United Foods Company (PSC)

Condensed interim financial statements

30 June 2011

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Contents *Pages*

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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 June 2011, the condensed income statement and condensed statements of comprehensive income, cash flows and changes in equity for the six 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 June 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 six month period ended 30 June 2010 was reviewed by another auditor, whose report dated 25 July 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.

08 AUG 2011

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

United Foods Company (PSC)

Condensed income statement
for the period ended 30 June 2011

	Note	Three months period ended 30 June (Unaudited) 2011 AED	2010 AED	Six months period ended 30 June (Unaudited) 2011 AED	2010 AED
Revenue		**110,809,659**	72,747,732	**226,929,893**	145,915,714
Cost of sales	6	**(96,527,463)**	(56,655,819)	**(187,154,168)**	(114,699,668)
Gross profit		**14,282,196**	16,091,913	**39,775,725**	31,216,046
Administrative and general expenses	7	**(2,600,400)**	(2,567,268)	**(4,745,158)**	(4,648,917)
Selling and distribution expenses	8	**(4,435,565)**	(2,850,042)	**(7,876,514)**	(5,709,275)
Finance expense		**(838,939)**	(362,576)	**(1,316,090)**	(1,037,082)
Other income		**1,888,738**	312,347	**3,394,892**	624,044
Profit for the period		**8,296,030**	10,624,374	**29,232,855**	20,444,816
Earnings per share					
Basic earnings per share (AED)	15	**0.33**	0.42	**1.17**	0.82

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 June 2011

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
Profit for the period	**8,296,030**	10,624,374	**29,232,855**	20,444,816
Other comprehensive income:				
Net change in fair value of available for sale investments	**(34,722)**	(116,099)	**(85,234)**	(112,208)
Total comprehensive income for the period	**8,261,308**	10,508,275	**29,147,621**	20,332,608

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 June 2011 AED	Audited 31 December 2010 AED	Unaudited 30 June 2010 AED
Non-current assets				
Property, plant and equipment	*9*	**71,896,866**	72,256,205	72,597,312
Available for sale investments	*10*	**301,489**	386,723	363,941
		72,198,355	72,642,928	72,961,253
Current assets				
Trade and other receivables	*11*	**71,580,611**	50,188,423	40,051,267
Inventories	*12*	**97,277,984**	94,429,511	58,484,593
Due from related parties	*14*	**1,085,797**	339,893	1,650,969
Cash at bank and in hand		**301,326**	247,789	578,352
		170,245,718	145,205,616	100,765,181
Current liabilities				
Trade and other payables	*13*	**22,070,615**	39,399,754	23,825,464
Due to related parties	*14*	**5,698,150**	6,225,137	4,914,834
Bank overdraft		**10,971,232**	11,303,902	9,283,726
Bank borrowings		**40,875,149**	10,000,000	14,000,000
		79,615,146	66,928,793	52,024,024
Net current assets		**90,630,572**	78,276,823	48,741,157
Non-current liabilities				
Staff terminal benefits		**2,741,457**	2,479,902	2,383,806
Bank Borrowings		-	-	2,500,000
Net assets		**160,087,470**	148,439,849	116,818,604
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		**54,747,694**	43,014,839	31,416,376
Fair value reserve		**24,796**	110,030	87,248
		160,087,470	148,439,849	116,818,604

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

Ali Bin Humaid Al Owais
Chairman

Mohamed Salim Rashid Abdalla Al Owais
Vice-Chairman

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 June 2011

	Unaudited 30 June 2011 AED	Unaudited 30 June 2010 AED
Operating activities		
Profit for the period	**29,232,855**	20,444,816
Adjustment for:		
Depreciation	**4,416,030**	4,303,110
Profit on disposal of property, plant and equipment	**(94,775)**	(77,896)
Finance expenses	**1,316,090**	1,037,082
Provision for employees' end of service benefit	**307,056**	281,718
Operating profit before working capital changes	**35,177,256**	25,988,830
Change in inventories	**(2,848,473)**	33,590,299
Change in trade and other receivables	**(21,392,188)**	979,966
Change in trade and other payables	**(17,329,139)**	(8,272,463)
Change in due from related parties	**(654,607)**	(1,650,969)
Change in due to related parties	**(526,987)**	4,914,834
Employees' end of service benefits paid	**(136,798)**	(278,903)
Net cash (used in)/from operating activities	**(7,710,936)**	55,271,594
Investing activities		
Acquisition of property, plant and equipment	**(4,111,943)**	(16,874,103)
Proceeds from disposal of property, plant and equipment	**150,027**	91,420
Net cash used in investing activities	**(3,961,916)**	(16,782,683)
Financing activities		
Net movement in bank borrowings	**30,875,149**	(22,516,445)
Finance expenses paid	**(1,316,090)**	(1,111,389)
Dividend paid	**(17,500,000)**	(7,500,000)
Net cash from/(used in) financing activities	**12,059,059**	(31,127,834)
Net increase in cash and cash equivalents	**386,207**	7,361,077
Cash and cash equivalents at beginning of the period	**(11,056,113)**	(16,066,451)
Cash and cash equivalents at end of the period	**(10,669,906)**	(8,705,374)
These comprise the following:		
Cash at bank and in hand	**301,326**	578,352
Bank overdraft	**(10,971,232)**	(9,283,726)
Cash and cash equivalents at end of the period	**(10,669,906)**	(8,705,374)

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 June 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	-	-	-	-	20,444,816	-	20,444,816
Other comprehensive income							
Fair value adjustment on available for sale investments	-	-	-	-	-	(112,208)	(112,208)
Total other comprehensive income for the period	-	-	-	-	-	(112,208)	(112,208)
Total comprehensive income for the period	-	-	-	-	20,444,816	(112,208)	20,332,608
Transactions with owners, recorded directly in equity							
Total contributions by and distribution to owners	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(7,500,000)	-	(7,500,000)
At 30 June 2010	**25,000,000**	**12,500,000**	**12,500,000**	**35,314,980**	**31,416,376**	**87,248**	**116,818,604**

United Foods Company (PSC)

Condensed statement of changes in equity
for the period ended 30 June 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	-	-	-	-	29,232,855	-	29,232,855
Other comprehensive income							
Fair value adjustment on available for sale investment	-	-	-	-	-	(85,234)	(85,234)
Total other comprehensive income for the period	-	-	-	-	-	(85,234)	(85,234)
Total comprehensive income for the period	-	-	-	-	29,232,855	(85,234)	29,147,621
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 June 2011	**25,000,000**	**12,500,000**	**12,500,000**	**55,314,980**	**54,747,694**	**24,796**	**160,087,470**

No allocation of profit has been made to the general reserve for the six month period ended 30 June 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

	Three months period ended 30 June (Unaudited)		**Six months period ended 30 June (Unaudited)**	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
This includes:				
Material consumed	**89,791,261**	47,730,591	**171,315,189**	96,430,681

7 Administrative and general expenses

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
These include:				
Staff costs	**789,453**	658,523	**1,563,707**	1,285,584
Depreciation	**536,678**	373,222	**1,021,210**	751,627
Provision for impairment loss on trade receivables	**-**	-	**287,870**	-

8 Selling and distribution expenses

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
These include:				
Staff costs	**592,102**	710,236	**1,200,281**	1,405,181
Motor vehicles fuel and repair	**1,272,052**	474,002	**2,163,922**	894,189
Freight and loading	**593,334**	422,056	**1,082,770**	1,067,002
Discount to customers	**1,123,010**	463,823	**1,723,647**	898,596

9 Property, plant and equipment

Additions and disposals (Unaudited)

During the six month period ended 30 June 2011, the Company acquired assets amounting to AED 4.1 million *(six month period ended 30 June 2010: AED 16.8 million).*

10 Available for sale investments

	Unaudited 30 June 2011 AED	Audited 31 December 2010 AED	Unaudited 30 June 2010 AED
Opening balance	**386,723**	476,149	476,149
Loss on fair valuation	**(85,234)**	(89,426)	(112,208)
Closing balance	**301,489**	386,723	363,941

11 Trade and other receivables

	Unaudited 30 June 2011 AED	Audited 31 December 2010 AED	Unaudited 30 June 2010 AED
Trade receivables	**64,245,352**	44,823,169	34,655,599
Less: provision for impairment loss	**(1,384,338)**	(1,192,155)	(1,231,660)
	62,861,014	43,631,014	33,423,939
Advances, deposits and prepayments	**8,719,597**	6,557,409	6,627,328
	71,580,611	50,188,423	40,051,267

12 Inventories

	Unaudited 30 June 2011 AED	Audited 31 December 2010 AED	Unaudited 30 June 2010 AED
Raw materials	**64,084,860**	66,195,205	46,234,786
Less: Provision for slow moving inventories	**(339,761)**	(815,533)	(552,111)
	63,745,099	65,379,672	45,682,675
Work in process	**6,514,336**	5,614,225	3,213,857
Finished products	**13,654,445**	9,732,624	6,051,898
	83,913,880	80,726,521	54,948,430
Goods in transit	**13,364,104**	13,702,990	3,536,163
	97,277,984	94,429,511	58,484,593

13 Trade and other payables

	Unaudited 30 June 2011 AED	Audited 31 December 2010 AED	Unaudited 30 June 2010 AED
Trade payables	**8,242,286**	25,572,624	8,993,349
Advance from customers	**4,615,231**	5,384,265	2,347,990
Accruals	**4,183,415**	3,242,881	1,301,061
Other payables	**5,029,683**	5,199,984	11,183,064
	22,070,615	39,399,754	23,825,464

14 Related party transactions

Significant related party transactions during the period are as follows:

	Three months period ended 30 June (Unaudited)		**Six months period ended 30 June (Unaudited)**	
	2011 AED	2010 AED	**2011 AED**	2010 AED
Sales to related parties	**4,333,384**	2,574,906	**8,429,754**	6,234,231
Purchases from related parties	**27,334,108**	5,844,579	**51,790,098**	18,064,720

14 Related party transactions (continued)

The compensation to key management is as follows:

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2011	2010	**2011**	2010
	AED	AED	**AED**	AED
Salaries and allowances	**300,000**	150,000	**600,000**	300,000

Due to related parties	**Unaudited 30 June 2011 AED**	Audited 31 December 2010 AED	Unaudited 30 June 2010 AED
United Can Company LLC	**5,698,150**	6,225,137	4,914,834
	5,698,150	6,225,137	4,914,834

Due from related parties	**Unaudited 30 June 2011 AED**	Audited 31 December 2010 AED	Unaudited 30 June 2010 AED
United Kaipara Dairies Co (PSC)	**995,969**	280,118	1,577,629
Modern Bakery LLC	**89,828**	59,775	73,340
	1,085,797	339,893	1,650,969

15 Earnings per share

	Unaudited Six months period ended 30 June 2011	Unaudited Six months period ended 30 June 2010
Profit for the period (AED)	**29,232,855**	20,444,816
Weighted average number of ordinary shares outstanding	**25,000,000**	25,000,000
Basic earnings per share (AED per share)	**1.17**	0.82

16 Guarantees and capital commitments

	Unaudited 30 June 2011 AED	Unaudited 30 June 2010 AED
Bank guarantees	**1,555,180**	1,405,180
Capital commitments	**1,473,030**	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 have paid their fees and arbitration proceedings have commenced.