBOR plus bank margin with a minimum floor.

15 TRADE AND OTHER PAYABLES

Trade payables	11,047,281	10,105,138
Amounts due to related parties (note 18)	13,080,743	8,061,080
Advances from customers	1,640,146	3,427,330
Accrued expenses	2,073,629	1,466,202
Other payables	3,129,040	2,904,331
Provision for leave salaries and air passage	1,261,434	1,212,793
	<u>32,232,273</u>	<u>27,176,874</u>
	=====	=====

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

16 COST OF SALES

	2009	2008
	AED	AED
Cost of sales of manufactured goods comprises:		
Materials:		
Opening stock of raw materials	59,684,923	37,770,633
Purchases	286,953,531	543,736,231
Closing stock of raw materials (note 5)	(73,693,813)	(59,684,923)
Raw materials and packing materials consumed	272,944,641	521,821,941
Net realisable value adjustment	-	52,298,820
Manufactured overheads:		
Salaries and wages benefits	7,292,646	9,133,133
Fuel and power	14,564,005	21,494,294
Repairs and maintenance	984,860	1,499,137
Depreciation (note 3 iv)	7,141,415	7,404,797
Other	2,907,659	7,115,658
Total manufacturing cost	305,835,226	620,767,780
Opening stock of work in process	2,107,995	3,195,321
Closing stock of work in process (note 5)	<u>(2,257,870)</u>	<u>(2,107,995)</u>
Cost of goods manufactured	305,685,351	621,855,106
Opening stock of finished goods	19,290,391	21,067,569
Closing stock of finished goods (note 5)	<u>(10,494,564)</u>	<u>(19,290,391)</u>
	314,481,178	623,632,284
	=====	=====

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
	AED	AED
Salaries, wages and other benefits	4,587,169	5,608,607
Legal and professional charges	309,283	378,752
Depreciation	1,063,751	1,082,714
Repairs and maintenance	80,855	90,205
Motor fuel and oil	44,585	84,912
Communication expenses	252,258	330,844
Government and license fees	376,985	394,021
Printing and stationery	140,136	148,862
Subscriptions and donations	42,575	13,249
Training and development expenses	3,000	50,011
Recruitment and renewal expenses	664,998	359,243
Bank charges	291,898	724,575
Entertainment expenses	16,648	28,116
Doubtful debts expense	-	390,000
Sundry and miscellaneous expenses	61,245	65,687
	<u>7,935,386</u>	<u>9,749,798</u>
	=====	=====

18 RELATED PARTY TRANSACTIONS

The Company in the normal course of business carried on business with other enterprises that fall within the definition of related party. Details of related party transactions entered into during the year are set out below. The management of the Company believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

Key management personnel (KMP) of the company include:

- Mr. Ali Bin Humaid Al Owais - Chairman
- H.E. Abdulla Sultan Al Owais - Vice Chairman
- Mr. Yousif Mohamed Al Rasheed - Director
- Mr. Mohamed Salim Rashid Abdalla Al Owais - Director
- Mr. Sajjad Ahmad - Managing Director

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

18 RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with entities controlled by the shareholders of the Company included in the income statement are as follows:

	2009	2008
	AED	AED
Sales:		
United Kaipara Dairies Co (PSC)	10,179,925	8,078,943
Modern Bakery	1,474,645	1,336,898
	<u>11,654,570</u>	<u>9,415,841</u>
	=====	=====

Purchases:		
United Kaipara Dairies Co (PSC)	10,854,880	148,666
Modern Bakery	-	33,665
United Can Company LLC	37,193,970	40,128,717
Modern General Trading	-	8,626
Dubai Refreshments	-	29,599
	<u>48,048,850</u>	<u>40,349,273</u>
	=====	=====

Compensation paid to the key managerial personnel

Salaries and allowances	600,000	2,450,321
	=====	=====
Distribution to directors	-	250,000
	=====	=====

Balances as at the reporting date with entities controlled by shareholders of the Company are as follows:

Amounts due to

United Can Company (L.L.C)	9,058,998	8,006,182
United Kaipara Dairies Co (PSC)	4,021,745	38,790
Modern Bakery	-	10,182
Modern General Trading	-	1,546
Dubai Refreshments	-	4,380
	<u>13,080,743</u>	<u>8,061,080</u>
	=====	=====

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

18 RELATED PARTY TRANSACTIONS (CONTINUED)

	2009	2008
	AED	AED
Amounts due from		
United Kaipara Dairies Co (PSC)	-	205,457
Modern Bakery	65,438	409,508
	<u>65,438</u>	<u>614,965</u>
	=====	=====
Amounts due to key managerial personnel		
Distribution to directors	600,000	-
	<u>600,000</u>	<u>-</u>
	=====	=====

19 OTHER INCOME

Profit on sale of property, plant and equipment	26,735	107,818
Reversal of provision	1,528,147	-
Miscellaneous income	1,500,223	5,677,693
	<u>3,055,105</u>	<u>5,785,511</u>
	=====	=====

20 NET PROFIT FOR THE YEAR

The net profit for the year is stated after charging:

Staff costs:

Wages and salaries	10,383,416	12,769,088
End of service benefits	563,430	1,710,612
Other benefits	4,568,855	3,341,777
	<u>15,515,701</u>	<u>17,821,477</u>
	=====	=====

Finance charges:

Interest on long term loan	598,751	611,284
Bank interest	3,990,037	6,594,596
	<u>4,588,788</u>	<u>7,205,880</u>
	=====	=====

Total interest expense	4,588,788	7,205,880
Guarantee commission	17,480	15,083
	<u>4,606,268</u>	<u>7,220,963</u>
	=====	=====

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

21 EARNINGS PER SHARE

Basic and diluted 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:

	2009	2008
	AED	AED
Profit / (loss) for the year	55,321,560	(44,409,918)
	=====	=====
Weighted average number of shares outstanding during the year	25,000,000	25,000,000
	=====	=====
Earnings / (loss) per share – basic and diluted	2.21	(1.78)
	=====	=====

22 PROPOSED DIVIDEND

The Board has proposed dividends of 30% on share capital amounting to AED 7,500,000 for the year. No dividend was declared for the year 2008.

23 CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern in order to provide an adequate return to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company prices its products to commensurate with the level of risk. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Following is the capital management structure:

Cash and bank	555,865	1,047,713
	=====	=====
Equity	103,986,003	49,106,497
	=====	=====
Borrowings	10,000,000	15,000,000
	=====	=====
Trust receipts	29,016,445	52,263,769
	=====	=====
Time loans	-	30,857,433
	=====	=====
Bank overdrafts	16,622,316	40,163,268
	=====	=====

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

24 CAPITAL COMMITMENTS

The capital commitments of the Company as at 31 December 2009 were AED 1,826,412 (2008: AED 986,238).

25 CONTINGENT AND OTHER COMMITMENTS

	2009	2008
	AED	AED
Export sales made through irrevocable letters of credit	8,211,811	30,182,407
	=====	=====
Purchase commitments	14,477,589	37,062,200
	=====	=====
Guarantees issued by banks on behalf of the Company	1,296,180	978,360
	=====	=====

Purchase commitments represent contracts for purchase of oil in future entered into by the Company for use in manufacture and processing of cooking oils, butter and related products.

26 OPERATING LEASE OBLIGATIONS

Lease payments recognized as an expense amount to AED 1,187,255 (2008: AED 1,247,477).

The Company's minimum future lease payments as at 31 December 2009 are as under:

not later than one year	672,640	606,168
	=====	=====
later than one year and not later than five years	734,715	1,224,525
	=====	=====

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)].

27 RISK MANAGEMENT

Financial instruments consist of financial assets and financial liabilities. Company's significant accounting policies for assets and liabilities are set out in note 2. The risks associated with financial instruments and Company's approach to managing such risks is described below:

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

27 RISK MANAGEMENT (CONTINUED)

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 is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to USD. The AED is effectively pegged to the USD, thus balances denominated in USD and other currencies pegged against USD are not considered to represent significant currency risks.

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. Interest bearing financial liabilities comprises trust receipts and bank overdraft facility which mature in the short term, and long term loan from Emirates Industrial Bank. As a result the Company is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

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.

The Company's bank accounts are placed with high credit quality national and international banks. Credit risks on receivables are limited to customers, which are carried net of provisions for doubtful receivables. The Company manages credit risk with respect to receivables from customers by dealing with creditworthy parties and by regularly monitoring of payments from customers in accordance with the terms of respective contracts.

The Company's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the statement of financial position date, as summarized below:

	Note	2009 AED	2008 AED
Amounts due from related parties	18	65,438	614,965
Trade and other receivables	6	39,117,697	69,502,395
Other receivables	6	542,365	326,467
Cash and bank	7	555,865	1,047,713
		<u>40,281,365</u>	<u>71,491,540</u>

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

27 RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Financial assets past due but not impaired can be shown as follows:

	2009 AED	2008 AED
Not more than 90 days	38,608,831	67,947,501
More than 90 days but not more than 120 days	-	1,554,894
More than 120 days	508,866	-
Total	<u>39,117,697</u>	<u>69,502,395</u>

The Company's management considers that all the above financial assets that are not impaired at each of the reporting dates, are of good credit quality.

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.

The table below summarises the maturity profile of the Company's liabilities. The maturities of liabilities have been determined on the basis of the remaining period from the statement of financial position date to the contractual maturity date.

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

27 RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

	Note	within 6 months AED	6 to 12 months AED	1 to 5 years	Total AED
31 December 2009					
Interest bearing					
Borrowings	13	2,500,000	2,500,000	5,000,000	10,000,000
Trust receipts	13	29,016,445	-	-	29,016,445
Bank overdraft	14	16,622,316	-	-	16,622,316
		<u>48,138,761</u>	<u>2,500,000</u>	<u>5,000,000</u>	<u>55,638,761</u>
Non-interest bearing					
Trade payables	15	11,047,281	-	-	11,047,281
Amount due to related parties	18	13,080,743	-	-	13,080,743
Other payables	15	3,129,040	-	-	3,129,040
Accrued Expenses	15	2,073,629	-	-	2,073,629
		<u>29,330,693</u>	<u>-</u>	<u>-</u>	<u>29,330,693</u>
		<u>77,469,454</u>	<u>2,500,000</u>	<u>5,000,000</u>	<u>84,969,454</u>

	Note	within 6 months AED	6 to 12 months AED	1 to 5 years	Total AED
31 December 2008					
Interest bearing					
Bank loan	13	2,500,000	2,500,000	10,000,000	15,000,000
Trust receipts	13	52,263,769	-	-	52,263,769
Time Loans	13	30,857,433	-	-	30,857,433
Bank overdraft	14	40,163,268	-	-	40,163,268
		<u>125,784,470</u>	<u>2,500,000</u>	<u>10,000,000</u>	<u>138,284,470</u>
Non-interest bearing					
Trade payables	15	10,105,138	-	-	10,105,138
Amount due to related parties	18	8,061,080	-	-	8,061,080
Other payables	15	2,904,331	-	-	2,904,331
Accrued Expenses	15	1,466,202	-	-	1,466,202
		<u>22,536,751</u>	<u>-</u>	<u>-</u>	<u>22,536,751</u>
		<u>148,321,221</u>	<u>2,500,000</u>	<u>10,000,000</u>	<u>160,821,221</u>

UNITED FOODS COMPANY (PSC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

27 RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that the fair values or cash flows of the financial instruments will fluctuate as a result of the 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. Available for sale financial assets that are an insignificant part of the total assets of the company are the only financial instruments that are exposed to market risk. The Company actively monitors the key factors that affect stock movements including analysis of operational and financial performance of investee. All 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.

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 statement of financial position.

28 SEGMENTAL INFORMATION

The management has considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Company's activities form a single segment under the standard. From a geographical perspective, the Company's substantial activities are focused in the Middle East region. Equally, in relation to business segmentation, the Company's products are predominantly focused in the manufacture and processing of butter and cooking oil and it is considered that, the risks and rewards from various products lines of the Company are not materially different.