United Foods Company (PSC)

Condensed interim financial statements

30 September 2011

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Independent auditor's report on review of condensed interim financial information

The Shareholders
United Foods Company (PSC)

Introduction

We have reviewed the accompanying condensed statement of financial position of United Foods Company (PSC) ("the Company") as at 30 September 2011, the condensed income statement and condensed statements of comprehensive income, cash flows and changes in equity for the nine month period then ended ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 September 2011 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Other matters

The condensed interim financial information of the Company for the nine month period ended 30 September 2010 was reviewed by another auditor, whose report dated 31 October 2010, concluded satisfactorily thereon. Furthermore, the financial statements of the Company for the year ended 31 December 2010 were audited by another auditor, whose report dated 23 February 2011, expressed an unqualified opinion on those statements.

VN Malhotra

Vijendranath Malhotra
Registration No. 48B
Dubai, United Arab Emirates

01 NOV 2011

United Foods Company (PSC)

Condensed income statement
for the period ended 30 September 2011

	Note	Three months period ended 30 September (Unaudited) **2011** **AED**	2010 AED	Nine months period ended 30 September (Unaudited) **2011** **AED**	2010 AED
Revenue		**119,140,132**	99,225,622	**346,070,025**	245,141,336
Cost of sales	*6*	**(108,391,859)**	(77,220,742)	**(295,546,027)**	(191,920,409)
Gross profit		**10,748,273**	22,004,880	**50,523,998**	53,220,927
Administrative and general expenses	*7*	**(2,089,460)**	(2,233,769)	**(6,834,618)**	(6,882,686)
Selling and distribution expenses	*8*	**(4,163,207)**	(3,757,198)	**(12,039,727)**	(9,466,471)
Finance expense		**(606,690)**	(427,571)	**(1,922,780)**	(1,464,662)
Other income		**724,605**	400,580	**4,119,497**	1,024,624
Profit for the period		**4,613,521**	15,986,922	**33,846,370**	36,431,732
Earnings per share					
Basic earnings per share (AED)	*15*	**0.18**	0.64	**1.35**	1.46

The notes set out on pages 8 to 12 form part of the condensed interim financial statements.

United Foods Company (PSC)

Condensed statement of comprehensive income
for the period ended 30 September 2011

	Three months period ended 30 September (Unaudited)		Nine months period ended 30 September (Unaudited)	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
Profit for the period	**4,613,521**	15,986,922	**33,846,370**	36,431,732
Other comprehensive income:				
Net change in fair value of available for sale investments	**(21,532)**	81,157	**(106,766)**	(31,051)
Total comprehensive income for the period	**4,591,989**	16,068,079	**33,739,604**	36,400,681

The notes set out on pages 8 to 12 form part of the condensed interim financial statements.

United Foods Company (PSC)

Condensed statement of financial position

	Note	**Unaudited 30 September 2011 AED**	Audited 31 December 2010 AED	Unaudited 30 September 2010 AED
Non-current assets				
Property, plant and equipment	*9*	**72,066,613**	72,256,205	71,496,079
Available for sale investments	*10*	**279,957**	386,723	445,098
		72,346,570	72,642,928	71,941,177
Current assets				
Trade and other receivables	*11*	**65,964,749**	50,188,423	55,985,280
Inventories	*12*	**114,106,040**	94,429,511	51,729,733
Due from related parties	*14*	**1,979,791**	339,893	429,595
Cash at bank and in hand		**649,768**	247,789	3,614,562
		182,700,348	145,205,616	111,759,170
Current liabilities				
Trade and other payables	*13*	**24,817,806**	39,399,754	33,832,100
Due to related parties	*14*	**5,480,580**	6,225,137	7,080,681
Bank overdraft		**17,259,751**	11,303,902	-
Bank borrowings		**39,974,865**	10,000,000	5,000,000
		87,533,002	66,928,793	45,912,781
Net current assets		**95,167,346**	78,276,823	65,846,389
Non-current liabilities				
Staff terminal benefits		**2,834,463**	2,479,902	2,400,889
Bank borrowings		**-**	-	2,500,000
Net assets		**164,679,453**	148,439,849	132,886,677
Represented by				
Share capital		**25,000,000**	25,000,000	25,000,000
Statutory reserve		**12,500,000**	12,500,000	12,500,000
Regular reserve		**12,500,000**	12,500,000	12,500,000
General reserve		**55,314,980**	55,314,980	35,314,980
Retained earnings		**59,361,209**	43,014,839	47,403,292
Fair value reserve		**3,264**	110,030	168,405
		164,679,453	148,439,849	132,886,677

The condensed interim financial statements were authorised for issue on behalf of the Board of Directors on 01 NOV 2011

Ali Bin Humaid Al Owais
Chairman

Mohamed Abdel Aziz Ali Abdalla Al Owais
Director

The notes set out on pages 8 to 12 form part of the condensed interim financial statements.

United Foods Company (PSC)

Condensed statement of cash flows
for the period ended 30 September 2011

	Unaudited 30 September 2011 AED	Unaudited 30 September 2010 AED
Operating activities		
Profit for the period	**33,846,370**	36,431,732
Adjustment for:		
Depreciation	**6,694,823**	6,426,183
Profit on disposal of property, plant and equipment	**(94,775)**	(80,995)
Finance expenses	**1,922,780**	1,464,662
Provision for employees' end of service benefit	**710,713**	447,330
Operating profit before working capital changes	**43,079,911**	44,688,912
Change in inventories	**(19,676,529)**	40,343,317
Change in trade and other receivables	**(15,776,326)**	(15,019,484)
Change in trade and other payables	**(14,581,948)**	14,680,247
Change in due from related parties	**(1,639,898)**	(364,157)
Change in due to related parties	**(744,557)**	(5,999,746)
Employees' end of service benefits paid	**(356,152)**	(427,431)
Net cash (used in)/from operating activities	**(9,695,499)**	77,901,658
Investing activities		
Acquisition of property, plant and equipment	**(6,560,513)**	(17,896,749)
Proceeds from disposal of property, plant and equipment	**150,057**	95,258
Net cash used in investing activities	**(6,410,456)**	(17,801,491)
Financing activities		
Net movement in bank borrowings	**29,974,865**	(31,516,445)
Finance expenses paid	**(1,922,780)**	(1,402,709)
Dividend paid	**(17,500,000)**	(7,500,000)
Net cash from/(used in) financing activities	**10,552,085**	(40,419,154)
Net (decrease)/increase in cash and cash equivalents	**(5,553,870)**	19,681,013
Cash and cash equivalents at beginning of the period	**(11,056,113)**	(16,066,451)
Cash and cash equivalents at end of the period	**(16,609,983)**	3,614,562
These comprise the following:		
Cash at bank and in hand	**649,768**	3,614,562
Bank overdraft	**(17,259,751)**	-
Cash and cash equivalents at end of the period	**(16,609,983)**	3,614,562

The notes set out on pages 8 to 12 form part of the condensed interim financial statements.

United Foods Company (PSC)

Condensed statement of changes in equity
for the period ended 30 September 2011 (Unaudited)

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Retained earnings AED	Fair value reserve AED	Total AED
At 1 January 2010	25,000,000	12,500,000	12,500,000	35,314,980	18,471,560	199,456	103,985,996
Total comprehensive income for the period							
Profit for the period	-	-	-	-	36,431,732	-	36,431,732
Other comprehensive income							
Fair value adjustment on available for sale investments	-	-	-	-	-	(31,051)	(31,051)
Total other comprehensive income for the period	-	-	-	-	-	(31,051)	(31,051)
Total comprehensive income for the period	-	-	-	-	36,431,732	(31,051)	36,400,681
Transactions with owners, recorded directly in equity							
Total contributions by and distribution to owners	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(7,500,000)	-	(7,500,000)
At 30 September 2010	**25,000,000**	**12,500,000**	**12,500,000**	**35,314,980**	**47,403,292**	**168,405**	**132,886,677**

United Foods Company (PSC)

Condensed statement of changes in equity
for the period ended 30 September 2011 (Unaudited)

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Retained earnings AED	Fair value reserve AED	Total AED
At 1 January 2011	25,000,000	12,500,000	12,500,000	55,314,980	43,014,839	110,030	148,439,849
Total comprehensive income for the period							
Profit for the period	-	-	-	-	33,846,370	-	33,846,370
Other comprehensive income							
Fair value adjustment on available for sale investment	-	-	-	-	-	(106,766)	(106,766)
Total other comprehensive income for the period	-	-	-	-	-	(106,766)	(106,766)
Total comprehensive income for the period	-	-	-	-	33,846,370	(106,766)	33,739,604
Transactions with owners, recorded directly in equity							
Total contributions by and distribution to owners	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(17,500,000)	-	(17,500,000)
Transactions with owners, recorded directly in equity	-	-	-	-	(17,500,000)	-	(17,500,000)
At 30 September 2011	**25,000,000**	**12,500,000**	**12,500,000**	**55,314,980**	**59,361,209**	**3,264**	**164,679,453**

No allocation of profit has been made to the general reserve for the nine month period ended 30 September 2011 as it would be affected at the year-end.

The notes set out on pages 8 to 12 form part of the condensed interim financial statements.

Notes to the condensed interim financial statements
for the nine month period ended 30 September 2011

1 Reporting entity

United Foods Company (PSC) ("the Company") is a Public Shareholding Company, incorporated on 1 November 1976 by a Decree from His Highness, The Ruler of Dubai. On 27 June 1994, the Company amended its status to a public shareholding company to comply with the provisions of the UAE Federal Law No. 8 of 1984 (as amended). The Company listed its shares on the Dubai Financial Market (DFM) in July 2006.

The Company is engaged in the manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine and butter products. The registered address of the Company is P.O. Box 5836, Dubai, UAE.

2 Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2010.

3 Significant accounting policies

The accounting policies applied by the Company in the preparation of the condensed interim financial statements are the same as those applied by the Company in its annual financial statements as at and for the year ended 31 December 2010.

The condensed interim financial statements of the Company, presented in UAE Dirhams ("AED"), which is the Company's functional currency, have been prepared under the historical cost convention, except for financial instruments classified as available for sale, which are stated at fair value.

4 Accounting estimates and judgements

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2010.

5 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2010.

6 Cost of sales

	Three months period ended 30 September (Unaudited)		**Nine months period ended 30 September (Unaudited)**	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
This includes:				
Material consumed	**95,106,694**	70,187,580	**266,421,883**	166,618,261
	========	========	=========	==========

7 Administrative and general expenses

	Three months period ended 30 September (Unaudited)		Nine months period ended 30 September (Unaudited)	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
These include:				
Staff costs	**804,379**	582,003	**2,368,086**	1,867,587
Depreciation	**572,106**	362,869	**1,593,316**	1,114,496
Provision for impairment loss on trade receivables	**-**	-	**287,870**	-
	======	======	======	======

8 Selling and distribution expenses

	Three months period ended 30 September (Unaudited)		Nine months period ended 30 September (Unaudited)	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
These include:				
Staff costs	**613,463**	767,512	**1,813,744**	2,172,693
Motor vehicles fuel and repair	**1,365,404**	635,418	**3,529,326**	1,529,607
Freight and loading	**461,470**	443,897	**1,544,240**	1,510,899
Discount to customers	**890,826**	504,027	**2,614,473**	1,402,623
	======	======	=======	========

9 Property, plant and equipment

Additions and disposals (Unaudited)

During the nine month period ended 30 September 2011, the Company acquired assets amounting to AED 6.6 million *(nine month period ended 30 September 2010: AED 17.9 million).*

10 Available for sale investments

	Unaudited 30 September 2011 AED	Audited 31 December 2010 AED	Unaudited 30 September 2010 AED
Opening balance	**386,723**	476,149	476,149
Loss on fair valuation	**(106,766)**	(89,426)	(31,051)
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Closing balance	**279,957**	386,723	445,098
	======	======	======

11 Trade and other receivables

	Unaudited 30 September 2011 AED	Audited 31 December 2010 AED	Unaudited 30 September 2010 AED
Trade receivables	**63,360,463**	44,823,169	49,924,571
Less: provision for impairment loss	**(1,381,846)**	(1,192,155)	(1,231,660)
	-------------	-------------	--------------
	61,978,617	43,631,014	48,692,911
Advances, deposits and prepayments	**3,986,132**	6,557,409	7,292,369
	--------------	------------	--------------
	65,964,749	50,188,423	55,985,280
	========	========	=========

12 Inventories

	Unaudited 30 September 2011 AED	Audited 31 December 2010 AED	Unaudited 30 September 2010 AED
Raw materials	**68,844,467**	66,195,205	40,174,196
Less: provision for slow moving inventories	**(339,761)**	(815,533)	(552,111)
	68,504,706	65,379,672	39,622,085
Work in process	**3,407,172**	5,614,225	4,156,378
Finished products	**10,689,855**	9,732,624	7,951,270
	82,601,733	80,726,521	51,729,733
Goods in transit	**31,504,307**	13,702,990	-
	114,106,040	94,429,511	51,729,733

13 Trade and other payables

	Unaudited 30 September 2011 AED	Audited 31 December 2010 AED	Unaudited 30 September 2010 AED
Trade payables	**10,551,679**	25,572,624	20,373,928
Advance from customers	**5,722,336**	5,384,265	5,419,098
Accruals	**1,455,516**	3,242,881	2,286,909
Other payables	**7,088,275**	5,199,984	5,752,165
	24,817,806	39,399,754	33,832,100

14 Related party transactions

Significant related party transactions during the period are as follows:

	Three months period ended 30 September (Unaudited)		**Nine months period ended 30 September (Unaudited)**	
	2011 AED	2010 AED	**2011 AED**	2010 AED
Sales to related parties	**4,456,594**	2,710,645	**10,978,221**	7,747,229
Purchases from related parties	**16,627,259**	10,100,761	**68,417,357**	28,165,481

14 Related party transactions (continued)

The compensation to key management is as follows:

	Three months period ended 30 September (Unaudited)		Nine months period ended 30 September (Unaudited)	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
Salaries and allowances	**300,000**	150,000	**900,000**	450,000
	======	======	======	======

Due to related parties	**Unaudited 30 September 2011 AED**	Audited 31 December 2010 AED	Unaudited 30 September 2010 AED
United Can Company LLC	**5,480,580**	6,225,137	7,080,681
	------------	------------	-------------
	5,480,580	6,225,137	7,080,681
	=======	=======	========

Due from related parties	**Unaudited 30 September 2011 AED**	Audited 31 December 2010 AED	Unaudited 30 September 2010 AED
United Kaipara Dairies Co (PSC)	**1,880,375**	280,118	428,035
Modern Bakery LLC	**99,416**	59,775	1,560
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	1,979,791	339,893	429,595
	=======	======	=======

15 Earnings per share

	Unaudited Nine months period ended 30 September 2011	Unaudited Nine months period ended 30 September 2010
Profit for the period (AED)	**33,846,370**	36,431,732
	========	========
Weighted average number of ordinary shares outstanding	**25,000,000**	25,000,000
	========	=======
Basic earnings per share (AED per share)	**1.35**	1.46
	===	===

16 Guarantees and capital commitments

	Unaudited 30 September 2011 AED	Unaudited 30 September 2010 AED
Bank guarantees	**1,605,180**	1,405,180
Capital commitments	**2,413,000**	1,062,387
	=======	=======

17 Contingent liability

A customer of the Company is claiming for the enforcement of an existing exclusive agency agreement entered into between the Company and the customer as well as a substantial amount in compensation for damages incurred due to alleged breaches. The Company has filed a counter claim as the customer is in breach of his obligations pursuant to a secondary agreement entered into with the Company. It is not currently practicable to estimate if there will be any financial impact on the Company nor is it possible to provide a reasonable assessment of any outcome of this claim. However, in response to the arbitration request received on 14 April 2010, both parties paid their fees and arbitration proceedings commenced.

At the first meeting with the arbitration the terms of reference for the arbitration were discussed and later on signed. The tribunal requested that the customer submit their statement of claim and the Company to submit their defence and counterclaim. The tribunal stated that they will then set the case schedule for further submittal by the parties.

On 19 July 2011, the customer filed their statement of claim. On 9 August 2011, the Company filed their preliminary defence and counterclaim.

The parties are currently waiting for the tribunal to set a meeting/send the procedural steps to be taken in the arbitration.