

**United Kaipara Dairies Company (PSC)
and its subsidiary**

**Interim consolidated condensed
financial information**
30 June 2008

United Kaipara Dairies Company (PSC) and its subsidiary

Interim consolidated condensed financial Information

30 June 2008

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Independent Auditors' Report on Review of Interim Financial Information

The Shareholders
United Kaipara Dairies Company (PSC)

Introduction

We have reviewed the accompanying interim consolidated condensed balance sheet of United Kaipara Dairies Company (PSC) ("the Company") and its subsidiary (collectively referred to as "the Group") as at 30 June 2008, and the related consolidated condensed statements of income, changes in equity and cash flows for the six month period then ended (the interim consolidated financial information). Management is responsible for the preparation and presentation of the interim consolidated condensed financial information in accordance with IAS 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 consolidated financial information as at 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34.

Vijendranath Malhotra
Registration No. 48B
Dubai, United Arab Emirates

2 August 2008

United Kaipara Dairies Company (PSC) and its subsidiary

Interim consolidated condensed income statement for the period ended 30 June 2008

	<i>Note</i>	Three month period ended 30 June (Un audited)		Six month period ended 30 June (Un audited)	
		2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000
Revenue		104,002	85,619	178,783	148,855
Cost of sales	4	(66,802)	(55,023)	(118,011)	(99,242)
Gross profit		37,200	30,596	60,772	49,613
Administrative and general expenses	5	(27,255)	(21,679)	(48,470)	(39,573)
Finance costs (net)		(354)	(51)	(821)	(157)
Other income		542	513	933	847
Profit before tax		10,133	9,379	12,414	10,730
Taxation		-	(43)	-	(82)
Profit after tax		10,133	9,336	12,414	10,648

The notes set out on pages 6 to 9 form part of this interim consolidated condensed financial information.

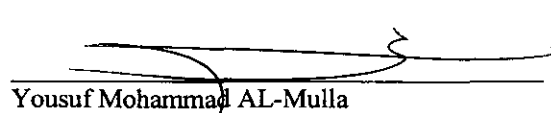
United Kaipara Dairies Company (PSC) and its subsidiary

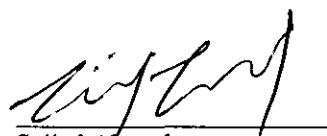
Interim consolidated condensed balance sheet at 30 June 2008

	Note	Unaudited 30 June 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 June 2007 AED'000
Property, plant and equipment	6	58,505	56,261	54,887
Available for sale investment	7	6,862	7,157	6,366
Current assets				
Inventories	8	92,864	87,043	57,548
Trade and other receivables	9	42,774	31,640	29,921
Cash at bank and in hand		2,466	2,975	1,883
		<u>138,104</u>	<u>121,658</u>	<u>89,352</u>
Current liabilities				
Trade and other payables	10	45,023	45,645	49,121
Due to related parties	11	5,204	2,524	2,469
Bank overdraft		40,739	28,521	1,766
		<u>90,966</u>	<u>76,690</u>	<u>53,356</u>
Net current assets		<u>47,138</u>	<u>44,968</u>	<u>35,996</u>
Net assets		<u>112,505</u>	<u>108,386</u>	<u>97,249</u>
Represented by				
Share capital		25,000	25,000	25,000
Reserves		87,505	83,386	72,249
		<u>112,505</u>	<u>108,386</u>	<u>97,249</u>

The interim consolidated condensed financial information was authorized for issue on behalf of the Board of Directors on

02 AUG 2008


Yousuf Mohammad AL-Mulla
Vice Chairman


Sajjad Ahmad
Director

The notes set out on pages 6 to 9 form part of this interim consolidated condensed financial information.

United Kaipara Dairies Company (PSC) and its subsidiary

Interim consolidated condensed statement of cash flows for the period ended 30 June 2008

	Unaudited 30 June 2008 AED'000	Unaudited 30 June 2007 AED'000
Operating activities		
Profit before tax	12,414	10,730
Adjustments for:		
Depreciation	5,595	5,569
Gain on disposal of property, plant and equipment	(294)	(202)
<i>Operating profit before working capital changes</i>	<u>17,715</u>	<u>16,097</u>
Change in trade and other receivables	(11,134)	947
Change in inventories	(5,821)	4,230
Change in trade and other payables	(536)	(3,793)
Change in due to related parties	2,680	(855)
Tax Paid	(86)	(46)
<i>Net cash flows from operating activities</i>	<u>2,818</u>	<u>16,580</u>
Investing activities		
Additions to property, plant and equipment	(7,878)	(10,518)
Proceeds from disposal of property, plant and equipment	333	240
<i>Net cash flows from investing activities</i>	<u>(7,545)</u>	<u>(10,278)</u>
Financing activities		
Directors fee paid	(500)	(300)
Dividend paid	(7,500)	(3,750)
<i>Net cash flows from financing activities</i>	<u>(8,000)</u>	<u>(4,050)</u>
Net increase in cash and cash equivalents	(12,727)	2,252
Cash and cash equivalents at the beginning of the period	<u>(25,546)</u>	<u>(2,135)</u>
Cash and cash equivalents at the end of the period	<u><u>(38,273)</u></u>	<u><u>117</u></u>
These comprise the following:		
Cash in hand and at bank	2,466	1,883
Bank overdraft	(40,739)	(1,766)
	<u><u>(38,273)</u></u>	<u><u>117</u></u>

The notes set out on pages 6 to 9 form part of these interim consolidated condensed financial statements.

United Kaipara Dairies Company (PSC) and its subsidiary

Interim consolidated condensed statement of changes in equity for the period ended 30 June 2008 (Unaudited)

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Fixed assets replacement reserve AED'000	Retained earnings AED'000	Proposed dividend AED'000	Directors' fees AED'000	Fair value reserve AED'000	Total AED'000
At 1 January 2007	25,000	13,291	32,750	15,000	22	3,750	300	-	90,113
Dividend paid	-	-	-	-	-	(3,750)	-	-	(3,750)
Directors' fees paid	-	-	-	-	-	-	(300)	-	(300)
Fair value adjustment on available for sale investment	-	-	-	-	-	-	-	538	538
Profit for the period	-	-	-	-	10,648	-	-	-	10,648
At 30 June 2007	<u>25,000</u>	<u>13,291</u>	<u>32,750</u>	<u>15,000</u>	<u>10,670</u>	<u>-</u>	<u>-</u>	<u>538</u>	<u>97,249</u>
At 1 January 2008	25,000	13,291	45,750	15,000	34	7,500	500	1,311	108,386
Dividend paid	-	-	-	-	-	(7,500)	-	-	(7,500)
Directors' fees paid	-	-	-	-	-	-	(500)	-	(500)
Fair value adjustment on available for sale investment	-	-	-	-	-	-	-	(295)	(295)
Profit for the period	-	-	-	-	12,414	-	-	-	12,414
At 30 June 2008	<u>25,000</u>	<u>13,291</u>	<u>45,750</u>	<u>15,000</u>	<u>12,448</u>	<u>-</u>	<u>-</u>	<u>1,016</u>	<u>112,505</u>

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.

No allocation of profit has been made to the legal reserve, general reserve and fixed assets replacement reserves for the six month period ended 30 June 2008 as it would be affected at the year-end.

The notes set out on pages 6 to 9 form part of this interim consolidated condensed financial information.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the interim consolidated condensed financial information for the six month period ended 30 June 2008

1. Reporting entity

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 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 interim consolidated condensed financial information has been prepared in accordance with the International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The financial information does not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2007.

The accounting policies applied in the preparation of the interim consolidated condensed financial information are consistent with those applied in the annual financial statements of the Group for the year ended 31 December 2007.

The interim consolidated condensed 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 which have quoted market price are 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 2007.

4 Cost of sales

	Three months period ended 30 June (Unaudited) 2008		Six months period ended 30 June (Unaudited) 2008	
	AED'000	AED'000	AED'000	AED'000
<i>These include:</i>				
Staff costs	<u>1,273</u>	<u>1,337</u>	<u>2,357</u>	<u>2,494</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the interim consolidated condensed financial information (*continued*)
for the six month period ended 30 June 2008

5 Administrative and general expenses

	Three month period ended 30 June (Unaudited) 2008		Six month period ended 30 June (Unaudited) 2008	
	AED'000	2007 AED'000	AED'000	2007 AED'000
<i>These include:</i>				
Staff costs	11,930	9,387	21,488	17,397
Depreciation	2,810	2,825	5,595	5,569
Commercial vehicle expenses	5,097	4,004	8,554	6,826
Utilities	2,165	1,675	3,697	3,102

6 Property, plant and equipment (Unaudited)

During the six month period ended 30 June 2008, the Group acquired assets amounting to AED 7.88 million (*six month period ended 30 June 2007: AED 10.52 million*).

7 Available for sale investments

	Unaudited 30 June 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 June 2007 AED'000
Opening balance *	7,157	5,828	5,828
Additions during the period/year	-	18	-
(Loss)/gain on fair valuation	(295)	1,311	538
Closing balance	6,862	7,157	6,366

* Includes investment of AED 5.6 million made in unquoted equity shares of Rawabi Emirates PJSC. Since the investments does not have a quoted market price in an active market, the fair value cannot be reliably measured and are stated at cost, less impairment losses if any.

8 Inventories

	Unaudited 30 June 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 June 2007 AED'000
Raw materials and packing materials	61,532	60,059	35,601
Work in process	1,876	1,237	1,215
Finished products	4,198	3,563	3,409
Trading stocks	17,108	12,311	12,079
Consumable stores and spare parts	8,679	8,150	6,649
	93,393	85,320	58,953
Less: Provision for slow moving inventory	(3,527)	(3,527)	(2,720)
	89,866	81,793	56,233
Goods in transit	2,998	5,250	1,315
	92,864	87,043	57,548

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the interim consolidated condensed financial information (*continued*)
for the six month period ended 30 June 2008

9 Trade and other receivables

	Unaudited 30 June 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 June 2007 AED'000
Trade receivables	39,573	30,783	29,808
Less: Provision for bad and doubtful debts	(2,479)	(2,469)	(2,485)
	<u>37,094</u>	<u>28,314</u>	<u>27,323</u>
Advances, deposit and prepayments	5,680	3,326	2,598
	<u>42,774</u>	<u>31,640</u>	<u>29,921</u>

10 Trade and other payables

	Unaudited 30 June 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 June 2007 AED'000
Trade payables	20,940	20,797	24,861
Employee terminal benefits	10,652	9,833	8,268
Other payables and accruals	13,184	14,682	15,695
Provision for taxation	247	333	274
Dividend payable	-	-	23
	<u>45,023</u>	<u>45,645</u>	<u>49,121</u>

The tax charge is in respect of Unikai and Company LLC ("the subsidiary")-Oman operations (refer note 14) is liable to income tax in accordance with the income tax laws of the Sultanate of Oman at the rates ranging from 0% to 30% depending on the level of its taxable profits.

11 Related party transactions

Significant related party transactions are as follows:

	Three month period ended 30 June (Unaudited) 2008 2007 AED'000 AED'000		Six month period ended 30 June (Unaudited) 2008 2007 AED'000 AED'000	
Sales to related parties	686	158	878	240
Purchases from related parties	5,891	3,193	9,902	6,444

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the interim consolidated condensed financial information *(continued)*
for the six month period ended 30 June 2008

11 Related party transactions (continued)

The compensation to key management personnel is as follows:

	Three month period ended 30 June (Unaudited)		Six month period ended 30 June (Unaudited)	
	2008	2007	2008	2007
	AED'000	AED'000	AED'000	AED'000
Employee benefits (including remuneration)	<u>958</u>	<u>341</u>	<u>1,252</u>	<u>507</u>
Due to related parties	Unaudited 30 June 2008 AED'000		Audited 31 Dec 2007 AED'000	Unaudited 30 June 2007 AED'000
United Foods Company PSC	3,018		921	1,245
United Cans Company LLC	2,186		1,603	1,224
	<u>5,204</u>		<u>2,524</u>	<u>2,469</u>

12 Earnings per share

	Three month period ended 30 June (Unaudited)		Six month period ended 30 June (Unaudited)	
	2008	2007	2008	2007
	AED'000	AED'000	AED'000	AED'000
Earnings per share	<u>40</u>	<u>37</u>	<u>50</u>	<u>43</u>

13 Contingent liabilities and capital commitments

	Unaudited 30 June 2008 AED'000	Unaudited 30 June 2007 AED'000
Letter of credits	17,493	14,946
Bank guarantees	4,407	4,189
Capital commitments	<u>7,609</u>	<u>1,443</u>

14 Subsidiary

The Company holds 100% of the shares (2% held by Directors for beneficial interest of the Company) of Unikai and Company LLC ("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.

15 Proposed dividend

For the period ended 31 Dec 2007, the Board of Directors had proposed a dividend of 30% cash. These have been subsequently approved in the Annual General Meeting held 12 April 2008.