United Foods Company (PSC)

Condensed interim financial statements

31 March 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 31 March 2011, the condensed income statement and condensed statements of comprehensive income, cash flows and changes in equity for the three 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 31 March 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 three month period ended 31 March 2010 was reviewed by another auditor, whose report dated 2 May 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.

01 MAY 2011

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

United Foods Company (PSC)

Condensed income statement
for the three month period ended 31 March 2011

	Note	Unaudited Three months period ended 31 March 2011	Unaudited Three months period ended 31 March 2010
Revenue		116,120,234	73,167,982
Cost of sales	6	(90,626,705)	(58,043,849)
Gross profit		25,493,529	15,124,133
Administrative and general expenses	7	(2,144,758)	(2,081,649)
Selling and distribution expenses	8	(3,440,949)	(2,859,233)
Finance expense		(477,151)	(674,506)
Other income		1,506,154	311,697
Net profit for the period		20,936,825	9,820,442
Earnings per share			
Basic earnings per share (AED)	15	0.84	0.39

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 three month period ended 31 March 2011

	Unaudited Three months period ended 31 March 2011 AED	Unaudited Three months period ended 31 March 2010 AED
Profit for the period	20,936,825	9,820,442
Other comprehensive income:		
Net change in fair value of available for sale investments	(50,512)	3,891
Total comprehensive income for the period	20,886,313	9,824,333

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 31 March 2011 AED	Audited 31 December 2010 AED	Unaudited 31 March 2010 AED
Non-current assets				
Property, plant and equipment	9	**72,858,071**	72,256,205	58,646,352
Available for sale investments	10	**336,211**	386,723	480,040
		73,194,282	72,642,928	59,126,392
Current assets				
Trade and other receivables	11	**68,653,646**	50,188,423	46,380,527
Inventories	12	**106,422,170**	94,429,511	72,688,456
Due from related parties	14	**1,034,075**	339,893	440,483
Cash at bank and in hand		**140,294**	247,789	860,537
		176,250,185	145,205,616	120,370,003
Current liabilities				
Trade and other payables	13	**18,504,183**	39,399,754	17,414,564
Dividend payable		**17,500,000**	-	-
Due to related parties	14	**5,791,147**	6,225,137	5,480,828
Bank overdraft		**19,566,836**	11,303,902	10,960,423
Bank borrowings		**33,669,501**	10,000,000	24,416,035
		95,031,667	66,928,793	58,271,850
Net current assets		**81,218,518**	78,276,823	62,098,153
Non-current liabilities				
Staff terminal benefits		**2,586,638**	2,479,902	2,414,216
Bank Borrowings		-	-	5,000,000
Net assets		**151,826,162**	148,439,849	113,810,329
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		**46,451,664**	43,014,839	28,292,002
Fair value reserve		**59,518**	110,030	203,347
		151,826,162	148,439,849	113,810,329

The condensed interim financial statements was authorised for issue on behalf of the Board of Directors on 1 May 2011

Ali Bin Humaid Al Owais
Chairman

Sajjad Ahmad
Managing 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 three month period ended 31 March 2011

	Unaudited 31 March 2011 AED	Unaudited 31 March 2010 AED
Operating activities		
Profit for the period	20,936,825	9,820,442
Adjustment for:		
Depreciation	2,180,894	2,153,286
Profit on disposal of property, plant and equipment	(68,100)	(17,450)
Finance expenses	477,151	674,506
Provision for employees' end of service benefit	153,528	140,859
Operating profit before working capital changes	23,680,298	12,771,643
Change in inventories	(11,992,659)	19,386,437
Change in trade and other receivables	(18,465,223)	279,600
Change in trade and other payables	(20,953,742)	(7,574,939)
Change in due from related parties	(694,182)	(375,046)
Change in due to related parties	(433,990)	(7,599,916)
Employees' end of service benefits paid	(46,792)	(107,634)
Net cash (used in)/from operating activities	(28,906,290)	16,780,145
Investing activities		
Acquisition of property, plant and equipment	(2,802,039)	(699,755)
Proceeds from disposal of property, plant and equipment	87,379	17,450
Net cash used in investing activities	(2,714,660)	(682,305)
Financing activities		
Net movement in bank borrowings	23,669,501	(9,600,410)
Finance expenses paid	(418,980)	(530,860)
Net cash from/(used in) financing activities	23,250,521	(10,131,270)
Net (decrease)/increase in cash and cash equivalents	(8,370,429)	5,966,570
Cash and cash equivalents at beginning of the period	(11,056,113)	(16,066,451)
Cash and cash equivalents at end of the period	(19,426,542)	(10,099,881)
These comprise the following:		
Cash at bank and in hand	140,294	860,537
Bank overdraft	(19,566,836)	(10,960,418)
Cash and cash equivalents at end of the period	(19,426,542)	(10,099,881)

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 three month period ended 31 March 2011 (Unaudited)

	Share capital	Statutory reserve	Regular reserve	General reserve	Retained earnings	Fair value reserve	Total
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	-	-	-	-	9,820,442	-	9,820,442
Other comprehensive income							
Fair value adjustment on available for sale investments	-	-	-	-	-	3,891	3,891
Total other comprehensive income for the period	-	-	-	-	-	3,891	3,891
Total comprehensive income for the period	-	-	-	-	9,820,442	3,891	9,824,333
Transactions with owners, recorded directly in equity							
Total contributions by and distribution to owners	-	-	-	--		-	-
At 31 March 2010	25,000,000	12,500,000	12,500,000	35,314,980	28,292,002	203,347	113,810,329

United Foods Company (PSC)

Condensed statement of changes in equity
for the three month period ended 31 March 2011 (Unaudited)

	Share capital	Statutory reserve	Regular reserve	General reserve	Retained earnings	Fair value reserve	Total
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	-	-	-	-	20,936,825	-	20,936,825
Other comprehensive income							
Fair value adjustment on available for sale investment	-	-	-	-	-	(50,512)	(50,512)
Total comprehensive income for the period	-	-	-	-	-	(50,512)	(50,512)
Total comprehensive income for the period	-	-	-	-	20,936,825	(50,512)	20,886,313
Transactions with owners, recorded directly in equity							
Total contributions by and distribution to owners	-	-	-	-	-	-	-
Dividend payable	-	-	-	-	(17,500,000)	-	(17,500,000)
Transactions with owners, recorded directly in equity	-	-	-	-	(17,500,000)	-	(17,500,000)
At 31 March 2011	25,000,000	12,500,000	12,500,000	55,314,980	46,451,664	59,518	151,826,162

No allocation of profit has been made to the statutory reserve and general reserve for the three month period ended 31 March 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.

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

	Unaudited Three months period ended 31 March 2011 AED	Unaudited Three months period ended 31 March 2010 AED
This includes:		
Materials consumed	81,523,928	48,700,090
	========	========

Notes to the condensed interim financial statements (continued)

for the three month period ended 31 March 2011

7 Administrative and general expenses

These include:	Unaudited Three months period ended 31 March 2011 AED	Unaudited Three months period ended 31 March 2010 AED
Staff costs	774,254	627,061
Depreciation	484,532	378,405
Provision for impairment loss on trade receivables	287,870	-
	======	=====

8 Selling and distribution expenses

These include:	Unaudited Three months period ended 31 March 2011 AED	Unaudited Three months period ended 31 March 2010 AED
Staff costs	608,179	694,945
Motor vehicles fuel and repair	891,395	364,891
Freight and loading	489,437	644,946
Discount to customers	600,637	434,773
	======	=====

9 Property, plant and equipment

Additions and disposals (Unaudited)

During the quarter ended 31 March 2011, the Company acquired assets amounting to AED 2.8 million (quarter ended 31 March 2010: AED 0.7 million).

10 Available for sale investments

	Unaudited 31 March 2011 AED	Audited 31 December 2010 AED	Unaudited 31 March 2010 AED
Opening balance	386,723	476,149	476,149
(Loss)/gain on fair valuation	(50,512)	(89,426)	3,891
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Closing balance	336,211	386,723	480,040
	======	======	=====

11 Trade and other receivables

	Unaudited 31 March 2011 AED	Audited 31 December 2010 AED	Unaudited 31 March 2010 AED
Trade receivables	61,018,978	44,823,169	44,494,296
Less: provision for impairment loss	(1,477,735)	(1,192,155)	(1,251,571)
	-------------	-------------	--------------
	59,541,243	43,631,014	43,242,725
Advances, deposit and prepayments	9,112,403	6,557,409	3,137,802
	--------------	-------------	-------------
	68,653,646	50,188,423	46,380,527
	========	========	=======

12 Inventories

	Unaudited 31 March 2011 AED	Audited 31 December 2010 AED	Unaudited 31 March 2010 AED
Raw materials	77,022,489	66,195,205	63,074,701
Less: Provision for slow moving inventories	(815,533)	(815,533)	(742,489)
	76,206,956	65,379,672	62,332,212
Work in process	5,806,768	5,614,225	2,511,528
Finished products	10,170,472	9,732,624	7,844,716
	92,184,196	80,726,521	72,688,456
Goods in transit	14,237,974	13,702,990	-
	106,422,170	94,429,511	72,688,456

13 Trade and other payables

	Unaudited 31 March 2011 AED	Audited 31 December 2010 AED	Unaudited 31 March 2010 AED
Trade payables	7,621,965	25,572,624	6,264,592
Advance from customers	5,216,631	5,384,265	5,359,338
Accruals	1,129,052	3,242,881	1,259,815
Other payables	4,536,535	5,199,984	4,530,819
	18,504,183	39,399,754	17,414,564

14 Related party transactions

Significant related party transactions during the period are as follows:

	Unaudited Three months period ended 31 March 2011 AED	Unaudited Three months period ended 31 March 2010 AED
Sales to related parties	4,096,370	3,659,325
Purchases from related parties	24,455,990	12,220,141

Notes to the condensed interim financial statements (continued)
for the three month period ended 31 March 2011

14 Related party transactions (continued)

The compensation to key management is as follows:

	Unaudited Three months period ended 31 March 2011 AED	Unaudited Three months period ended 31 March 2010 AED
Salaries and allowances	300,000	150,000
	=====	=====

Due to a related party	Unaudited 31 March 2011 AED	Audited 31 December 2010 AED	Unaudited 31 March 2010 AED
United Can Company LLC	5,791,147	6,225,137	5,480,828
	=======	=======	=======

Due from related parties	Unaudited 31 March 2011 AED	Audited 31 December 2010 AED	Unaudited 31 March 2010 AED
United Kaipara Dairies Co (PSC)	827,238	280,118	323,314
Modern Bakery LLC	206,837	59,775	117,169
	-----------	----------	---------
	1,034,075	339,893	440,483
	=======	======	=====

15 Earnings per share

	Unaudited Three months period ended 31 March 2011	Unaudited Three months period ended 31 March 2010
Profit for the period (AED)	20,936,825	9,820,442
	========	=======
Weighted average number of ordinary shares outstanding	25,000,000	25,000,000
	========	=======
Basic earnings per share (AED per share)	0.84	0.39
	==	==

16 Guarantees and capital commitments

	Unaudited 31 March 2011 AED	Unaudited 31 March 2010 AED
Bank guarantees	1,405,180	1,405,180
Capital commitments	1,468,331	1,662,387
	=======	=======

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 have paid their fees and are currently waiting for the arbitrators' appointment.