

**United Foods Company (PSC)**

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**30 JUNE 2013**

## 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") as at 30 June 2013, comprising the interim statement of financial position as at 30 June 2013 and the related interim statements of income and comprehensive income for the three month and six month periods then ended, and the interim statement of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed 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 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. Consequently, it 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  
Ashraf Abu-Sharkh  
Partner  
Registration No. 690  
14 August 2013  
Dubai, United Arab Emirates

United Foods Company (PSC)

INTERIM STATEMENT OF INCOME

For the period ended 30 June 2013 (Unaudited)

	<i>Note</i>	<i>Six months ended</i>		<i>Three months ended</i>	
		<i>30 June 2013 AED</i>	<i>30 June 2012 AED</i>	<i>30 June 2013 AED</i>	<i>30 June 2012 AED</i>
Sales		<b>199,921,924</b>	201,935,997	<b>107,587,886</b>	101,884,639
Cost of sales		<b>(171,408,636)</b>	(181,520,641)	<b>(92,018,910)</b>	(91,645,654)
<b>GROSS PROFIT</b>		<b>28,513,288</b>	20,415,356	<b>15,568,976</b>	10,238,985
Selling and distribution expenses		<b>(9,272,335)</b>	(5,976,307)	<b>(4,903,847)</b>	(3,401,853)
General and administrative expenses		<b>(6,840,936)</b>	(5,181,501)	<b>(3,397,929)</b>	(3,189,336)
Finance expense		<b>(557,988)</b>	(476,586)	<b>(413,607)</b>	(273,779)
Other income		<b>1,032,538</b>	2,772,447	<b>401,000</b>	1,751,639
<b>PROFIT FOR THE PERIOD</b>		<b>12,874,567</b>	11,553,409	<b>7,254,593</b>	5,125,656
Earnings per share in AED	12	<b>0.47</b>	0.42	<b>0.26</b>	0.19

The attached notes 1 to 19 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2013 (Unaudited)

	<i>Note</i>	<i>Six months ended</i>		<i>Three months ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Profit for the period</b>		<b>12,874,567</b>	11,553,409	<b>7,254,593</b>	5,125,656
<b>Other comprehensive income</b>					
<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	5	<b>175,107</b>	25,091	<b>163,427</b>	(53,804)
<b>Net other comprehensive income to be reclassified to profit or loss in the subsequent period</b>	5	<b>175,107</b>	25,091	<b>163,427</b>	(53,804)
<b>Total comprehensive income for the period</b>		<b>13,049,674</b>	11,578,500	<b>7,418,020</b>	5,071,852


The attached notes 1 to 19 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		30 June 2013 AED (Unaudited)	31 December 2012 AED (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	59,281,683	60,770,203
Available-for-sale investments	5	438,652	263,545
		<u>59,720,335</u>	<u>61,033,748</u>
<b>Current assets</b>			
Inventories	6	83,134,522	92,623,599
Trade and other receivables	7	79,184,338	54,452,578
Due from a related party	13	96,405	103,437
Bank balances and cash	8	3,767,549	1,917,480
		<u>166,182,814</u>	<u>149,097,094</u>
Assets classified as held for sale	9	-	281,000
<b>TOTAL ASSETS</b>		<u><u>225,903,149</u></u>	<u><u>210,411,842</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	27,500,000	25,000,000
Statutory reserve		12,500,000	12,500,000
Regular reserve		12,500,000	12,500,000
General reserve		65,314,980	65,314,980
Fair value reserve		161,959	(13,148)
Retained earnings		57,938,563	47,563,996
<b>Total equity</b>		<u>175,915,502</u>	<u>162,865,828</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits		3,346,715	2,873,538
		<u>3,346,715</u>	<u>2,873,538</u>
<b>Current liabilities</b>			
Trade and other payables	10	16,777,531	30,790,050
Due to a related party	13	7,604,633	6,880,479
Bank overdraft	8	2,862,452	5,001,947
Trust receipts payable		19,396,316	2,000,000
		<u>46,640,932</u>	<u>44,672,476</u>
<b>Total liabilities</b>		<u>49,987,647</u>	<u>47,546,014</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>225,903,149</u></u>	<u><u>210,411,842</u></u>

  
 Ali Bin Humaid Al Owais  
 Chairman  
 14 August 2013

  
 Mohamed Abdel Aziz Ali Abdalla Al Owais  
 Executive Vice Chairman  
 14 August 2013

The attached notes 1 to 19 form part of these interim condensed financial statements.

United Foods Company (PSC)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2013 (Unaudited)

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Fair value Reserve AED	Retained Earnings AED	Total AED
Balance as of 1 January 2013	25,000,000	12,500,000	12,500,000	65,314,980	(13,148)	47,563,996	162,865,828
Profit for the period	-	-	-	-	-	12,874,567	12,874,567
Other comprehensive income for the period	-	-	-	-	175,107	-	175,107
Total comprehensive income for the period	-	-	-	-	175,107	12,874,567	13,049,674
Bonus shares issued (Note 11)	2,500,000	-	-	-	-	(2,500,000)	-
<b>Balance as of 30 June 2013</b>	<b>27,500,000</b>	<b>12,500,000</b>	<b>12,500,000</b>	<b>65,314,980</b>	<b>161,959</b>	<b>57,938,563</b>	<b>175,915,502</b>

The attached notes 1 to 19 form part of these interim condensed financial statements.

**United Foods Company (PSC)**

**INTERIM STATEMENT OF CHANGES IN EQUITY**

For the period ended 30 June 2013 (Unaudited)

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Fair Value reserve AED	Retained Earnings AED	Total AED
Balance as of 1 January 2012	25,000,000	12,500,000	12,500,000	65,314,980	(59,616)	34,730,692	149,986,056
Profit for the period	-	-	-	-	-	11,553,409	11,553,409
Other comprehensive income for the period	-	-	-	-	25,091	-	25,091
Total comprehensive income for the period	-	-	-	-	25,091	11,553,409	11,578,500
Balance as of 30 June 2012	25,000,000	12,500,000	12,500,000	65,314,980	(34,525)	46,284,101	161,564,556

The attached notes 1 to 19 form part of these interim condensed financial statements.

United Foods Company (PSC)  
**INTERIM STATEMENT OF CASH FLOWS**  
For the period ended 30 June 2013 (Unaudited)

	<i>Notes</i>	<i>Six months ended</i>	
		<i>30 June 2013 AED</i>	<i>30 June 2012 AED</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>12,874,567</b>	11,553,409
Adjustments for:			
Depreciation		<b>4,355,585</b>	4,571,990
(Profit) / loss on disposal of property, plant and equipment		<b>(87,600)</b>	14,640
Assets written off		<b>4,200</b>	-
Finance expense		<b>557,988</b>	476,586
Provision for employees' end of service benefits		<b>639,997</b>	271,088
		<b>18,344,737</b>	16,887,713
Working capital changes:			
Inventories		<b>9,489,077</b>	28,536,392
Trade and other receivables		<b>(24,731,760)</b>	(16,942,590)
Trade and other payables		<b>(14,012,519)</b>	(11,664,040)
Due from a related party		<b>7,032</b>	1,993,709
Due to a related party		<b>724,154</b>	757,371
		<b>(10,179,279)</b>	19,568,555
Employees' end of service benefits paid		<b>(166,820)</b>	(173,264)
Net cash (used in) / from operating activities		<b>(10,346,099)</b>	19,395,291
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	4	<b>(2,905,015)</b>	(1,196,510)
Proceeds from disposal of property, plant and equipment		<b>121,350</b>	-
Proceeds from disposal of asset classified as held for sale		<b>281,000</b>	-
Deposits under Lien		-	(1,500,000)
Net cash used in investing activities		<b>(2,502,665)</b>	(2,696,510)
<b>FINANCING ACTIVITIES</b>			
Net movement in trust receipts payable		<b>17,396,316</b>	(19,379,870)
Finance expense paid		<b>(557,988)</b>	(476,586)
Net cash from / (used in) financing activities		<b>16,838,328</b>	(19,856,456)
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,989,564</b>	(3,157,675)
Cash and cash equivalents at 1 January		<b>(4,584,467)</b>	(3,515,122)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	8	<b>(594,903)</b>	(6,672,797)

The attached notes 1 to 19 form part of these interim condensed financial statements.



# United Foods Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

### 1 ACTIVITIES

United Foods Company (PSC) (the "Company") was incorporated in Dubai 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 Commercial Companies Law No. 8 of 1984 (as amended). The Company listed its shares on the Dubai Financial Market (DFM) on July 2006.

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

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### **Basis of preparation**

The interim condensed financial statements for the six month period ended 30 June 2013 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 2012.

In addition, results for the six month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

#### **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 2012, except for the adoption of the amended standard as of 1 January 2013, noted below:

#### *IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance.

#### *IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed financial statements period. The Company provides these disclosures in Note 18.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### **New standards, interpretations and amendments adopted by the Company (continued)**

The following new amendments and standards did not have an impact on the interim condensed financial statements of the Company:

- IAS 1 Clarification of the requirement for comparative information (Amendment);
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment);
- IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment);
- IAS 19 Employee Benefits (Revised 2011);
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments);
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7;
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements;
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures; and
- IFRS 12 Disclosure of Interests in Other Entities.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 3 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### **Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant impact on the amounts recognised in the Interim condensed financial statements.

#### *Classification of investments*

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Company has the intention and ability to hold these till maturity.

The Company classifies investments as trading investments if they are acquired primarily for the purpose of making short term profits.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss.

All other investments are classified as available-for-sale.

## United Foods Company (PSC)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

#### 3 KEY SOURCES OF ESTIMATION UNCERTAINTY

##### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### *Impairment of accounts receivable*

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 76,475,665 (31 December 2012: AED 54,694,659), and the provision for doubtful debts was AED 2,087,717 (31 December 2012: AED 1,985,156). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

##### *Impairment of inventories*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory were AED 83,995,708 (31 December 2012: AED 93,478,636) with provisions for slow moving inventories of AED 861,186 (31 December 2012: AED 855,037). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

##### *Useful lives and depreciation of property, plant and equipment*

The management periodically reviews the estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

#### 4 PROPERTY, PLANT AND EQUIPMENT

##### *Additions and disposal*

During the period ended 30 June 2013, the Company acquired assets amounting to AED 2.9 million (period ended 30 June 2012: AED 1.2 million).

During the period ended 30 June 2013, assets with a net book value of AED 33,750 were disposed off by the Company (period ended 30 June 2012: AED Nil).

#### 5 AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 June 2013 AED (Unaudited)</b>	<b>31 December 2012 AED (Audited)</b>
Opening balance	263,545	217,077
Change in fair market value	175,107	46,468
Closing balance	<b>438,652</b>	<b>263,545</b>

## United Foods Company (PSC)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

#### 6 INVENTORIES

	<i>30 June 2013 AED (Unaudited)</i>	<i>31 December 2012 AED (Audited)</i>
Raw materials	48,042,476	57,175,060
Finished goods	16,703,701	9,469,841
Packing materials	4,823,961	3,936,011
Work in progress	13,129,319	3,201,399
Spares and consumables	1,184,491	1,138,302
	<u>83,883,948</u>	<u>74,920,613</u>
Less: provision for slow moving inventory	(861,186)	(855,037)
	<u>83,022,762</u>	<u>74,065,576</u>
Goods in transit	111,760	18,558,023
	<u>83,134,522</u>	<u>92,623,599</u>

#### 7 TRADE AND OTHER RECEIVABLES

	<i>30 June 2013 AED (Unaudited)</i>	<i>31 December 2012 AED (Audited)</i>
Trade receivables	76,475,665	54,694,659
Less: provision for doubtful debts	(2,087,717)	(1,985,156)
	<u>74,387,948</u>	<u>52,709,503</u>
Prepaid Expenses	1,917,428	576,331
Advances to suppliers	2,450,035	779,627
Staff receivables	331,175	374,747
Other receivables	97,752	12,370
	<u>79,184,338</u>	<u>54,452,578</u>

## United Foods Company (PSC)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

#### 8 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2013 AED (Unaudited)</i>	<i>31 December 2012 AED (Audited)</i>
Cash in hand	46,300	52,800
Cash at banks	2,221,249	364,680
Deposits	1,500,000	1,500,000
	<u>3,767,549</u>	<u>1,917,480</u>
Deposits Maturing within a period of more than three months	(1,500,000)	(1,500,000)
Bank overdrafts	(2,862,452)	(5,001,947)
	<u>(594,903)</u>	<u>(4,584,467)</u>

#### 9 ASSETS CLASSIFIED AS HELD FOR SALE

Certain motor vehicles were presented as assets classified as held for sale as of 31 December 2012 following the management's commitment on December 2012 to dispose off these assets.

During the period, the assets classified as held for sale were disposed off.

#### 10 TRADE AND OTHER PAYABLES

	<i>30 June 2013 AED (Unaudited)</i>	<i>31 December 2012 AED (Audited)</i>
Trade payables	6,484,283	3,511,979
Directors' fees payable	-	1,260,000
Advances from customers	1,527,035	1,304,235
Dividends payable	194,050	194,050
Accrual for goods in transit	-	18,558,023
Accrued expenses and other payables	8,572,163	5,961,763
	<u>16,777,531</u>	<u>30,790,050</u>

#### 11 SHARE CAPITAL

	<i>30 June 2013 AED (Unaudited)</i>	<i>31 December 2012 AED (Audited)</i>
<i>Authorised, issued and fully paid up:</i>		
27,500,000 shares of AED 1 each (31 December 2012)		
25,000,000 shares of AED 1 each)	<u>27,500,000</u>	<u>25,000,000</u>

During the Board of Directors meeting held on 27 February 2013, the Directors proposed a 10% bonus issue share totaling to AED 2.5 million relating to 2012. The bonus issue was approved by the shareholders in the Annual General Meeting held on 24 April 2013.

# United Foods Company (PSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

### 12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company of AED 12,874,567 (period ended 30 June 2012: AED 11,553,409) by the weighted average number of shares outstanding during the period of 27,500,000.

The weighted average number of shares outstanding during the period end 30 June 2012 has been amended for bonus shares issued during 2013 (Note 11).

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

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>30 June 2013 AED (Unaudited)</i>	<i>30 June 2012 AED (Unaudited)</i>	<i>30 June 2013 AED (Unaudited)</i>	<i>30 June 2012 AED (Unaudited)</i>
Earnings per Share	<b>0.47</b>	0.42	<b>0.26</b>	0.19

### 13 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent 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 statement of income are as follows:

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>30 June 2013 AED (Unaudited)</i>	<i>30 June 2012 AED (Unaudited)</i>	<i>30 June 2013 AED (Unaudited)</i>	<i>30 June 2012 AED (Unaudited)</i>
Sales to related parties	<b>821,976</b>	931,051	<b>400,594</b>	387,682
Purchases from related parties	<b>14,519,482</b>	13,094,494	<b>7,652,830</b>	6,896,993

#### Compensation of key management personnel

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

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>30 June 2013 AED (Unaudited)</i>	<i>30 June 2012 AED (Unaudited)</i>	<i>30 June 2013 AED (Unaudited)</i>	<i>30 June 2012 AED (Unaudited)</i>
Short-term benefits	<b>1,324,998</b>	624,000	<b>659,693</b>	544,000
End of Service Benefit	<b>52,033</b>	-	<b>25,873</b>	-
Bonus	<b>165,000</b>	-	<b>82,500</b>	-
	<b>1,542,031</b>	624,000	<b>768,066</b>	544,000

United Foods Company (PSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties:

	<i>30 June 2013 AED (Unaudited)</i>	<i>31 December 2012 AED (Audited)</i>
<i>Other related parties</i>		
Modern Bakery LLC	<u>96,405</u>	<u>103,437</u>

c) Due to related party:

	<i>30 June 2013 AED (Unaudited)</i>	<i>31 December 2012 AED (Audited)</i>
<i>Other related party</i>		
United Can Company LLC	<u>7,604,633</u>	<u>6,880,479</u>

d) Board of Directors fees are disclosed in Note 10

14 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:

	<i>30 June 2013 AED (Unaudited)</i>	<i>31 December 2012 AED (Audited)</i>
Within 1 year	1,053,981	1,583,874
After one year but not more than five years	4,100,464	4,230,464
More than 5 years	4,449,089	4,898,080
Total operating lease expenditure contracted for at the reporting date	<u>9,603,534</u>	<u>10,712,418</u>

15 CONTINGENCIES AND CAPITAL COMMITMENTS

	<i>30 June 2013 AED (Unaudited)</i>	<i>31 December 2012 AED (Audited)</i>
Letter of guarantees	1,412,000	19,652,869
Capital commitments	1,521,475	-
	<u>2,933,475</u>	<u>19,652,869</u>

## 16 SEGMENTAL REPORTING

The Company operates in a single reporting segment primarily engaged in manufacturing, processing and marketing of hydrogenated vegetable ghee, cooking oil, margarine, butter products, animal oil and fat manufacturing. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, income statement 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 June 2013, revenue from two customers amounting to AED 55,599,071 accounts for 10% or more of the Company's total revenues.

During the period ended 30 June 2012, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

## 17 FIDUCIARY ASSETS

As at 30 June 2013, the Company held raw materials, in a fiduciary capacity on behalf of a third party amounting to AED 1,252,794 (Period ended June 2012: AED 44,122,963).

## 18 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 other related parties and available-for-sale investments. Financial liabilities consist of bank borrowings, 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.



## United Foods Company (PSC)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

#### 18 FAIR VALUES OF FINANCIAL INSTRUMENTS

As at 30 June 2013, the Company held the following financial instruments measured at fair value:

##### Assets measured at fair value

	<i>30 June 2013</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>
Available-for-sale investments	<u>438,652</u>	<u>438,652</u>	<u>-</u>	<u>-</u>

As at 31 December 2012, the Company held the following financial instruments measured at fair value:

##### Assets measured at fair value

	<i>31 Dec 2012</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>
Available-for-sale investments	<u>263,545</u>	<u>263,545</u>	<u>-</u>	<u>-</u>

During the period ended 30 June 2013 and year ended 31 December 2012, there were no transfers between the various levels of fair value measurements.

#### 19 COMPARATIVE FIGURES

Prior period figures previously shown in the interim statement of income have been reclassified, wherever necessary, to conform to the current year's presentation. The reclassifications relate to salaries and wages which were reclassified from cost of sales to selling and distribution expense. This reclassification was made to enhance the quality of the financial statements and has no impact on the interim statement of income as previously reported.