UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

PERIOD ENDED 30 SEPTEMBER 2012

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PERIOD ENDED 30 SEPTEMBER 2012

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لخدمات الاستشارات الادارية

PKF
Accountants &
business advisers

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF UNITED KAIPARA DAIRIES COMPANY (PSC)

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of **UNITED KAIPARA DAIRIES COMPANY (PSC)** ("the Company") and its subsidiary **UNIKAI AND COMPANY LLC** ("the Subsidiary") (collectively referred to as "the Group"), which comprise the condensed consolidated interim statement of financial position as at 30 September 2012 and the related condensed consolidated income statement for three-month and nine-month period then ended, statement of comprehensive income for three-month and nine-month period then ended, statement of changes in equity and statement of cash flows for the nine-month period then ended ("the condensed consolidated interim financial information") , and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2011 and the condensed consolidated interim financial information of the Group for the quarter and period ended 30 September 2011 were audited and reviewed respectively, by another auditor who expressed an unmodified audit opinion and review conclusion on those statements on 7 June 2012 and 31 October 2011, respectively.

S.D. Pereira
Partner
Registration No. 552
Dubai, United Arab Emirates
12 November 2012

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Auditor Registration No. Graham Martins - 520, S.D. Pereira - 552, A.H. Merchant - 591

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)	2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)
Revenue		86,121	101,317	230,442	312,869
Cost of sales	4	(54,293)	(70,907)	(149,865)	(218,783)
Gross profit		31,828	30,410	80,577	94,086
Administrative and general expenses	5	(35,295)	(30,053)	(94,735)	(85,793)
Finance expenses		(201)	(55)	(201)	(599)
Other income		2,014	1,259	4,210	3,081
Profit/(loss) before tax		(1,654)	1,561	(10,149)	10,775
Provision for tax		(85)	(72)	(190)	(248)
Profit/(loss) after tax		(1,739)	1,489	(10,339)	10,527
Earnings per share					
Basic earnings per share in AED	16	(6)	5	(34)	35

The accompanying notes form an integral part of this condensed consolidated interim financial information.
The review report of the independent auditor is set forth on page 1.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2012	2011	2012	2011
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	(1,739)	1,489	(10,339)	10,527
Other comprehensive income:				
Net change in fair value of available-for-sale investments	11	(24)	37	(109)
Total comprehensive income for the period	(1,728)	1,465	(10,302)	10,418

The accompanying notes form an integral part of this condensed consolidated interim financial information.
The review report of the independent auditor is set forth on page 1.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
30 SEPTEMBER 2012

	Notes	30 September 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)	30 September 2011 AED'000 (Unaudited)
ASSETS				
NON-CURRENT ASSETS				
Capital advance	6	2,347	--	--
Property, plant and equipment	7	61,784	68,321	70,985
Available-for-sale investments	8	5,831	5,794	5,855
		69,962	74,115	76,840
CURRENT ASSETS				
Inventories	9	60,109	68,005	82,615
Trade and other receivables	10	51,529	42,030	50,547
Amount due from a related party	11	28	--	--
Cash at bank and in hand		1,967	1,649	2,490
		113,633	111,684	135,652
TOTAL ASSETS		183,595	185,799	212,492
EQUITY AND LIABILITITES				
EQUITY				
Share capital		30,250	30,250	30,250
Reserves		96,566	106,868	123,404
TOTAL EQUITY		126,816	137,118	153,654
NON-CURRENT LIABILITY				
Employee end-of-service benefit		9,062	12,212	11,571
CURRENT LIABILITIES				
Bank borrowings	12	17,500	3,079	6,005
Trade and other payables	13	30,180	29,429	39,460
Amounts due to related parties	11	37	3,961	1,802
		47,717	36,469	47,267
TOTAL LIABILITIES		56,779	48,681	58,838
TOTAL EQUITY AND LAIBILITIES		183,595	185,799	212,492

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This condensed consolidated interim financial information was authorised for issue on behalf of the Board of Directors on 10 November 2012.

OBAID SAEED AL MULLA
Chairman

MOSTAFA SIDKI
Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Share capital	Legal reserve	Restricted reserve	General reserve	Fixed assets replacement reserve	Retained earnings	Proposed dividend/ bonus shares	Directors' fees	Fair value reserve	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2011 (Audited)	27,500	13,965	576	83,300	15,000	27	9,625	750	118	150,861
Total comprehensive income for the period										
Profit for the period	--	--	--	--	--	10,527	--	--	--	10,527
Other comprehensive income										
Net change in fair value of available-for-sale investments	--	--	--	--	--	--	--	--	(109)	(109)
Total comprehensive income for the period	--	--	--	--	--	10,527	--	--	(109)	10,418
Transactions with owners, recorded directly in equity										
Contribution by and distributions to owners of the Company										
Dividend paid	--	--	--	--	--	--	(6,875)	--	--	(6,875)
Bonus share issued	2,750	--	--	--	--	--	(2,750)	--	--	--
Directors' fees paid	--	--	--	--	--	--	--	(750)	--	(750)
Total contributions by and distribution to owners of the Company	2,750	--	--	--	--	--	(9,625)	(750)	--	(7,625)
At 30 September 2011 (Unaudited)	30,250	13,965	576	83,300	15,000	10,554	--	--	9	153,654

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2012 (CONTINUED)

	Share capital	Legal reserve	Restricted reserve	General reserve	Fixed assets replacement reserve	Retained earnings	Proposed dividend/ bonus shares	Directors' fees	Fair value reserve	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2012 (Audited)	30,250	13,965	576	83,300	15,000	(5,921)	--	--	(52)	137,118
Total comprehensive income for the period										
Loss for the period	--	--	--	--	--	(10,339)	--	--	--	(10,339)
Other comprehensive income										
Net change in fair value of available-for-sale investments	--	--	--	--	--	--	--	--	37	37
Total comprehensive income for the period	--	--	--	--	--	(10,339)	--	--	37	(10,302)
Transactions with owners, recorded directly in equity										
Contribution by and distributions to owners of the Company										
Total contributions by and distribution to owners of the Company	--	--	--	--	--	--	--	--	--	--
At 30 September 2012 (Unaudited)	30,250	13,965	576	83,300	15,000	(16,260)	--	--	(15)	126,816

In accordance with the interpretation of Article 118 of the UAE Federal Law No. 8 of 1984 by the Ministry of Economy & Commerce, Directors' fees have been treated as an appropriation from equity.

The accompanying notes form an integral part of this condensed consolidated interim financial information.

The review report of the independent auditor is set forth on page 1.

UNITED KAIPARA DAIRIES COMPANY (PSC) AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Nine- month period ended 30 September 2012 AED'000 (Unaudited)	Nine- month period ended 30 September 2011 AED'000 (Unaudited)
Cash flows from operating activities		
(Loss)/profit after tax for the period	(10,339)	10,527
Adjustments for:		
Depreciation of property, plant and equipment	9,981	10,590
Profit on disposal of properly, plant and equipment	(2,881)	(448)
Provision for tax	190	248
Operating (loss)/profit before changes in operating assets and liabilities	(3,049)	20,917
Decrease/(increase) in inventories	7,896	(7,268)
Increase/(decrease) in trade and other receivables	(9,499)	4,593
Increase in amount due from a related party	(28)	--
Increase/(decrease) in trade and other payables	609	(8,527)
Decrease in amounts due to related parties	(3,924)	--
(Decrease)/increase in employee end-of-service benefits	(3,150)	1,309
Tax paid	(48)	(790)
Net cash (used in)/from operating activities	(11,193)	10,234
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	3,403	855
Capital advance paid	(2,347)	--
Purchase of property, plant and equipment	(3,966)	(5,293)
Net cash used in investing activities	(2,910)	(4,438)
Cash flows from financing activities		
Proceeds from trust receipts and acceptances	2,208	--
Directors' fees paid	--	(750)
Dividend paid	--	(6,875)
Net cash from/(used in) financing activities	2,208	(7,625)
Net decrease in cash and cash equivalents	(11,895)	(1,829)
Cash and cash equivalents at the beginning of the period	(1,430)	(1,686)
Cash and cash equivalents at end of period	(13,325)	(3,515)
Cash and cash equivalents comprise of the following:		
Cash in hand and at bank	1,967	2,490
Bank overdraft	(15,292)	(6,005)
	(13,325)	(3,515)

The accompanying notes form an integral part of this condensed consolidated interim financial information.
The review report of the independent auditor is set forth on page 1.

1. LEGAL STATUS AND BUSINESS ACTIVITY

United Kaipara Dairies Company (PSC) ("the Company") is a Public Shareholding Company, incorporated on 11 April 1977 by a Decree from His Highness, The Ruler of Dubai. On 8 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 holds 100% equity in Unikai and Company LLC ("the Subsidiary"), registered as a limited liability Company in the Sultanate of Oman under the Oman Commercial Register No. 3/74. The Company and its subsidiary are collectively referred to as ("the Group"). The legal status of the subsidiary is set out in note 14.

The Group is engaged in the manufacture of dairy, juice and ice cream products and import of various kinds of food products for distribution throughout the Gulf. The trading activities of the Group are carried on in the name of "Unikai International". The registered address of the Company is P.O. Box 6424, Dubai, UAE.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). The financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

The accounting policies applied in the preparation of the condensed consolidated financial information are consistent with those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2011.

Further, results for the nine-month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The condensed consolidated interim financial information of the Group, presented in UAE Dirhams ("AED"), which is the Company's functional currency, rounded to the nearest thousand, have been prepared under the historical cost convention, except for financial instruments classified as available-for-sale and stated at fair value.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparation of the consolidated financial statements as at and for the year ended 31 December 2011.

		Three-month period ended 30 September		Nine-month period ended 30 September	
		2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)	2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)
4.	**COST OF SALES**				
	Materials consumed	53,322	68,603	148,752	213,499
	Depreciation	1,623	2,182	4,792	4,176
	Other direct costs	1,472	1,055	3,642	3,278
		56,417	71,840	157,186	220,953
	Changes in inventories of semi-finished, finished and trading goods	(2,124)	(933)	(7,321)	(2,170)
		54,293	70,907	149,865	218,783
5.	**ADMINISTRATIVE AND GENERAL EXPENSES**				
	Staff costs	15,676	10,501	40,522	33,097
	Depreciation	1,785	1,325	5,189	6,414
	Commercial vehicle expenses	4,271	7,092	11,853	17,922
	Utilities	3,532	3,868	8,747	9,572
	Other expenses	10,031	7,267	28,424	18,788
		35,295	30,053	94,735	85,793

6. **CAPITAL ADVANCE**

Capital advance represents advance for installation and implementation of ERP Package and Plant and machinery (Nine month period ended 30 September 2011 AED Nil).

7. **PROPERTY, PLANT AND EQUIPMENT**

Additions and disposals (Unaudited)

During the nine-month period ended 30 September 2012, the Group acquired assets amounting AED 4.01 million and disposed off assets with a net book value of AED 0.57 million (nine-month period ended 30 September 2011: AED 5.3 million and AED 0.41 million respectively).

8. **AVAILABLE-FOR-SALE INVESTMENTS**

	30 September 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)	30 September 2011 AED'000 (Unaudited)
Opening balance	5,794	5,964	5,964
Gain/(loss) on fair valuation	37	(170)	(109)
Closing balance	5,831	5,794	5,855

These include investment amounting to AED 5.6 million made in unquoted equity shares of Rawabi Emirates PJSC (year ended 31 December 2011: AED 5.6 million). Since the investment does not have a quoted market price in any active market, the fair value cannot be reliably measured and are stated at cost less impairment losses, if any.

	30 September 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)	30 September 2011 AED'000 (Unaudited)
9. INVENTORIES			
Raw materials and packing materials	41,013	46,361	43,567
Semi-finished goods	2,179	2,255	3,619
Finished goods	6,761	5,244	6,858
Trading stocks	5,801	14,563	16,202
Consumable stores and spare parts	9,808	7,865	9,886
	65,562	76,288	80,132
Less: provision for slow moving inventory	(5,669)	(9,142)	(3,791)
	59,893	67,146	76,341
Goods-in-transit	216	859	6,274
	60,109	68,005	82,615
10. TRADE AND OTHER RECEIVABLES			
Trade receivables	50,107	39,270	47,210
Less: provision for bad and doubtful debts	(4,197)	(3,750)	(3,243)
	45,910	35,520	43,967
Advances, deposits and prepayments	5,619	6,510	6,580
	51,529	42,030	50,547

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)	2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)
11. RELATED PARTY TRANSACTIONS				
Sales to related parties				
- United Foods Company PSC	--	9,204	--	42,966
- Do Freeze	--	--	--	2,210
- United Cans Company LLC	26	--	26	--
Purchases from related parties				
- United Foods Company PSC	--	2,461	--	6,228
- Do Freeze	--	37	--	3,884
- United Cans Company LLC	44	111	174	111
Compensation to key management personnel				
Employee benefits (including remuneration)	396	415	1,188	1,342

	30 September 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)	30 September 2011 AED'000 (Unaudited)
Due from a related party			
- United Foods Company PSC	28	--	--
Due to related parties			
- United Foods Company PSC	--	3,407	1,691
- Do Freeze	9	385	--
- United Cans Company LLC	28	169	111
	37	3,961	1,802

12. BANK BORROWINGS

Overdraft	15,292	3,079	6,005
Trust receipts	1,107	--	--
Acceptances	1,101	--	--
	17,500	3,079	6,005

13. TRADE AND OTHER PAYABLES

Trade payables	17,555	16,807	22,212
Other payables and accruals	12,433	12,572	17,248
Provision for taxation*	192	50	--
	30,180	29,429	39,460

*The tax charge is in respect of Oman operations. The subsidiary is liable to income tax in accordance with the income tax laws of the Sultanate of Oman depending on the level of its taxable profit. In the opinion of the management the above provision is adequate to meet the Group's tax liabilities.

14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Letters of credit	4,887	764	553
Bank guarantees	5,388	5,076	5,227
Capital commitments	2,950	--	--

15. SUBSIDIARY

The Company holds 100% of the shares (2% held by Directors for beneficial interest of the Company) of the subsidiary, registered as a limited liability Company in the Sultanate of Oman under the Oman Commercial Register Law No. 3/74. Principal activity of the subsidiary is trading in dairy, juice, ice creams and other food products.

16. BASIC EARNINGS PER SHARE

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Unaudited)
Net profit attributable to owners (AED '000)	(1,739)	1,489	(10,339)	10,527
Weighted average number of shares outstanding	302,500	302,500	302,500	302,500

17. SEGMENT REPORTING

The Group operates in the single reporting segment of dairy, juice, ice cream, and various related food products. All the relevant information relating to this reporting/operating segment is disclosed in the statement of financial position, income statement, statement of comprehensive income and notes to the financial statements. Additional information required by IFRS 8: Segment Reporting is disclosed below:

Information about geographical segments

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)	2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)
Sales to customers in				
- United Arab Emirates (UAE)	49,867	57,447	130,216	201,077
- Outside UAE	36,254	43,870	100,226	111,792
	86,121	101,317	230,442	312,869

Major customers

During the period ended 30 September 2012, there were no customers of the Group with revenues greater than 10% of the total Group revenue (period ended 30 September 2011: AED Nil).

18. PROPOSED DIVIDEND

The Board of Directors do not propose any interim dividend for the quarter and nine-month period ended 30 September 2012 (quarter and nine-month period ended 30 September 2011: AED 6,875,000).

19. SEASONALITY OF THE BUSINESS IMPACTING THE RESULTS FOR THE PERIOD (QUARTERS)

Due to seasonal nature of the business of the Group, the results of operations of certain quarters, which fall in off peak periods may be substantially different from other quarters, which fall in the peak season (i.e. during summer season). Therefore, revenue from operations may not be evenly distributed over the four quarters of the same year and thus the results of operations of each quarter may not be comparable to the other quarters of the same year.