

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

Consolidated financial statements

31 December 2008

United Kaipara Dairies Company (PSC) and its subsidiary

Financial statements

31 December 2008

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شركة كايبارا المتحدة للألبان (ش.م.ع.)

ص.ب. ٦٤٢٤، دبي، الإمارات العربية المتحدة
هاتف: ٣٣٨٢١٣٣ (٠٤) فاكس: ٣٣٨٣٠٩٩ (٠٤)
البريد الإلكتروني: info@unikaifoods.com

REPORT OF THE BOARD OF DIRECTORS

Dear Members,

The Directors have pleasure in placing before you the Balance Sheet of the Company as at 31st December 2008 and the Profit & Loss Account for the year then ended together with the Auditors' Report on these financial statements.

The Company registered an overall growth of 22% in turnover. The sales value for the year increased to Dh. 377.52 million as compared to sale of Dh. 309.59 million in the corresponding period of the previous year.

The Company posted a net profit of Dh. 21,395,616 during the period under review as compared to last year's profit of Dh. 21,012,048.

After adding unappropriated profit of Dh. 33,791 from the previous year, the net profit available amounts to Dh. 21,429,407 which is proposed to be appropriated as under:

	<u>Dhs.</u>
- Directors' Fee	500,000
- Proposed Dividend @ 30%	7,500,000
- Transfer to General Reserve	13,400,000
- Retained Profit carried forward	29,407

On behalf of the Board

Abdul Rahman Mohd.
Bin Nasser Al Owais
(Chairman)

Dated: March 18, 2009





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Independent auditors' report

The Shareholders

United Kaipara Dairies Company (PSC)

Report on the financial statements

We have audited the accompanying financial statements of United Kaipara Dairies Company (PSC) ("the Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and its subsidiary and wherever appropriate, the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group, that a physical count of inventories was carried out by Management in accordance with established principles, and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2008, which may have had a material adverse effect on the business of the Group or its financial position.

KPMG

Date: 18 March 2009

Sharad Bhandari

Registration No: 267

United Kaipara Dairies Company (PSC) and its subsidiary

Consolidated income statement for the year ended 31 December 2008

	<i>Note</i>	2008 AED'000	2007 AED'000
Sales		377,522	309,590
Cost of sales	5	(251,933)	(205,912)
Gross profit		125,589	103,678
Administrative and general expenses	6	(103,682)	(83,180)
Finance expense	7	(2,663)	(1,160)
Other income	8	2,152	1,843
Profit before tax		21,396	21,181
Taxation	14	-	(169)
Profit after tax		21,396	21,012

The notes on pages 7 to 25 form part of these consolidated financial statements.

The independent auditors' report is set out on page 2.

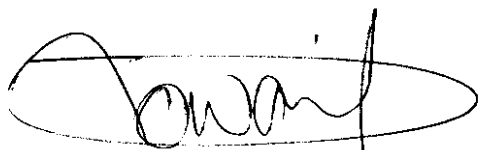
United Kaipara Dairies Company (PSC) and its subsidiary

Consolidated balance sheet at 31 December 2008

	Note	2008 AED'000	2007 AED'000
Property, plant and equipment	9	65,982	56,261
Available for sale investments	10	5,896	7,157
Current assets			
Inventories	11	84,217	87,043
Trade and other receivables	12	43,179	31,640
Cash at bank and in hand	13	2,137	2,975
		-----	-----
		129,533	121,658
		-----	-----
Current liabilities			
Trade and other payables	14	44,297	45,645
Due to related parties	15	949	2,524
Bank Overdraft		35,644	28,521
		-----	-----
		80,890	76,690
		-----	-----
Net current assets		48,643	44,968
		-----	-----
Net assets		120,521	108,386
		=====	=====
Represented by:			
Share capital	16	25,000	25,000
Reserves	17	95,521	83,386
		-----	-----
		120,521	108,386
		=====	=====

The notes on pages 7 to 25 form part of these consolidated financial statements.

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 18 MAR 2009



Abdul Rahman Mohammad Bin Nasser Al Owais
Chairman



Yousuf Mohammad Al Mulla
Vice Chairman

The independent auditors' report is set out on page 2.

United Kaipara Dairies Company (PSC) and its subsidiary

Consolidated statement of cash flows for the year ended 31 December 2008

	2008 AED'000	2007 AED'000
Operating activities		
Profit before tax for the year	21,396	21,181
<i>Adjustment for:</i>		
Depreciation	11,874	11,549
Profit on disposal of property, plant and equipment	(580)	(1)
	-----	-----
<i>Operating profit before working capital changes</i>	32,690	32,729
Change in inventories	2,826	(25,265)
Change in trade and other receivables	(11,539)	(772)
Change in trade and other payables	(1,231)	(7,328)
Change in due to related parties	(1,575)	(800)
Tax paid	(117)	(74)
	-----	-----
<i>Net cash from/(used in) operating activities</i>	21,054	(1,510)
	-----	-----
Investing activities		
Acquisition of property, plant and equipment	(21,641)	(18,085)
Proceeds from disposal of property, plant and equipment	626	252
Acquisition of investments	-	(18)
	-----	-----
<i>Net cash used in investing activities</i>	(21,015)	(17,851)
	-----	-----
Financing activities		
Directors' fees paid	(500)	(300)
Dividend paid	(7,500)	(3,750)
	-----	-----
<i>Net cash used in financing activities</i>	(8,000)	(4,050)
	-----	-----
Net decrease in cash and cash equivalents	(7,961)	(23,411)
Cash and cash equivalents at beginning of the year	(25,546)	(2,135)
	-----	-----
Cash and cash equivalents at end of the year	<u>(33,507)</u>	<u>(25,546)</u>
	=====	=====
These comprise the following:		
Cash in hand and at bank	2,137	2,975
Bank overdraft	(35,644)	(28,521)
	-----	-----
Cash and cash equivalents at end of the year	<u>(33,507)</u>	<u>(25,546)</u>
	=====	=====

The notes on pages 7 to 25 form part of these consolidated financial statements.

The independent auditors' report is set out on page 2.

United Kaipara Dairies Company (PSC) and its subsidiary

Consolidated statement of changes in equity for the year ended 31 December 2008

	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)
Director's fees paid	-	-	-	-	-	-	(300)	-	(300)
Directors' fees accrued	-	-	-	-	(500)	-	500	-	-
Proposed dividend	-	-	-	-	(7,500)	7,500	-	-	-
Transfer to general reserve	-	-	13,000	-	(13,000)	-	-	-	-
Profit for the period	-	-	-	-	21,012	-	-	-	21,012
Fair value adjustment on available for sale investment	-	-	-	-	-	-	-	1,311	1,311
At 31 December 2007	<u>25,000</u>	<u>13,291</u>	<u>45,750</u>	<u>15,000</u>	<u>34</u>	<u>7,500</u>	<u>500</u>	<u>1,311</u>	<u>108,386</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)
Director's fees paid	-	-	-	-	-	-	(500)	-	(500)
Directors' fees accrued	-	-	-	-	(500)	-	500	-	-
Proposed dividend	-	-	-	-	(7,500)	7,500	-	-	-
Transfer to general reserve	-	-	13,400	-	(13,400)	-	-	-	-
Profit for the year	-	-	-	-	21,396	-	-	-	21,396
Fair value adjustment on available for sale investment	-	-	-	-	-	-	-	(1,261)	(1,261)
At 31 December 2008	<u>25,000</u>	<u>13,291</u>	<u>59,150</u>	<u>15,000</u>	<u>30</u>	<u>7,500</u>	<u>500</u>	<u>50</u>	<u>120,521</u>

The notes on pages 7 to 25 form part of these consolidated financial statements.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes

(forming part of the consolidated financial statements)

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 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 Law 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 20.

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

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements relevant to Articles of the Company and its subsidiary and wherever appropriate, the UAE Federal Law No. 8 of 1984 (as amended).

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for investment in quoted securities, which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in UAE Dirham's ("AED") which is the Company's functional currency.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are discussed in note 22.

3 Significant accounting policies

The following accounting policies, which comply with IFRS, have been applied consistently in dealing with items that are considered material in relation to the Group's consolidated financial statements.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (*continued*)

3 Significant accounting policies (*continued*)

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transaction with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Turnover

Turnover comprises amounts invoiced to third parties for goods delivered falling within the Group's ordinary activities, after deduction of discounts given in the ordinary course of business.

Revenue recognition

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement of the goods.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is recognized in the income statement on a straight line basis over the estimated useful lives of items of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

Assets	Life (years)
Buildings	20
Plant and equipment	5 to 10
Transport and distribution equipment	3 to 6
Furniture, fixtures and office equipment	4

The depreciation method, estimation of useful lives and residual values are reassessed at the reporting date by the management. Any change is allocated for as a change for the current and future periods.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes *(continued)*

3 Significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realizable value with due allowance for obsolete and slow moving items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and selling expenses. Cost includes:

- finished goods are stated at the cost of direct materials and labour plus attributable overheads based on normal level of activity; and
- other inventories are stated at material cost on weighted average basis and all expenses incurred in bringing each item to its present location and condition.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investment in equity securities, trade and other receivables, cash and cash equivalents, due to related parties and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured at described below.

Available for sale investments

Available for sale investment are stated at fair value, with any resultant gain or loss being recognized directly in equity, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. However, the investments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost, including transaction costs, less impairment losses, if any.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less impairment losses.

Cash and cash equivalent

Cash and cash equivalent comprise cash in hand and at bank. Bank overdrafts that are repayable on demand and form integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes *(continued)*

3 Significant accounting policies (continued)

Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the group for the cost of an asset are recorded at nominal value.

Staff terminal benefits

The provision for staff terminal benefits, included in trade and other payables, is calculated in accordance with the UAE Federal Labour Law applicable to the Company and the relevant local laws applicable to its subsidiary and is based on the liability that would arise if the employment of all the Group's staff were terminated at the balance sheet date. The Group contributes to the Public Authority of Pensions and Social Securities in accordance with the Pension and Social Securities Law, Federal Law No (7) of 1999 in respect of UAE nationals and to the Oman Social Insurance Scheme in respect of Omani Nationals employed and the pension amount is recognized as expense when incurred.

Taxation

The Group accounts for provision for income tax for the profit earned on its operations in Oman each year. The tax provision reflects tax liability relating to profit of the Oman operations. Income tax for the year comprises current and deferred tax. Income tax on the profit or loss of the operations for the year is recognized in the income statement. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

3 Significant accounting policies (continued)

Finance expense

Finance expense comprises interest expense on borrowings and impairment losses recognized on trade receivables. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All borrowing costs are recognized in profit and loss account using the effective interest method.

Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measure at amortized cost is calculated as the difference between the carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in the income statement.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

New standard and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements with particular relevance to the Group are the following:

Revised IAS 23 – *Borrowing Costs* remove the option to expense borrowing costs and requires that an entity capitalise borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements. The change will not have any significant impact as the Group does not have any such borrowings.

Revised IAS 1- *Presentation of Financial statements (2007)* introduces the term total comprehensive income, which represents changes in equity during the period other than those changes resulting from transactions with Shareholders in their capacity as owners. Total comprehensive income may be presented in either single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have significant impact on the presentation of the financial statements.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes *(continued)*

4 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management is responsible for developing and monitoring the Group's risk management policies. The Group's senior management reports to the Board of Directors on its activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables. The exposure to credit risk on trade and other receivables is monitored on an ongoing basis by the management and these are considered recoverable by the Group's management.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and the country, in which customer operate, has less of an influence on credit risk.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Group of similar assets in respect of losses that have been incurred but not yet identified.

Bank balances are with local and international banks of repute.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk mainly relates to payables to suppliers and related parties. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market rate risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

4 Financial risk management (continued)

Market rate risk (continued)

The Group manages its market rate risks as follows:

Currency risk

The Group is mainly exposed to currency risk on purchases and payables that are denominated in a currency other than the respective functional currency of the Group entities, primarily Euro ("EUR").

The Company also has transactions denominated in United States Dollar ("USD") and Omani Riyals ("OR"). However, the Group is not exposed to the currency risk as the AED and OR are pegged to the USD.

The Group does not hedge the currency risk in respect of its foreign currency exposure. Management ensures that its foreign currency exposure is kept at an acceptable level by monitoring its purchases and buying and selling foreign currencies at spot rates when necessary to correct short term imbalances.

Interest rate risk

The Group's exposure to interest rate risk is primarily on its borrowings with banks. The interest rate on the Group's financial instruments is based on market rates. The Group adopts a policy of ensuring a mix between fixed interest borrowings and variable interest borrowings.

Equity price risk

Equity price risk arises from available-for-sale quoted equity securities held by the Group. Management of the Group monitors equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

The primary goal of the Group's investment strategy is to maximize investment returns.

Capital management

The Board's policy is to maintain a strong capital base to sustain future development of the business. The Board of Directors monitors the return on capital through operating cash flow management. The Board seeks to maintain a balance between the higher returns and the advantages and security offered by a sound capital position. There is no change in the Group's approach to capital management during the current year.

5 Cost of sales

	2008 AED'000	2007 AED'000
<i>These include:</i>		
Direct labour	4,713	4,881

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

6 Administrative and general expenses

	2008 AED'000	2007 AED'000
<i>These include:</i>		
Staff related costs	44,811	38,179
Depreciation	11,874	11,549
Commercial vehicle expenses	19,854	14,595
Utilities	8,761	6,398
Rent and taxes	3,828	2,620
	<u> </u>	<u> </u>

7 Finance expense

	2008 AED'000	2007 AED'000
Interest expense	1,697	891
Impairment loss on trade receivables	966	269
	<u> </u>	<u> </u>
	<u>2,663</u>	<u>1,160</u>

8 Other income

	2008 AED'000	2007 AED'000
<i>This includes:</i>		
Sale of Scrap	487	542
Foreign exchange gains	459	342
Write back of provisions made in previous years	-	806
Profit on sale of property, plant and equipment	580	1
	<u> </u>	<u> </u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

9 Property, plant and equipment

	Land & Buildings AED' 000	Plant & equipment AED' 000	Transport & distribution equipment AED' 000	Furniture, fixtures & office equipment AED' 000	Capital work in Progress AED' 000	Total AED' 000
Cost						
At 1 January 2007	33,816	57,613	69,330	3,063	4,138	167,960
Additions	3,340	2,637	4,227	496	7,385	18,085
Transfers	2,944	175	17	-	(3,136)	-
Disposals	(550)	(565)	(1,244)	(164)	-	(2,523)
At 31 December 2007	39,550	59,860	72,330	3,395	8,387	183,522
At 1 January 2008	39,550	59,860	72,330	3,395	8,387	183,522
Additions	52	564	7,105	490	13,430	21,641
Transfers	-	3,997	333	748	(5,078)	-
Disposals	-	(232)	(3,285)	(63)	-	(3,580)
At 31 December 2008	39,602	64,189	76,483	4,570	16,739	201,583
Depreciation						
At 1 January 2007	22,725	35,706	57,028	2,525	-	117,984
Charge for the year	1,265	3,961	6,016	307	-	11,549
On disposals	(337)	(565)	(1,206)	(164)	-	(2,272)
At 31 December 2007	23,653	39,102	61,838	2,668	-	127,261
At 1 January 2008	23,653	39,102	61,838	2,668	-	127,261
Charge for the year	1,407	3,981	5,874	612	-	11,874
On disposals	-	(232)	(3,241)	(61)	-	(3,534)
At 31 December 2008	25,060	42,851	64,471	3,219	-	135,601
Net book value						
At 31 December 2008	<u>14,542</u>	<u>21,338</u>	<u>12,012</u>	<u>1,351</u>	<u>16,739</u>	<u>65,982</u>
At 31 December 2007	<u>15,897</u>	<u>20,758</u>	<u>10,492</u>	<u>727</u>	<u>8,387</u>	<u>56,261</u>

The Government of Dubai had granted land to the Group for setting up the manufacturing facility that has been recorded at a nominal value.

Land and buildings comprise of certain buildings constructed on land leased to the Group. The lease is renewable every year and management believes that the lease would be available to the Group on an on-going basis in the foreseeable future.

Capital work in progress includes land rent capitalized amounting to AED 1.9 million.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

10 Available for sale investments

	2008 AED'000	2007 AED'000
Opening Balance	7,157	5,828
Additions during the year	-	18
(Loss)/gain on fair valuation	(1,261)	1,311
	<u>-----</u>	<u>-----</u>
Closing Balance	<u>5,896</u>	<u>7,157</u>

Available for sale investments includes investment of AED 5.6 million in equity shares of Rawabi Emirates PJSC. The investment in Rawabi Emirates PJSC does not have a quoted market price in an active market. As a result the fair value cannot be reliably measured and are stated at cost, less impairment losses if any.

Balance investment of AED 0.3 million represents investment in quoted shares in Dubai Financial Market PJSC and DP World. The investment has been valued at fair value at the balance sheet date and the change therein has been recognized directly in equity.

11 Inventories

	2008 AED'000	2007 AED'000
Raw materials and packing materials	54,555	60,059
Work in process	1,497	1,237
Finished products	4,643	3,563
Trading stock	16,023	12,311
Consumable stores and spare parts	11,044	8,150
	<u>-----</u>	<u>-----</u>
	87,762	85,320
Less: Provision for slow moving inventories	(3,946)	(3,527)
	<u>-----</u>	<u>-----</u>
	83,816	81,793
Goods in transit	401	5,250
	<u>-----</u>	<u>-----</u>
	<u>84,217</u>	<u>87,043</u>

12 Trade and other receivables

	2008 AED'000	2007 AED'000
Trade receivables	40,276	30,783
Less: Provision for bad and doubtful debts	(3,165)	(2,469)
	<u>-----</u>	<u>-----</u>
	37,111	28,314
Advances, deposit and prepayments	6,068	3,326
	<u>-----</u>	<u>-----</u>
	<u>43,179</u>	<u>31,640</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

13 Cash at bank and in hand

	2008 AED'000	2007 AED'000
Cash in hand	528	440
Cash at bank	1,609	2,535
	<u>2,137</u>	<u>2,975</u>

14 Trade and other payables

	2008 AED'000	2007 AED'000
Trade payables	19,599	20,797
Employee terminal benefits	10,819	9,833
Other payables and accruals	13,663	14,682
Provision for taxation	216	333
	<u>44,297</u>	<u>45,645</u>

Movement in tax provision account is

	2008 AED'000	2007 AED'000
Opening balance	333	238
Tax paid for prior years	(117)	(74)
Current year tax provision	-	169
	<u>216</u>	<u>333</u>

The tax charge is in respect of Oman operations. Unikai and Company LLC ("the subsidiary") (refer note 20) 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. In the opinion of the management, provision amounting to AED 0.2 million is adequate to meet the Group's tax liabilities.

15 Related party transactions

The Group, in the ordinary course of business, enters into transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard No. 24. Such transactions are executed at mutually agreed rates.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

15 Related party transactions (continued)

Significant transactions with related parties are as follows:

	2008 AED'000	2007 AED'000
Sales to related parties	1,089	654
Purchases from related parties	15,990	13,299

The compensation to key management personnel is as follows:

Employee benefits (including remuneration)	2,009	1,424
--	-------	-------

Due to related parties

	2008 AED'000	2007 AED'000
United Foods Company PSC	42	921
United Cans Company LLC	907	1,603
	949	2,524

16 Share capital

	2008 AED'000	2007 AED'000
Authorized share capital		
250,000 shares of AED 100 each	25,000	25,000
Issued subscribed and fully paid up		
200,102 shares of AED 100 each fully paid up	20,010	20,010
Shares issued for consideration other than cash- 49,898 shares of AED 100 each.	4,990	4,990
	25,000	25,000

Proposed dividend

In accordance with the articles of association of the Company, the Board of Directors have proposed a dividend of AED 7,500,000 (2007: AED 7,500,000).

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

17 Reserves

Legal reserve

In accordance with the UAE Federal Law No. 8 of 1984 (as amended), a minimum of 10% of the net profit of the Company is allocated every year to a legal reserve. Such allocation shall cease when the reserve equals 50% of the issued share capital of the Company. No transfer from profit of the Holding Company has been made during the year (2007: AED Nil) as the statutory reserve is equal to the 50% of the paid up capital.

In accordance with the Oman Commercial Register Law No. 3/74, a minimum of 10% of the net profit of the Company is allocated every year to a legal reserve. Such allocation shall cease when the reserve equals one third of the issued share capital of the subsidiary. No transfer has been made in the current year (2007: Nil) as the statutory reserve is equal to one third of the issued share capital of the subsidiary.

General reserve

In accordance with the Company's articles of association, minimum of 10% of the net profits for each year should be transferred to the general reserve. Such allocation may cease when the reserve equals 50% of the paid up share capital of the Company. The reserve is to be used for purposes as recommended by the Board of Directors and approved by the Annual General Meeting.

The general reserve in the books of the Company has reached its limit. However, at each balance sheet date, the Board of Directors continue to approve the transfer a certain percentage of net profit for the year to the general reserve in each year.

Fixed assets replacement reserve

At each balance sheet date, the Board of Directors decide to transfer a certain percentage of net profit for the year to the fixed assets replacement reserve. This reserve is earmarked for replacement of property, plant and equipment in the future years. This year Board decided not to transfer any amount to fixed assets replacement reserve.

Directors' fees

Directors' fees have been included as an appropriation of net profit for the year in accordance with the interpretation of the Commercial Companies Law of 1984 (as amended) by the Ministry of Economy and Commerce.

18 Earnings and dividend per share

	2008 AED	2007 AED
Earnings per share	86	84
Proposed dividend per share	30	30
	==	==

The earnings per share has been calculated by dividing the profit for the year attributable to the shareholders by the number of the issued, subscribed and paid up shares.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

19 Contingent liabilities and capital commitments

	2008 AED'000	2007 AED'000
Letters of credits	2,346	1,247
Bank guarantees	4,437	4,408
Capital commitments	6,147	9,639
	<u> </u>	<u> </u>

20 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.

21 Financial instruments

Financial assets of the Company's include cash at bank and in hand and trade and other receivables. Financial liabilities of the Company include trade and other payables, bank borrowings and due to related parties. Accounting policies for financial assets and liabilities are set out in note 3.

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2008 AED'000	2007 AED'000
Trade receivables	37,111	28,314
Other receivables	2,923	1,548
Bank balances	1,609	2,535
	<u> </u>	<u> </u>
	41,643	32,397
	<u> </u>	<u> </u>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2008 AED'000	2007 AED'000
UAE	26,706	21,317
Oman	9,791	6,061
Other regions	614	936
	<u> </u>	<u> </u>
	37,111	28,314
	<u> </u>	<u> </u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

21 Financial instruments (continued)

(a) Credit risk (continued)

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2008 AED'000	Impairment 2008 AED'000	Gross 2007 AED'000	Impairment 2007 AED'000
0-30 days due from invoice date	14,751	375	12,063	307
31- 60 days from invoice date	9,877	247	7,468	187
61-90 days from invoice date	7,551	478	6,128	388
91-120 days from invoice date	4,693	302	2,286	147
Above 120 days	3,404	1,138	2,838	1,440
	<u>40,276</u>	<u>3,165</u>	<u>30,783</u>	<u>2,469</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2008 AED'000	2007 AED'000
Balance at 1 January	2,469	2,317
Impairment loss recognised	965	269
Impairment allowance written off	(269)	(117)
Balance at 31 December	<u>3,165</u>	<u>2,469</u>

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting of agreements:

At 31 December 2008

	Carrying amount AED'000	Contractual cash flows AED'000	6 months or less AED '000	More than 6 months AED'000
Non-derivative financial liabilities				
Due to related parties	949	949	949	-
Trade and other payables	33,478	33,478	33,478	-
Bank Overdraft	35,644	35,644	35,644	-
	<u>70,071</u>	<u>70,071</u>	<u>70,071</u>	<u>-</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

21 Financial instruments (continued)

(b) Liquidity risk (continued)

At 31 December 2007

	Carrying amount AED'000	Contractual cash flows AED'000	6 months or less AED'000	More than 6 months AED'000
Non-derivative financial liabilities				
Due to related parties	2,524	2,524	2,524	-
Trade and other payables	35,812	35,812	35,812	-
Bank Overdraft	28,521	28,521	28,521	-
	-----	-----	-----	----
	66,857	66,857	66,857	-
	=====	=====	=====	=====

The Group does not have any derivative financial liabilities at the end of the current year or the previous year.

(c) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk (EUR) is as follows:

	2008 AED'000	2007 AED'000
Trade and other payable	(70)	(183)
	=====	=====

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2008 AED	2007 AED	2008 AED	2007 AED
Euro 1	5.145	5.035	5.192	5.411
	=====	=====	=====	=====

Sensitivity analysis

A 10 percent strengthening of the AED against the following currencies as at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit or (loss)
<i>Effect in AED'000</i>	
2008	
Euro	7
	=
2007	
Euro	18
	=====

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

21 Financial instruments (continued)

(c) Currency risk (continued)

Sensitivity analysis (continued)

A 10 percent weakening of the AED against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

In each of the above cases the impact on equity would be the same values as the above amounts.

(d) Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

amount	Carrying	
	2008 AED'000	2007 AED'000
Fixed rate instruments		
Bank overdrafts repayable on demand	17,026	11,465
	=====	=====
Variable rate instruments		
Bank overdrafts repayable on demand	18,618	17,056
	=====	=====

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

	Profit or loss		Equity	
	100bp increase AED'000	100bp decrease AED'000	100bp increase AED'000	100bp decrease AED'000
31 December 2008				
Variable rate instruments	186	(186)	-	-
	=====	=====	=====	=====
31 December 2007				
Variable rate instruments	170	(170)	-	-
	=====	=====	=====	=====

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

21 Financial instruments (continued)

(e) Equity price risk

Sensitivity analysis

The following table demonstrates the sensitivity of the Company's equity and profit or loss to a 10 percent change in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	Effect on profit or loss AED'000	Effect on equity AED'000
31 December 2008		
Effect of changes in quoted equity portfolio of the Group	-	30
	==	==
31 December 2007		
Effect of changes in quoted equity portfolio of the Group	-	156
	==	==

Sensitivity analysis is done for available for sale investments in quoted securities. Group has an investment of AED 5.6 million 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. Therefore, no sensitivity analysis is done for investment in unquoted equity shares of Rawabi Emirates PJSC.

For quoted securities, change in price will not have any effect on profit or loss as these investments are available for sale. Any gain or loss arising on fair valuation on available for sale investments is recognized directly in equity.

(f) Fair value

The fair value of the Group's financial assets and liabilities approximates their carrying amounts.

22 Use of estimates and judgments

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future years mainly comprise of following:

(a) Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes *(continued)*

22 Use of estimates and judgments (continued)

(b) Provision for obsolete inventory

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is any future sale ability of the product and the net realizable value for such product. Accordingly, provision for impairment is made where the net realizable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the ageing and past movement of the inventory.

23 Comparative figures

Certain comparative figures have been regrouped/reclassified, wherever necessary, to conform to the presentation adopted in these consolidated financial statements.