

**UNITED FOODS COMPANY (PSC)
AND ITS SUBSIDIARIES**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2022

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of United Foods Company (PSC) (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as at 30 September 2022 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, and interim condensed consolidated statement of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated 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 consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

DRAFT

Signed by
Ashraf Abu Sharkh
Partner
Registration No. 690

_____ 2022

Dubai, United Arab Emirates

United Foods Company (PSC) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 September 2022 (Unaudited)

	<i>Notes</i>	<i>Nine months ended</i>		<i>Three months ended</i>	
		<i>(Unaudited)</i>		<i>(Unaudited)</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Revenue from contracts with customers, gross		528,051,815	392,641,383	142,524,928	122,234,937
Less: Discounts and marketing expenses		(18,474,438)	(14,556,060)	(5,294,978)	(3,629,882)
Revenue from contracts with customers, net		509,577,377	378,085,323	137,229,950	118,605,055
Cost of sales		(447,751,928)	(326,109,231)	(127,653,059)	(102,794,678)
GROSS PROFIT		61,825,449	51,976,092	9,576,891	15,810,377
Selling and distribution expenses		(34,320,628)	(26,284,641)	(10,215,284)	(8,939,639)
General and administrative expenses		(13,615,012)	(20,185,757)	(4,329,277)	(4,416,462)
Finance expense		(1,471,189)	(728,334)	(652,531)	(248,939)
Other income, net		1,620,117	1,465,006	498,755	301,910
PROFIT/(LOSS) FOR THE PERIOD	3	14,038,737	6,242,366	(5,121,446)	2,507,247
Profit/(loss) attributable to:					
Owners of the Group		14,038,737	6,242,366	(5,121,446)	2,507,247
Earnings per share:					
Basic and diluted in AED	9	0.46	0.21	(0.17)	0.08

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2022 (Unaudited)

	<i>Nine months ended</i> <i>(Unaudited)</i>		<i>Three months ended</i> <i>(Unaudited)</i>	
	<i>30 September</i> <i>2022</i> <i>AED</i>	<i>30 September</i> <i>2021</i> <i>AED</i>	<i>30 September</i> <i>2022</i> <i>AED</i>	<i>30 September</i> <i>2021</i> <i>AED</i>
Profit/(loss) for the period	14,038,737	6,242,366	(5,121,446)	2,507,247
Other comprehensive income/(loss):				
<i>Items that will not be reclassified</i> <i>subsequently to profit or loss</i>				
Change in fair value of equity securities measured at FVOCI	(515,033)	516,705	(219,063)	267,860
	(515,033)	516,705	(219,063)	267,860
<i>Items that may be reclassified</i> <i>subsequently to profit or loss</i>				
Change in fair value of debt securities at FVOCI - Sukuk instruments	(341,217)	-	(341,217)	-
	(341,217)	-	(341,217)	-
Other comprehensive income/(loss)	(856,250)	516,705	(560,280)	267,860
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE PERIOD	13,182,487	6,759,071	(5,681,726)	2,775,107

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	<i>Notes</i>	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited) Restated
ASSETS			
Non-current assets			
Property, plant and equipment	4	83,792,338	86,982,728
Right-of-use assets	5	20,198,927	17,739,476
Intangible assets		1,386,461	1,361,706
Investment securities	15	10,481,039	1,950,812
Long term receivables	6	-	408,000
		115,858,765	108,442,722
Current assets			
Inventories		128,064,689	104,766,259
Trade and other receivables		125,060,287	106,332,579
Amounts due from related parties	11	529,252	602,070
Bank balances and cash	7	40,265,047	52,267,356
		293,919,275	263,968,264
TOTAL ASSETS		409,778,040	372,410,986
EQUITY AND LIABILITIES			
Equity			
Share capital	8	30,250,000	30,250,000
Statutory reserve		15,125,000	15,125,000
Regular reserve		15,125,000	15,125,000
General reserve		65,314,980	65,314,980
Fair value reserve		(22,817)	833,433
Retained earnings		182,343,120	174,354,383
Total equity		308,135,283	301,002,796
Non-current liabilities			
Employees' end of service benefits		8,925,885	8,285,260
Lease liabilities	10	13,880,119	11,216,471
		22,806,004	19,501,731
Current liabilities			
Trade and other payables		47,604,658	45,498,979
Lease liabilities	10	2,009,301	2,036,582
Due to banks	7	29,222,794	4,370,898
		78,836,753	51,906,459
Total liabilities		101,642,757	71,408,190
TOTAL EQUITY AND LIABILITIES		409,778,040	372,410,986

Mohammed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
2022

Mohamed Salim Rashid Al Owais
Vice Chairman
2022

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2022 (Unaudited)

2022:	<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 2022	30,250,000	15,125,000	15,125,000	65,314,980	833,433	174,354,383	301,002,796
Profit for the period	-	-	-	-	-	14,038,737	14,038,737
Other comprehensive loss	-	-	-	-	(856,250)	-	(856,250)
Total comprehensive income/(loss) for the period	-	-	-	-	(856,250)	14,038,737	13,182,487
Dividends declared	-	-	-	-	-	(6,050,000)	(6,050,000)
Balance as at 30 September 2022	30,250,000	15,125,000	15,125,000	65,314,980	(22,817)	182,343,120	308,135,283

The Annual General Meeting held on 11 April 2022 approved a dividend of AED 0.20 per share totalling to AED 6,050,000, which was paid during the period ended 30 June 2022, and approved the remuneration of the Board of Directors of AED 725,000 accounted for as at 31 December 2021.

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 30 September 2022 (Unaudited)

2021:	<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 2021	30,250,000	15,125,000	15,125,000	65,314,980	(133,397)	185,980,889	311,662,472
Profit for the period	-	-	-	-	-	6,242,366	6,242,366
Other comprehensive income	-	-	-	-	516,705	-	516,705
Total comprehensive income for the period	-	-	-	-	516,705	6,242,366	6,759,071
Dividends declared	-	-	-	-	-	(19,662,500)	(19,662,500)
Balance as at 30 September 2021	<u>30,250,000</u>	<u>15,125,000</u>	<u>15,125,000</u>	<u>65,314,980</u>	<u>383,308</u>	<u>172,560,755</u>	<u>298,759,043</u>

The Annual General Meeting held on 22 March 2021 approved a dividend of AED 0.65 per share totalling to AED 19,662,500, which was paid during the period ended 30 June 2021, and approved the remuneration of the Board of Directors of AED 3,700,000 accounted for as at 31 December 2020.

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2022 (Unaudited)

		<i>Nine months ended</i>	
		30 September 2022 AED	30 September 2021 AED <i>Restated</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit for the period		14,038,737	6,242,366
Adjustments for:			
Depreciation on property, plant and equipment		8,317,636	8,413,392
Depreciation on right-of-use assets	5	1,352,606	1,386,921
Amortisation of intangible assets		173,549	202,425
Finance cost		1,471,189	728,334
Gain on disposal of property, plant and equipment		(200,952)	(69,789)
Gain on termination of leases		-	(10,912)
Provision for employees' end of service benefits		1,169,387	975,756
Provision for expected credit losses		1,233,228	38,519
Provision for legal claims	3	-	7,140,723
Provision for slow moving inventories		1,100,973	(38,814)
		28,656,353	25,008,921
Working capital changes:			
Inventories		(24,399,403)	(43,381,953)
Trade and other receivables		(19,552,936)	(17,305,786)
Trade and other payables		2,105,679	30,522,815
Amounts due from related parties		72,818	(393,750)
		(13,117,489)	(5,549,753)
Employees' end of service benefits paid		(528,762)	(745,023)
Net cash used in operating activities		(13,646,251)	(6,294,776)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(5,127,246)	(1,971,518)
Purchase of intangible assets		(198,304)	(460,953)
Refund against purchase of property, plant and equipment		-	932,200
Proceeds from disposal of property, plant and equipment		200,952	238,225
Fixed deposit placements		(19,000,000)	(500,000)
Purchase of investment securities		(9,386,477)	-
Acquisition of subsidiaries, net of cash acquired	6	-	(3,023,245)
Net cash used in investing activities		(33,511,075)	(4,785,291)
FINANCING ACTIVITIES			
Payment of lease liabilities	10	(1,719,994)	(1,726,263)
Finance costs paid		(926,885)	(189,492)
Dividends paid		(6,050,000)	(19,662,500)
Net cash used in financing activities		(8,696,879)	(21,578,255)
DECREASE IN CASH AND CASH EQUIVALENTS		(55,854,205)	(32,658,322)
Cash and cash equivalents at 1 January		46,896,458	114,515,279
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		(8,957,747)	81,856,957

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (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 applicable UAE Federal Law at the time.

The Company’s shares are listed on the Dubai Financial Market (DFM) since July 2006.

The Company is primarily engaged in the manufacturing, processing and marketing of 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, UAE.

Effective 31 August 2021, the Company has acquired 100% controlling interest in Stratus General Trading LLC and PAL Foodstuff & Beverages Trading LLC. During the quarter ended 30 September 2022, the Company has finalised the final accounting of this acquisition and restated some of its opening balances comparatives numbers accordingly. There was no impact of this restatement on the previously reported statements of income or changes in equity (refer to note 6).

The Company and its following subsidiaries form the “Group” and together referred as the “Group” in these interim condensed consolidated financial statements. The subsidiaries’ principal activities and legal and beneficial ownership are set out below:

<i>Name of the subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership% 30 September 2022</i>	<i>Ownership% 31 December 2021</i>
Stratus General Trading LLC	General Trading -Wholesalers	UAE	100%	100%
PAL Foodstuff & Beverages Trading LLC	Food and Beverages Trading	UAE	100%	100%

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

Basis of preparation

The interim condensed consolidated financial statements for the nine months period ended 30 September 2022 have been prepared in accordance with IAS 34 “*Interim Financial Reporting*”. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2021.

In addition, results for the period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

When preparing the interim condensed consolidated financial statements, management undertakes number of judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management.

Federal Decree-Law No. 32 of 2021 which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 20 September 2021 and is effective from 2 January 2022. The General Assembly meeting of the shareholders dated 11 April 2022 approved the amendments of the Articles of Association to comply with the requirements of Federal Decree-Law No. 32 of 2021 regarding commercial companies.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards, amendments and interpretations effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several standards, amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

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 2022 AED (Unaudited)</i>	<i>30 September 2021 AED (Unaudited)</i>	<i>30 September 2022 AED (Unaudited)</i>	<i>30 September 2021 AED (Unaudited)</i>
Inventories charged to cost of sales	426,702,734	307,360,127	121,183,598	96,735,372
Employee expenses	30,279,688	28,454,427	9,722,413	9,479,425
Rental - operating lease *	269,099	543,776	54,624	119,983
Provision for legal claims	-	7,140,723	-	-

* Rental – operating leases expense for the period ended 30 September 2022 relates to the lease contracts that have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'), as per the accounting policies of the Company.

4 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the period ended 30 September 2022, the Group incurred costs in respect of additions amounting to AED 5,127,246 (for the year ended 31 December 2021: AED 2,901,428).

As at 30 September 2022, capital work-in-progress of AED 3,444,360 (31 December 2021: AED 1,643,917) includes the expenditure incurred on the expansion of factory and warehouse facility in Jebel Ali Industrial Area.

5 RIGHT-OF-USE ASSETS

	<i>30 September 2022 AED (Unaudited)</i>	<i>31 December 2021 AED (Audited)</i>
As at 1 January	17,739,476	19,848,951
Addition during the period/year	1,879,181	726,820
Modifications during the period/year	1,932,876	-
Acquired through business combination (Note 6)	-	8,156
Less: retirements during the period/year	-	(1,034,138)
Less: depreciation for the period/year	(1,352,606)	(1,810,313)
	20,198,927	17,739,476

The Group has lease contracts for various items of land and motor vehicles.

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

6 BUSINESS COMBINATION

Effective 31 August 2022, the Company has entered into share purchase agreements to acquire 100% of voting shares of Stratus General Trading LLC (“SGT”) and PAL Foodstuff & Beverages Trading LLC (“PAL”), unlisted companies incorporated and registered in United Arab Emirates. The Company has acquired SGT and PAL because these expand both its existing product portfolio and customer base in GCC region. No non-controlling interest arose from the acquisitions.

In the previous year, the Group had provisionally accounted for the above acquisition on provisional basis by applying the acquisition method as per IFRS 3 ‘Business Combinations’ on achieving the control and expect to finalise the acquisition accounting on finalisation of fair values of assets acquired and liabilities assumed within one year of the acquisition date.

In the previous year, the Group had recognised a provisional value of goodwill of AED 1,321,304. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of SGT and PAL with those of the Group.

Assets acquired and liabilities assumed - SGT

For the final accounting of the business combination, the fair values of the identifiable assets and liabilities of SGT as at date of acquisition 31 August 2021 are:

	<i>Fair values recognised on acquisition AED (Unaudited)</i>
Assets	
Property, plant and equipment	474,113
Intangible assets	525,818
Right-of-use assets	8,156
Inventories	1,078,231
Trade receivables and other receivables	1,408,669
Bank balances and cash	83,029
	<hr/> 3,578,016 <hr/>
Liabilities	
Trade and other payables	257,762
Employees’ end of service benefits	147,547
	<hr/> 405,309 <hr/>
Total liabilities	<hr/> 405,309 <hr/>
Total identifiable net assets at fair value	<hr/> 3,172,707 <hr/>
Consideration paid by the Company to acquire 100% of equity	3,172,707
Less: fair value of net assets acquired	(3,172,707)
	<hr/>
Goodwill	-
	<hr/>

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

6 BUSINESS COMBINATION (continued)

Consideration

As per sale and purchase agreement, the consideration agreed was AED 4,250,000, subject to certain adjustments resulting from change in net assets of SGT from the date of sale and purchase agreement to closing date i.e., 31 August 2022, to be agreed between the parties. On 25 August 2022, the Company signed an annexure to the original agreement, whereby the Company has adjusted the consideration to AED 3,172,707 after considering the adjustments as per agreement.

Contribution during the period

From the date of acquisition 31 August 2021, SGT has contributed AED 539,808 of revenue and loss of AED 205,386 from the continuing operations of the Group for the year ended 31 December 2021. Had the acquisition taken place on 1 January 2021, revenue would have been AED 6,360,268 and the net loss would have been AED 1,488,252 for the year ended 31 December 2021.

Assets acquired and liabilities assumed – PAL

For the final accounting of the business combination, the fair values of the identifiable assets and liabilities of PAL as at date of acquisition 31 August 2021 are:

	<i>Fair value recognised on acquisition AED (Unaudited)</i>
Assets	
Property, plant and equipment	37,157
Inventories	596
Trade receivables and other receivables	107,291
Bank balances and cash	98,726
	<hr/>
	243,770
	<hr/>
Liabilities	
Trade and other payables	162,726
Employees' end of service benefits	48,751
	<hr/>
Total liabilities	211,477
	<hr/>
Total identifiable net assets at fair value	32,293
	<hr/> <hr/>
Consideration paid by the Company to acquire 100% of equity	32,293
Less: fair value of net assets acquired	(32,293)
	<hr/>
Goodwill	-
	<hr/> <hr/>
<i>Analysis of cash flows on acquisitions:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	181,755
Cash paid	(3,205,000)
	<hr/>
Net cash flow on acquisition	(3,023,245)
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United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

6 BUSINESS COMBINATION (continued)

Consideration

As per sale and purchase agreement, the consideration agreed was AED 300,000, subject to certain adjustments resulting from change in net assets of PAL from the date of sale and purchase agreement to closing date i.e., 31 August 2022, to be agreed between the parties. On 25 August 2022, the Company signed an annexure to the original agreement, whereby the Company has adjusted the consideration to AED 32,293 after considering the adjustments as per agreement.

Contribution during the period

From the date of acquisition 31 August 2021, PAL has contributed AED 73,840 of revenue and loss of AED 101,785 from the continuing operations of the Group for the year ended 31 December 2021. Had the acquisition taken place on 1 January 2021, revenue would have been AED 1,251,721 and the loss for the period would have been AED 1,339,504 for the year ended 31 December 2021.

Finalisation of acquisition accounting of SGT and PAL

On 25 August 2022, the Company signed an annexure to the original agreements whereby the total consideration amount has been reduced by AED 880,000, including an amount of AED 472,000 which will be collected by the Company during the year 2022 while the remaining amount of AED 408,000 will be collected during the year 2023.

In addition, as per the final accounting, the Group has identified exclusive rights arising from the acquisition with a fair value of AED 441,304 which were allocated to intangible assets. Accordingly, the Company has restated its consolidated financial statements as at and for the year ended 31 December 2021. The consolidated financial statements line items impacted due to this restatement are disclosed below:

Consolidated statement of financial position (extract)

	31 December 2021 as previously reported AED	Increase/(decrease) in consolidated statement of financial position AED	31 December 2021 as restated AED
Intangible assets	920,402	441,304	1,361,706
Goodwill	1,321,304	(1,321,304)	-
Trade and other receivables	105,860,579	472,000	106,332,579
Long term receivables	-	408,000	408,000

Consolidated statement of cash flows (extract)

	30 September 2021 as previously reported AED	Increase/(decrease) in consolidated statement of financial position AED	30 September 2021 as restated AED
Trade and other receivables	(16,425,786)	(880,000)	(17,305,786)
Acquisition of subsidiaries, net of cash acquired	(3,903,245)	880,000	(3,023,245)

The restatement does not impact the consolidated net assets, consolidated equity and the consolidated statement of comprehensive income of the Group for the year ended 31 December 2021.

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

7 CASH AND CASH EQUIVALENTS

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

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)	30 September 2021 AED (Unaudited)
Cash in hand	155,782	187,049	206,754
Bank balances	20,009,265	1,980,307	32,550,203
Deposits *	20,100,000	50,100,000	50,100,000
	<u>40,265,047</u>	<u>52,267,356</u>	<u>82,856,957</u>
Bank balances and cash			
Less: Deposits with an original maturity of more than 3 months	(20,000,000)	(1,000,000)	(1,000,000)
Due to banks **	(29,222,794)	(4,370,898)	-
	<u>(8,957,747)</u>	<u>46,896,458</u>	<u>81,856,957</u>
Cash and cash equivalents	(8,957,747)	46,896,458	81,856,957

* Deposits are placed with local banks and accrue interest at prevailing market rates.

** Due to banks represent short-term trust receipts to meet the Group's working capital requirements.

8 SHARE CAPITAL

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Authorised, issued and fully paid up:		
30,250,000 ordinary shares of 1 AED each		
(31 December 2021: 30,250,000 ordinary shares of 1 AED each)	<u>30,250,000</u>	<u>30,250,000</u>

9 EARNINGS PER SHARE

Basic and diluted earnings per share of AED 0.46 per share (for the period ended 30 September 2021: AED 0.21 per share) are calculated by dividing the profit for the period amounting to AED 14,038,737 (for the period ended 30 September 2021: AED 6,242,366) by the weighted average number of ordinary shares outstanding during the period ended 30 September 2022 of 30,250,000 shares (during the period ended 30 September 2021: 30,250,000 shares).

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

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

10 LEASE LIABILITIES

	<i>30 September 2022 AED (Unaudited)</i>	<i>31 December 2021 AED (Audited)</i>
At 1 January	13,253,053	14,495,930
Addition during the period/ year	1,879,181	726,820
Modifications during the period/year	1,932,876	-
Add: finance cost	544,304	729,427
Less: Retirements during the period/year	-	(1,018,741)
Less: payments during the period / year, net of prepayments and accruals adjustment	(1,719,994)	(1,680,383)
	15,889,420	13,253,053

Presented in the interim condensed consolidated statement of financial position as follows:

	<i>30 September 2022 AED (Unaudited)</i>	<i>31 December 2021 AED (Audited)</i>
Current	2,009,301	2,036,582
Non-current	13,880,119	11,216,471
	15,889,420	13,253,053

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, 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 in line with the Company's board of directors.

a) Significant transactions with related parties:

Significant transactions with related parties are as follows:

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September 2022 AED (Unaudited)</i>	<i>30 September 2021 AED (Unaudited)</i>	<i>30 September 2022 AED (Unaudited)</i>	<i>30 September 2021 AED (Unaudited)</i>
<i>Entities under common control:</i>				
Sales to related parties	1,689,985	1,276,200	504,050	507,700
<i>Associate:</i>				
Purchases of raw materials and services	-	8,610	-	-

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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 2022 AED (Unaudited)</i>	<i>30 September 2021 AED (Unaudited)</i>	<i>30 September 2022 AED (Unaudited)</i>	<i>30 September 2021 AED (Unaudited)</i>
Short-term benefits	2,300,628	2,396,097	766,876	798,699
Employees' end of service benefits	108,610	109,310	36,390	36,390
Bonus	433,808	433,808	147,780	146,192
Director Sitting fee	75,000	90,000	30,000	45,000
	2,918,046	3,029,215	981,046	1,026,281

For the year ended 31 December 2021, the Board of Directors determined the remuneration of Directors amounting to AED 725,000 (2020: AED 3,700,000), which was approved by the shareholders in the annual general meeting held on 11 April 2022 and paid during the year (2020: approved by the shareholders in the annual general meeting held on 21 March 2021).

b) Amounts due from related parties:

	<i>30 September 2022 AED (Unaudited)</i>	<i>31 December 2021 AED (Audited)</i>
<i>Entities under common control</i>		
Trade receivables	529,252	602,070

12 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 30 September 2022, the Group had contingent liabilities in respect of banks amounting to AED 2,053,768 (31 December 2021: AED 1,718,938) from which it is anticipated that no material liabilities will arise.

Legal claim contingency

The Group 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.

During 2021, a court of first instance had ordered the Group to pay an amount of AED 7.1 million under a claim by an ex-distributor. Accordingly, the Group booked a provision for this amount during the year ended 31 December 2021. During 2022, an amount of AED 7,212,949 was given as a bank guarantee to the court against the case filed against the Group by a claimant. The Group, as per the directives of the court, was required to submit the amount as a bank guarantee. The court of cassation ruled its judgement of appeal no. 150/2022 on 20 April 2022 and obligated the Group to liquidate the bank guarantee and deposit the same to the execution account favoring the claimant. In compliance with the court judgement, the Group executed a bank transfer of AED 7.1 million on 24 May 2022 in favor of Dubai courts execution account. This case has been settled and closed.

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

12 CONTINGENCIES AND COMMITMENTS (continued)

Capital commitments

At 30 September 2022, the Group had capital commitments in respect of purchase of property, plant and equipment amounting to AED 4,915,612 (31 December 2021: AED 2,682,932).

13 SEGMENTAL REPORTING

The Group operates in a single reporting segment primarily engaged in manufacturing, processing and marketing of 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 interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income and notes to the interim condensed consolidated financial statements.

IFRS also requires an entity to report its segment assets and revenues along geographical regions. All significant activities of the Group 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 2022, revenue from no customer accounts for 10% or more of the Group's total revenue (30 September 2021: Revenue from no customer accounts for 10% or more of the Group's total revenue).

14 FIDUCIARY ASSETS

As at 30 September 2022, the Group held 5.71 MT (31 December 2021: 54.75 MT) raw materials, in a fiduciary capacity on behalf of third parties.

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, trade and other receivables, amounts due from related parties and investment securities at fair value through other comprehensive income. Financial liabilities consist of trade and other payables and lease liabilities.

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

Fair value hierarchy

The Group 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.

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

15 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

As at 30 September 2022, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	<i>30 September 2022</i> <i>AED</i>	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>
Quoted equity securities				
Consumer Staples Sector	1,063,278	1,063,278	-	-
Investments and Financial Services Sector	372,500	372,500	-	-
	<u>1,435,778</u>	<u>1,435,778</u>	<u>-</u>	<u>-</u>
Quoted debt securities				
Sukuk instruments	9,045,261	9,045,261	-	-
	<u>9,045,261</u>	<u>9,045,261</u>	<u>-</u>	<u>-</u>
Total	<u><u>10,481,039</u></u>	<u><u>10,481,039</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
	<i>31 December 2021</i> <i>AED</i>	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>
Assets measured at fair value				
Quoted equity securities				
Consumer Staples Sector	1,240,812	1,240,812	-	-
Investments and Financial Services Sector	710,000	710,000	-	-
	<u>1,950,812</u>	<u>1,950,812</u>	<u>-</u>	<u>-</u>
Total	<u><u>1,950,812</u></u>	<u><u>1,950,812</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

During the period ended 30 September 2022 and year ended 31 December 2021, there were no transfers between the various levels of fair value measurements.