

United Foods Company (PSC)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2016

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF UNITED FOODS COMPANY (PSC)

Introduction

We have reviewed the accompanying interim condensed financial statements of United Foods Company (PSC) (the “Company”), which comprise the interim statement of financial position as at 30 September 2016 and the related interim statements of income and comprehensive income for the three month and nine month periods then ended and interim statements of cash flows and changes in equity and cash flows for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Signed by
Thodla Hari Gopal
Partner
Registration No. 689

_____ 2016
Dubai, United Arab Emirates

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF INCOME

For the period ended 30 September 2016 (Unaudited)

		<i>Nine months ended</i>		<i>Three months ended</i>	
		30 September 2016 AED	<i>30 September 2015 AED</i>	30 September 2016 AED	<i>30 September 2015 AED</i>
	<i>Notes</i>				
Sales		306,242,727	308,272,890	91,463,191	87,921,287
Cost of sales		(243,237,925)	(247,742,069)	(73,537,793)	(71,106,414)
GROSS PROFIT		63,004,802	60,530,821	17,925,398	16,814,873
Selling and distribution expenses		(32,686,024)	(27,689,930)	(10,780,472)	(9,145,665)
General and administrative expenses		(11,238,022)	(10,742,017)	(3,812,089)	(3,428,000)
Finance expense		(529,657)	(683,124)	(183,673)	(208,041)
Other income		832,595	838,233	528,725	359,984
PROFIT FOR THE PERIOD	3	19,383,694	22,253,983	3,677,889	4,393,151
Earnings per share in AED	7	0.64	0.74	0.12	0.15

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2016 (Unaudited)

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
PROFIT FOR THE PERIOD	19,383,694	22,253,983	3,677,889	4,393,151
Other comprehensive income				
<i>Other comprehensive income to be reclassified to profit or loss in the subsequent period:</i>				
Change in fair value of available-for-sale investments	19,014	(82,325)	14,223	(75,117)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19,402,708	22,171,658	3,692,112	4,318,034

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		30 September 2016 AED (Unaudited)	31 December 2015 AED (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	4	123,855,586	123,692,035
Intangible asset		764,652	1,108,569
Available-for-sale investments	12	6,422,190	322,326
		131,042,428	125,122,930
Current assets			
Inventories		68,876,122	65,183,699
Accounts receivable and prepayments		78,090,638	74,865,139
Due from a related party	8	349,608	223,152
Bank balances and cash	5	17,214,588	5,386,574
		164,530,956	145,658,564
TOTAL ASSETS		295,573,384	270,781,494
EQUITY AND LIABILITIES			
Equity			
Share capital		30,250,000	27,500,000
Statutory reserve		13,750,000	13,750,000
Regular reserve		13,750,000	13,750,000
General reserve		65,314,980	65,314,980
Fair value reserve		64,647	45,633
Retained earnings		105,140,099	91,256,405
Total equity		228,269,726	211,617,018
LIABILITIES			
Non-current liability			
Employees' end of service benefits		5,226,507	4,516,670
Current liabilities			
Trade and other payables		41,456,477	32,694,070
Due to a related party	8	152,491	1,862,071
Trust receipts		20,468,183	20,091,665
		62,077,151	54,647,806
Total liabilities		67,303,658	59,164,476
TOTAL EQUITY AND LIABILITIES		295,573,384	270,781,494

Ali Bin Humaid Al Owais
Chairman
_____2016

Mohammed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
_____2016

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2016 (Unaudited)

<u>2016:</u>	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Regular reserve AED</i>	<i>General reserve AED</i>	<i>Fair value reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance as at 1 January 2016	27,500,000	13,750,000	13,750,000	65,314,980	45,633	91,256,405	211,617,018
Profit for the period	-	-	-	-	-	19,383,694	19,383,694
Other comprehensive income	-	-	-	-	19,014	-	19,014
Total comprehensive income for the period	-	-	-	-	19,014	19,383,694	19,402,708
Dividends declared	-	-	-	-	-	(2,750,000)	(2,750,000)
Bonus share declared (Note 6)	2,750,000	-	-	-	-	(2,750,000)	-
Balance as at 30 September 2016	30,250,000	13,750,000	13,750,000	65,314,980	64,647	105,140,099	228,269,726

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 30 September 2016 (Unaudited)

<u>2015:</u>	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Regular reserve AED</i>	<i>General reserve AED</i>	<i>Fair value reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance as at 1 January 2015	27,500,000	13,750,000	13,750,000	65,314,980	241,144	68,023,966	188,580,090
Profit for the period	-	-	-	-	-	22,253,983	22,253,983
Other comprehensive income	-	-	-	-	(82,325)	-	(82,325)
Total comprehensive income for the period	-	-	-	-	(82,325)	22,253,983	22,171,658
Dividends declared	-	-	-	-	-	(2,750,000)	(2,750,000)
Balance as at 30 September 2015	<u>27,500,000</u>	<u>13,750,000</u>	<u>13,750,000</u>	<u>65,314,980</u>	<u>158,819</u>	<u>87,527,949</u>	<u>208,001,748</u>

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period ended 30 September 2016 (Unaudited)

		Nine months ended	
		30 September 2016 AED	30 September 2015 AED
Notes			
	OPERATING ACTIVITIES		
	Profit for the period	19,383,694	22,253,983
	Adjustments for:		
	Depreciation	9,061,136	5,884,661
	Amortisation	343,917	390,744
	Gain on disposal of property, plant and equipment	(2,619)	(233,198)
	Finance cost	529,657	683,124
	Provision for employees' end of service benefits	898,806	885,721
		30,214,591	29,865,035
	Working capital changes:		
	Inventories	(3,692,423)	(948,067)
	Accounts receivable and prepayments	(3,225,499)	(2,156,651)
	Trade and other payables	8,762,407	8,559,141
	Due from a related party	(126,456)	(34,613)
	Due to a related party	(1,709,580)	1,407,847
		30,223,040	36,692,692
	Employees' end of service benefits paid	(188,969)	(372,848)
	Net cash from operating activities	30,034,071	36,319,844
	INVESTING ACTIVITIES		
	Additions of property, plant and equipment	(9,228,568)	(43,850,069)
4	Additions of intangible assets	-	(193,222)
	Proceeds from disposal of property, plant and equipment	6,500	240,205
	Purchase of available-for-sales investment	(6,080,850)	-
	Net cash used in investing activities	(15,302,918)	(43,803,086)
	FINANCING ACTIVITIES		
	Trust receipts obtained	78,265,532	103,952,167
	Trust receipts paid	(77,889,014)	(92,979,120)
	Finance costs paid	(529,657)	(683,124)
	Dividends paid	(2,750,000)	(2,654,634)
	Net cash (used in)/ from financing activities	(2,903,139)	7,635,289
	INCREASE IN CASH AND CASH EQUIVALENTS	11,828,014	152,047
	Cash and cash equivalents at 1 January	3,886,574	5,328,652
	CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	15,714,588	5,480,699
5			

The attached notes 1 to 12 form part of these interim condensed financial statements.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

1 ACTIVITIES

United Foods Company (PSC) (the “Company”) is a Public Shareholding Company, incorporated on 1 November 1976 by a Decree issued by 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. (2) of 2015. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. In order to comply with the new Commercial Company Law, the Company held its General Assembly meeting on 14 June 2016 to amend its article of association. The amendment will be applied after obtaining necessary regulatory approvals.

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

The Company is primarily engaged in the manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products and fat including trading of food products. The registered address of the Company is P.O. Box 5836, Dubai, United Arab Emirates.

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY’S ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the nine months period ended 30 September 2016 have been prepared in accordance with IAS 34 “*Interim Financial Reporting*”.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2015.

In addition, results for the nine months period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2015. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2016 has had no effect on the interim financial statements of the Company.

3 PROFIT FOR THE PERIOD

Profit for the period is stated after charging:

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September 2016 AED (Unaudited)</i>	<i>30 September 2015 AED (Unaudited)</i>	<i>30 September 2016 AED (Unaudited)</i>	<i>30 September 2015 AED (Unaudited)</i>
Employee expenses	25,547,026	23,408,531	8,484,223	7,804,905
Rental - operating lease	1,379,673	2,156,506	485,644	537,403
Inventories charged to cost of sales	217,245,309	224,465,393	65,870,132	63,674,778

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the period ended 30 September 2016, the Company incurred cost in respect of additions amounting to AED 9,228,568 (31 December 2015: AED 47,372,797).

During the period ended 30 September 2016, assets with a net book value of AED 3,881 were disposed off by the Company (31 December 2015: AED 7,007).

As at 30 September 2016, capital work-in-progress of AED 18,908,266 (31 December 2015: AED 19,637,661) pertains to the expenditures incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 626,722 (31 December 2015: AED 1,915,323).

During the period ended 30 September 2016, capital work-in-progress amounting to AED 9,957,963 (31 December 2015: AED 62,049,274) pertaining to expenditures incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area have been capitalized.

5 CASH AND CASH EQUIVALENTS

For the purpose of the interim statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2016 AED (Unaudited)	31 December 2015 AED (Audited)
Cash in hand	211,724	177,213
Bank balances	15,502,864	3,709,361
Deposits	1,500,000	1,500,000
	<hr/>	<hr/>
Bank balances and cash	17,214,588	5,386,574
Less: deposits with an original maturity of more than three months	(1,500,000)	(1,500,000)
	<hr/>	<hr/>
Cash and cash equivalents	15,714,588	3,886,574
	<hr/>	<hr/>

6 SHARE CAPITAL

	30 September 2016 AED (Unaudited)	31 December 2015 AED (Audited)
<i>Authorised issued and fully paid up:</i>		
30,250,000 shares of 1 AED each		
(31 December 2015: 27,500,000 shares of 1 AED each)	30,250,000	27,500,000
	<hr/>	<hr/>

During the Board of Directors meeting held on 9 February 2016, the Directors proposed a 10% bonus issue of shares totaling to AED 2.75 million relating to 2015. The bonus issue was approved by the shareholders in the Annual General Meeting held on 9 March 2016.

7 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period amounting to AED 19,383,695 (30 September 2015: AED 22,253,983) by the weighted average number of ordinary shares outstanding during the period ended 30 September 2016 of 30,250,000 shares (30 September 2015: 30,250,000 shares). ss

The weighted average number of shares outstanding during the period ended 30 September 2015 has been amended for the bonus shares issued during 2016 (Note 6).

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a) Significant transactions with related parties:

Significant transactions with related parties included in the interim condensed statement of income are as follows:

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September 2016 AED (Unaudited)</i>	<i>30 September 2015 AED (Unaudited)</i>	<i>30 September 2016 AED (Unaudited)</i>	<i>30 September 2015 AED (Unaudited)</i>
Other related parties:				
Sales to related parties	993,121	941,882	346,760	336,330
Purchases of raw materials and services	7,560,676	19,111,341	1,183,649	5,472,962

Compensation of key management personnel

The remuneration of directors and other key members of management during the period were as follows:

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September 2016 AED (Unaudited)</i>	<i>30 September 2015 AED (Unaudited)</i>	<i>30 September 2016 AED (Unaudited)</i>	<i>30 September 2015 AED (Unaudited)</i>
Short-term benefits	2,416,972	2,391,972	802,324	797,324
Employees' end of service benefits	92,837	80,407	31,070	31,117
Bonus	375,000	237,000	125,000	79,000
	2,884,809	2,709,379	958,394	907,441

b) Due from a related party:

	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
Other related party: Modern Bakery LLC	349,608	223,152

c) Due to a related party:

	<i>30 September 2016 AED (Unaudited)</i>	<i>31 December 2015 AED (Audited)</i>
Other related party: United Can Company LLC	152,491	1,862,071

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

9 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 30 September 2016, the Company had Nil Open Letter of Credit in respect of bank (31 December 2015: AED 331,691), from which it is anticipated that no material liabilities will arise.

Legal claim contingency

The Company has a few pending litigations that occur in the ordinary course of business. To the extent, the Directors believe appropriate, adequate provisions have been made in the accounts.

Guarantees

At 30 September 2016, the Company had guarantees with the bank amounting to AED 1,570,000 (31 December 2015: AED 1,570,000), from which it is anticipated that no material liabilities will arise.

Capital commitments

At 30 September 2016, the Company had capital commitments in respect of purchase of property, plant and equipment amounting to AED 4,460,960 (31 December 2015: AED 8,707,356).

Operating lease commitments

The land at Jebel Ali Industrial Area is taken on lease for annual rent of AED 979,616 for 10 years ending January 2023, which can be renewed for a further period of 10 years. The future aggregate minimum lease payments on the land and other leases under non-cancellable operating leases are as follows:

	30 September 2016 AED (Unaudited)	31 December 2015 AED (Audited)
Within one year	1,560,521	1,633,589
After 1 year but not more than five years	4,274,964	4,445,069
More than five years	1,265,337	2,000,049
	<u>7,100,822</u>	<u>8,078,707</u>

10 SEGMENTAL REPORTING

The Company operates in a single reporting segment primarily engaged in the manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products and fat including trading of food products. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, statements of income and other comprehensive income and notes to the financial statements.

IFRS also requires an entity to report its segment assets and revenues along geographical regions. All significant activities of the Company are performed on an integrated basis in the Middle East and the Directors do not consider an analysis by individual country would be meaningful.

Additional information required by IFRS 8 *Segment Reporting*, is disclosed below:

Major customer

During the period ended 30 September 2016, revenue from no customer accounts for 10% or more of the Company's total revenue.

During the period ended 30 September 2015, revenue from one customer amounting to AED 32,274,649 accounts for 10% or more of the Company's total revenue.

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

11 FIDUCIARY ASSETS

As at 30 September 2016, the Company held raw materials, in a fiduciary capacity on behalf of a third party amounting to AED 46,329 (31 December 2015: AED 949,121).

12 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, accounts receivables, due from a related party and available-for-sale investments. Financial liabilities consist of trust receipts, trade and other payables and due to a related party.

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 September 2016, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>30 September</i>			
	<i>2016</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Quoted equity securities:				
Consumer Product: FMCG Sector	6,080,850	-	-	6,080,850
Investments and Financial Services Sector	327,500	327,500	-	-
Marine Terminal Operations Sector	13,840	13,840	-	-
Total	6,422,190	341,340	-	6,080,850

As at 31 December 2015, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 December</i>			
	<i>2015</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Quoted equity securities:				
Investments and Financial Services Sector	307,500	307,500	-	-
Marine Terminal Operations Sector	14,826	14,826	-	-
Total	322,326	322,326	-	-

During the period ended 30 September 2016 and year ended 31 December 2015, there were no transfers between the various levels of fair value measurements.