UNITED KAIPARA DAIRIES COMPANY (P.S.C.) AND ITS SUBSIDIARY

Review report and condensed consolidated interim financial information

For the three-month period ended 31 March 2014

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UNITED KAIPARA DAIRIES COMPANY (P.S.C.)

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of **UNITED KAIPARA DAIRIES COMPANY (P.S.C.)** ("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 31 March 2014 and the related condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated statement of cash flows for the three-month period then ended ("the condensed consolidated interim financial information"), and notes to the condensed consolidated interim financial information. 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.

Tel +9714 223 6508 • Fax +9714 223 4524 • Email dubai@pkfuae.com • www.pkfuae.com
P.O.Box 13094 • Al Maidan Tower 2 • Suite 301-303 • Al Maktoum Street • Dubai • U.A.E.

PKF
Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

Other matter

We draw attention to the fact that as at 31 March 2014, the Group has a general reserve of AED 83,300 ('000) created out of retained earnings in earlier years and has accumulated losses AED 75,803 ('000). These accumulated losses exceed 50% of the share capital. The provisions of Article 285 of the UAE Commercial Companies Law No. 8 of 1984 therefore apply whereby the board of directors are required to call an extraordinary general meeting to decide on the future of the Group.

S.D. Pereira
Partner
Registration No. 552
Dubai, United Arab Emirates
12 June 2014

UNITED KAIPARA DAIRIES COMPANY (P.S.C.) AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Note	Three-month period ended 31 March	
		2014 AED'000 (Unaudited)	2013 AED'000 (Unaudited)
Revenue		75,241	64,503
Cost of sales	4	(62,032)	(45,674)
Gross profit		13,209	18,829
Administrative and distribution expenses	5	(27,407)	(25,514)
Finance costs		(256)	(109)
Other income		749	492
Loss before tax		(13,705)	(6,302)
Provision for tax		(57)	(57)
Loss after tax		(13,762)	(6,359)
Earnings per share			
Basic earnings per share in AED	18	(45)	(21)

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 pages 1 and 2.

UNITED KAIPARA DAIRIES COMPANY (P.S.C) AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Three-month period ended 31 March	
	2014	2013
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Loss for the period	**(13,762)**	(6,359)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss in the subsequent period:		
Net change in fair value of available-for-sale investments	**237**	12
Other comprehensive income for the period	**237**	12
Total comprehensive income for the period	**(13,525)**	(6,347)

The accompanying notes form an integral part of this condensed consolidated interim financial information.
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UNITED KAIPARA DAIRIES COMPANY (P.S.C) AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Note	31 March 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)	31 March 2013 AED'000 (Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	6	54,289	55,659	62,125
Intangible assets		1,426	1,562	1,975
Available-for-sale investments	7	6,445	6,208	5,853
		62,160	63,429	69,953
Current assets				
Inventories	8	51,485	56,479	63,271
Trade and other receivables	9	54,450	47,778	49,488
Cash and cash equivalents	11	1,857	1,682	2,298
		107,792	105,939	115,057
Total assets		169,952	169,368	185,010
EQUITY AND LIABILITITES				
Equity funds				
Share capital		30,250	30,250	30,250
Legal reserve		13,965	13,965	13,965
Restricted reserve		576	576	576
General reserve		83,300	83,300	83,300
Fixed assets replacement reserve		15,000	15,000	15,000
Accumulated losses		(75,803)	(62,041)	(33,929)
Fair value reserve		599	362	7
		67,887	81,412	109,169
Non-current liability				
Employee end-of-service benefits		8,428	8,340	9,088
Current liabilities				
Short term borrowings	12	44,204	38,079	19,294
Trade and other payables	13	48,869	41,030	47,123
Provision for taxation	14	564	507	336
		93,637	79,616	66,753
Total liabilities		102,065	87,956	75,841
Total equity and liabilities		169,952	169,368	185,010

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 pages 1 and 2.

This condensed consolidated interim financial information was authorised for issue on behalf of the Board of Directors on 12 June 2014.

Director

Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

		Share capital	Legal reserve	Restricted reserve	General reserve	Fixed assets replacement reserve	Accumulated losses	Fair value reserve	Total
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2013 (Audited)		30,250	13,965	576	83,300	15,000	(27,570)	(5)	115,516
Comprehensive income									
- Loss for the period	(a)	--	--	--	--	--	(6,359)	--	(6,359)
Other comprehensive income									
- Net change in fair value of available-for-sale investments	(b)	--	--	--	--	--	--	12	12
Total comprehensive income for the period	(a+b)	--	--	--	--	--	(6,359)	12	(6,347)
Balance at 31 March 2013 (Unaudited)		30,250	13,965	576	83,300	15,000	(33,929)	7	109,169
Balance at 1 January 2014 (Audited)		30,250	13,965	576	83,300	15,000	(62,041)	362	81,412
Comprehensive income									
- Loss for the period	(c)	--	--	--	--	--	(13,762)	--	(13,762)
Other comprehensive income									
- Net change in fair value of available-for-sale investments	(d)	--	--	--	--	--	--	237	237
Total comprehensive income for the period	(c+d)	--	--	--	--	--	(13,762)	237	13,525
Balance at 31 March 2014 (Unaudited)		30,250	13,965	576	83,300	15,000	(75,803)	599	67,887

No allocation of profit has been made to the legal reserve, general reserve and fixed assets replacement reserves for the three-month period ended 31 March 2014 as it would be affected at the year-end.

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 pages 1 and 2.

UNITED KAIPARA DAIRIES COMPANY (P.S.C.) AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Three-month period ended 31 March	
	2014 AED '000 (Unaudited)	2013 AED '000 (Unaudited)
Cash flows from operating activities		
Loss for the period before tax	(13,705)	(6,302)
Adjustments for:		
Depreciation of property, plant and equipment	2,846	2,972
Amortisation of intangible assets	136	138
Finance costs	256	109
Provision for slow moving inventory	138	--
Profit on disposal of property, plant and equipment	(173)	(477)
Provision for staff end-of-service gratuity	476	530
Operating loss before changes in operating assets and liabilities	(10,026)	(3,030)
Decrease in inventories	4,856	2,065
Increase in trade and other receivables	(6,672)	(4,743)
Increase in trade and other payables	7,849	8,427
Staff end-of service gratuity paid	(388)	(193)
Cash (used in) /generated from operations	(4,381)	2,526
Interest paid	(256)	(109)
Net cash (used in)/generated from operating activities	(4,637)	2,417
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	173	711
Purchase of property, plant and equipment	(1,476)	(2,406)
Net cash used in investing activities	(1,303)	(1,695)
Cash flows from financing activities		
Dividend paid	(10)	--
Proceeds from trust receipts (net)	9,350	1,965
Payment of bank acceptances (net)	--	(361)
Net cash generated from financing activities	9,340	1,604
Net increase in cash and cash equivalents	3,400	2,326
Cash and cash equivalents at the beginning of the period	(21,881)	(13,005)
Cash and cash equivalents at end of period	(18,481)	(10,679)
Cash and cash equivalents comprise		
Cash and cash equivalents (note 11)	1,857	1,682
Bank overdraft (note 12)	(20,338)	(23,563)
	(18,481)	(21,881)

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 pages 1 and 2.

1. LEGAL STATUS AND BUSINESS ACTIVITY

United Kaipara Dairies Company (P.S.C.) ("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 17.

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 and other countries. 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 interim 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 2013 except for the adoption of the following amended standards which are effective for accounting periods beginning on or after 1 January 2014.

Standards and interpretations effective for the current period:

The International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the Group are as follows:

- Amendments to IAS 32 Financial instruments: Presentation –amendments relating to the offsetting of assets and liabilities (1 January 2014)

- Amendments to IAS 36 Impairment of Assets - Amendments arising from Recoverable Amount Disclosure for Non-Financial Asset (1 January 2014)

New and revised IFRSs in issue but not yet effective

The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by management as likely to have an impact on the condensed consolidated interim financial information have been issued by the IASB prior to the date the condensed consolidated interim financial information were authorised for issue but have not been applied in these condensed consolidated interim financial information as their effective dates of adoption are for future accounting periods.

- IAS 19: Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service (1 July 2014)
- IAS 24: Related Party Disclosures – Management entities (1 July 2014)
- IFRS 9: Financial instruments (1 January 2015)

As of date of issuance of this condensed consolidated interim financial information, management are still in the process of evaluating the impact of these new and revised standards on the condensed consolidated interim financial information.

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2013.

Further, results for the three-month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

Although the functional currency of subsidiary is based on the primary economic environment in which it operates, the condensed consolidated interim financial information of the Group is 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. Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

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 2013.

		Three-month period ended 31 March	
		2014 AED'000 (Unaudited)	2013 AED'000 (Unaudited)
4. COST OF SALES			
Manufacturing:			
Raw material, packing materials and stores & spares consumed		40,051	32,593
Depreciation		1,713	1,693
Utilities		1,518	1,513
Staff salaries and benefits		2,401	2,405
Other direct costs		3,268	3,332
		48,951	41,536
Changes in inventories of semi-finished and finished goods		(1,725)	(5,842)
	(A)	47,226	35,694
Trading:			
Inventories, beginning of the period		5,880	7,482
Purchases (including direct expenses)		14,862	13,047
Inventories, end of the period		(5,936)	(10,549)
	(B)	14,806	9,980
	(A)+(B)	62,032	45,674
5. ADMINISTRATIVE AND DISTRIBUTION EXPENSES			
Staff salaries and benefits		12,198	12,444
Depreciation		1,133	1,279
Amortisation of intangible assets		136	138
Provision for slow moving inventory		138	–
Commercial vehicle expenses		4,818	3,639
Utilities		222	210
Other expenses		8,762	7,804
		27,407	25,514

6. PROPERTY, PLANT AND EQUIPMENT

Additions and disposals (Unaudited)

During the three-month period ended 31 March 2014 , the Group acquired assets amounting to AED 1.5 million and disposed off assets with a carrying value of AED 0.1 million (three-month period ended 31 March 2013: AED 2.4 million and 0.23 million respectively).

	31 March 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)	31 March 2013 AED'000 (Unaudited)
7. AVAILABLE-FOR-SALE INVESTMENTS			
Opening balance	**6,208**	5,841	5,841
Change in fair value	**237**	367	12
Closing balance	**6,445**	6,208	5,853

These include investments amounting to AED 5.6 million made in unquoted equity shares of Rawabi Emirates PJSC (year ended 31 December 2013: AED 5.6 million). Since the investments in Rawabi Emirates PJSC 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. The balance of the investments represent investments in quoted shares of Dubai Financial Market PJSC and DP World amounting to AED 0.9 million, and are disclosed at their fair values.

	31 March 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)	31 March 2013 AED'000 (Unaudited)
8. INVENTORIES			
Raw materials and packing materials	**28,031**	30,975	35,922
Semi-finished goods	**2,439**	2,412	1,475
Finished goods	**7,968**	6,270	9,553
Trading goods	**5,936**	5,880	10,549
Consumable stores and spare parts	**9,264**	9,036	9,291
	53,638	54,573	66,790
Less: provision for slow moving inventory	**(5,224)**	(5,407)	(6,264)
	48,414	49,166	60,526
Goods-in-transit	**3,071**	7,313	2,745
	51,485	56,479	63,271
9. TRADE AND OTHER RECEIVABLES			
Trade receivables	**51,022**	48,244	47,876
Less: Provision for impairment of trade receivables	**(4,589)**	(4,589)	(4,691)
	46,433	43,655	43,185
Advances, deposits and prepayments	**8,017**	4,123	6,303
	54,450	47,778	49,488

10. RELATED PARTY TRANSACTIONS AND BALANCES

	Three-month period ended 31 March 2014 AED'000 (Unaudited)	2013 AED'000 (Unaudited)
Purchases from related party		
- United Cans Company LLC	**72**	28
Compensation to key management personnel		
- Staff salaries and benefits (including end-of service benefits)	**450**	258

	31 March 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)	31 March 2013 AED'000 (Unaudited)
Trade and other payables			
- Key management personnel	**114**	93	--
- United Cans Company LLC	**77**	37	--
	191	130	--

11. CASH AND CASH EQUIVALENTS

Cash on hand	**431**	490	458
Bank balance in current accounts	**1,426**	1,192	1,840
	1,857	1,682	2,298

12. SHORT TERM BORROWINGS

Overdrafts	**20,338**	23,563	12,977
Trust receipts	**23,866**	14,516	4,994
Acceptances	--	--	1,323
	44,204	38,079	19,294

13. TRADE AND OTHER PAYABLES

Trade payables	**38,096**	31,900	37,287
Other payables and accruals	**10,303**	8,965	9,836
Advance received from customers	**470**	165	--
	48,869	41,030	47,123

14. PROVISION FOR TAXATION

The provision for taxation 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.

	31 March 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)	31 March 2013 AED'000 (Unaudited)
15. CAPITAL COMMITMENTS			
For acquisition, construction or enhancement of property, plant and equipment	3,134	660	84
16. CONTINGENT LIABILITIES			
Letters of credit	4,800	4,821	4,416
Unutilized balances of commercial letters of credit	11,916	8,344	4,800

Contingencies – legal cases

There are a few legal cases against the Group by ex-employees, as well as counter cases by the Group against ex-employees. All these cases are now pending before the Court for its hearings and decisions. On account of the uncertainty involved over the outcome of the Court's decisions on the amounts involved, the management has concluded that it is not appropriate at this stage to record any contingent liabilities and/or contingent assets.

17. 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.

18. BASIC EARNINGS PER SHARE

		Three-month period ended 31 March	
		2014 (Unaudited)	2013 (Unaudited)
Net loss attributable to Owners (AED'000)	(A)	(13,762)	(6,359)
Weighted average number of shares outstanding	(B)	302,500	302,500
Basic earnings per shares in AED	(A)/(B)	(45)	(21)

The company has not issued any instruments which would have diluted impact on earnings per share when exercised.

19. PROPOSED DIVIDEND

The Board of Directors does not propose any interim dividend for the three-month period ended 31 March 2014 (three-month period ended 31 March 2013: Nil).

20. SEGMENTAL REPORTING

The Group operates in the single reporting segment of dairy, juice, ice cream, and other food products. All the relevant information relating to this reporting/operating segment is disclosed in the condensed consolidated interim statement of financial position, condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of other comprehensive income and notes to the condensed consolidated interim financial information.

IFRS also requires an entity to report its segment assets and revenue along geographical regions. All significant activities of the Group are performed on an integrated basis in the Gulf region 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 customers

During the three-month period ended 31 March 2014 , there were no customers of the Group with revenues greater than 10% of the total revenue of the Group (three-month period ended 31 March 2013: Nil).

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, trade and other receivables and available-for-sale investments. Financial liabilities consist of bank borrowings and trade and other payables.

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

Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2014 , the Group held the following financial instruments measured at fair value:

	31 March 2014 AED'000 (Unaudited)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Available-for-sale investments	6,445	868	--	5,577

As at 31 December 2013, the Group held the following financial instruments measured at fair value:

	31 December 2013 AED'000 (Audited)	Level1 AED'000	Level2 AED'000	Level 3 AED'000
Available-for-sale investments	6,208	631	--	5,577

During the period ended 31 March 2014 and year ended 31 December 2013, there were no transfers between the various levels of fair value measurements.

22. **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.

23. **COMPARATIVE FIGURES**

Previous period's amounts with respect to utilities and staff salaries and other benefits of AED 1,513 ('000) and AED 2,405 ('000) respectively have been regrouped/reclassified to cost of sales as it is considered that the revised grouping/classification, which has been adopted in the current accounting period, more fairly presents the state of affairs/results of operations.