

United Kaipara Dairies Company (PSC)
and its subsidiary

Consolidated financial statements

31 December 2009

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

P.O.Box: 6424, Dubai, United Arab Emirates
Tel. : (04) 3582133, Fax: (04) 3383099
E-mail: info@unikaifoods.com
website: www.unikaifoods.com

شركة كايبارا المتحدة للألبان (ش.م.ع.)

من ب. ٦٤٢٤، دبي، الإمارات العربية المتحدة
هاتف: ٣٥٨٢١٣٣ (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 2009 and the Profit & Loss Account for the year then ended together with the Auditors' Report on these financial statements.

The Company registered an overall decline of 7.34% in turnover. The sales value for the year decreased to Dh. 349.82 million as compared to sale of Dh. 377.52 million in the corresponding period of the previous year.

The Company posted a net profit of Dh. 28,517,108 during the period under review as compared to last year's profit of Dh. 21,395,616. The profit increased by 33.28% than last year.

After adding unappropriated profit of Dh. 29,407 from the previous year, the net profit available amounts to Dh. 28,546,515 which is proposed to be appropriated as under:

	Dhs.
- Directors' Fee	750,000
- Proposed Dividend @ 30%	7,500,000
- Transfer to General Reserve	17,750,000
- Bonus Share @ 10%	2,500,000
- Retained Profit carried forward	46,515

On behalf of the Board

Abdul Rahman Mohd.
Bin Nasser Al Owais
(Chairman)

Dated: March 17, 2010





P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Independent auditors' report

The Shareholders
United Kaipara Dairies Company (PSC)

Report on the financial statements

We have audited the accompanying consolidated financial statements of United Kaipara Dairies Company (PSC) ("the Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated 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 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 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 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.

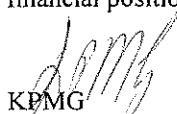
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 2009, which may have had a material adverse effect on the business of the Group or its financial position.


KPMG

Date: 17 March 2010

Vijendra Nath Malhotra
Registration No: 48 B

United Kaipara Dairies Company (PSC) and its subsidiary

Consolidated income statement for the year ended 31 December 2009

	<i>Note</i>	2009 AED'000	2008 AED'000
Revenue		349,817	377,522
Cost of sales	5	(214,821)	(251,933)
Gross profit		134,996	125,589
Administrative and general expenses	6	(107,441)	(103,682)
Finance expense	7	(797)	(2,663)
Other income	8	2,033	2,152
Profit before tax		28,791	21,396
Taxation	14	(274)	-
Profit after tax		28,517	21,396

The notes on pages 8 to 31 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 comprehensive income for the year ended 31 December 2009

	<i>Note</i>	2009 AED'000	2008 AED'000
Profit for the year		28,517	21,396
Other comprehensive income:			
Net change in fair value of available for sale investments	10	157	(1,261)
Total comprehensive income for the year		<u>28,674</u>	<u>20,135</u>

The notes on pages 8 to 31 form part of these consolidated financial statements.

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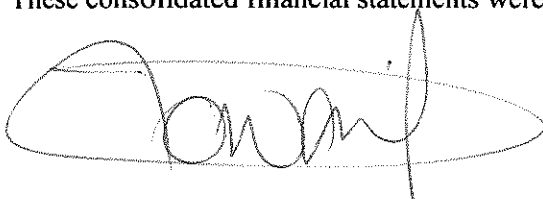
United Kaipara Dairies Company (PSC) and its subsidiary

Consolidated statement of financial position at 31 December 2009

	Note	2009 AED'000	2008 AED'000
Property, plant and equipment	9	74,608	65,982
Available for sale investments	10	6,053	5,896
Current assets			
Inventories	11	94,254	84,217
Trade and other receivables	12	39,415	43,179
Cash at bank and in hand	13	697	2,137
		134,366	129,533
Current liabilities			
Trade and other payables	14	61,821	44,297
Due to related parties	15	364	949
Bank overdraft	13	11,647	35,644
		73,832	80,890
Net current assets		60,534	48,643
Net assets		141,195	120,521
Represented by:			
Share capital	16	25,000	25,000
Reserves	17	116,195	95,521
		141,195	120,521

The notes on pages 8 to 31 form part of these consolidated financial statements.

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 17 MAR 2010



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 2009

	2009 AED'000	2008 AED'000
Operating activities		
Profit before tax for the year	28,517	21,396
<i>Adjustment for:</i>		
Depreciation	12,003	11,874
Profit on disposal of property, plant and equipment	(901)	(580)
Provision for tax	274	-
Write off of property, plant and equipment	2,104	-
	<u>41,997</u>	<u>32,690</u>
<i>Operating profit before working capital changes</i>		
Change in inventories	(10,037)	2,826
Change in trade and other receivables	3,764	(11,539)
Change in trade and other payables	17,469	(1,231)
Change in due to related parties	(585)	(1,575)
Tax paid	(219)	(117)
	<u>52,389</u>	<u>21,054</u>
<i>Net cash from operating activities</i>		
Investing activities		
Acquisition of property, plant and equipment	(23,113)	(21,641)
Proceeds from disposal of property, plant and equipment	1,281	626
	<u>(21,832)</u>	<u>(21,015)</u>
<i>Net cash used in investing activities</i>		
Financing activities		
Directors' fees paid	(500)	(500)
Dividend paid	(7,500)	(7,500)
	<u>(8,000)</u>	<u>(8,000)</u>
<i>Net cash used in financing activities</i>		
Net decrease in cash and cash equivalents	22,557	(7,961)
Cash and cash equivalents at beginning of the year	(33,507)	(25,546)
Cash and cash equivalents at end of the year	(10,950)	(33,507)
These comprise the following:		
Cash in hand and at bank	697	2,137
Bank overdraft	(11,647)	(35,644)
Cash and cash equivalents at end of the year	(10,950)	(33,507)

The notes on pages 8 to 31 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 2009

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Fixed assets replacement reserve AED'000	Retained earnings AED'000	Proposed dividend/Bonus AED'000	Directors' fees AED'000	Fair value reserve AED'000	Total AED'000
Balance at 1 January 2008	25,000	13,291	45,750	15,000	34	7,500	500	1,311	108,386
Total comprehensive income for the year									
Profit for the year	-	-	-	-	21,396	-	-	-	21,396
Other comprehensive income									
Net change in fair value of available for sale financial assets	-	-	-	-	-	-	-	(1,261)	(1,261)
Total other comprehensive income	-	-	-	-	-	-	-	(1,261)	(1,261)
Total comprehensive income for the year	-	-	-	-	21,396	-	-	(1,261)	20,135
Transactions with owners, recorded directly in equity									
<i>Contributions by and distribution to owners</i>									
Proposed dividend	-	-	-	-	(7,500)	7,500	-	-	-
Dividend paid	-	-	-	-	-	(7,500)	-	-	(7,500)
Directors' fees accrued	-	-	-	-	(500)	-	500	-	-
Directors' fees paid	-	-	-	-	-	-	(500)	-	(500)
Transfer to general reserve	-	-	13,400	-	(13,400)	-	-	-	-
Total contributions by and distributions to owners	-	-	13,400	-	(21,400)	-	-	-	(8,000)
Balance at 31 December 2008	25,000	13,291	59,150	15,000	30	7,500	500	50	120,521

United Kaipara Dairies Company (PSC) and its subsidiary

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Fixed assets replacement reserve AED'000	Retained earnings AED'000	Proposed dividend/bonus AED'000	Directors' fees AED'000	Fair value reserve AED'000	Total AED'000
Balance at 1 January 2009	25,000	13,291	59,150	15,000	30	7,500	500	50	120,521
Total comprehensive income for the year									
Profit for the year	-	-	-	-	28,517	-	-	-	28,517
Other comprehensive income									
Net change in fair value of available for sale financial assets	-	-	-	-	-	-	-	157	157
Total other comprehensive income	-	-	-	-	-	-	-	157	157
Total comprehensive income for the year	-	-	-	-	28,517	-	-	157	28,674
Transactions with owners, recorded directly in equity									
<i>Contributions by and distribution to owners</i>									
Proposed dividend	-	-	-	-	(7,500)	7,500	-	-	-
Proposed issue of bonus shares	-	-	-	-	(2,500)	2,500	-	-	-
Dividend paid	-	-	-	-	-	(7,500)	-	-	(7,500)
Directors' fees accrued	-	-	-	-	(750)	-	750	-	-
Directors' fees paid	-	-	-	-	-	-	(500)	-	(500)
Transfer to general reserve	-	-	17,750	-	(17,750)	-	-	-	-
Total contributions by and distribution to owners	-	-	17,750	-	(28,500)	2,500	250	-	(8,000)
Balance at 31 December 2009	25,000	13,291	76,900	15,000	47	10,000	750	207	141,195

The notes on pages 8 to 31 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.

Change in accounting policies

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. As required by the revised standard, the Group has presented an income statement and a separate statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (*continued*)

3 Significant accounting policies

Except as described in point 2 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.

Basis of consolidation

These consolidated financial statements comprise the consolidated financial position and the consolidated results of operation and consolidated cash flows of the Company and its subsidiary, collectively referred to as ("the Group").

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The results of operations and total assets and liabilities of subsidiaries are included in the consolidated financial statements on a line by line basis and the interest of minority shareholders, if any, in the net assets of subsidiaries is stated separately. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences to the date that control effectively ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra- group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated 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 measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue from the sale of goods is recognized on profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfer of risks and rewards usually occurs at the time of delivery of goods to the customers.

Finance expense

Finance expense comprises interest expense on borrowings and impairment losses recognized on trade and other 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.

Interest expense that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the period in which they are incurred.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (*continued*)

3 Significant accounting policies (*continued*)

Property, plant and equipment and depreciation

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing cost.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the income statement.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of the property, plant and equipment are recognized in the income statement as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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

(i) Non- derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivable and available for sale financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

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

Available for sale investments

Available for sale investments are non-derivative financial assets that are designated as available for sale and that are not classified in any of the other categories of financial instruments as defined by IAS 39. Subsequent to initial recognition, investments are measured at fair value with unrealized gains and losses reported in other comprehensive income, except for impairment losses. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The fair value of quoted marketable equity securities is their market bid price at the balance sheet date. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss, if any.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

ii) *Non- derivative financial liabilities*

The Group financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group has the following non-derivative financial liabilities: short term bank borrowings, trade and other payables and related party payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

ii) *Share capital – ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

3 Significant accounting policies (continued)

Impairment (continued)

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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash generating unit or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. All impairment losses are recognised in the income statement.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

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.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes *(continued)*

3 Significant accounting policies *(continued)*

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

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates 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 reporting 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 rates at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into AED at exchange rates at the reporting date, except share capital which is converted at the historical rate. The revenue and expenses of the foreign operations are translated into AED at the average exchange rates for the year. Foreign currency differences arising on retranslation are recognised in other comprehensive income.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

3 Significant accounting policies (continued)

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements with particular relevance to the Group are the following:

- Amended *IAS 27 Consolidated and Separate Financial Statements* requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which will become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

4. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Operational 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. Further quantitative disclosures are included throughout these consolidated financial statements.

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

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.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

4 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market 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 exposures within acceptable parameters, while optimising the return.

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.

The Group manages its market rate risks as follows:

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.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

4 Financial risk management (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

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 Company's approach to capital management during the current year and the Company is not subject to externally imposed capital requirements.

5 Cost of sales

	2009 AED'000	2008 AED'000
<i>These include:</i>		
Direct labour	<u>4,986</u>	<u>4,713</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

6 Administrative and general expenses

	2009 AED'000	2008 AED'000
<i>These include:</i>		
Staff related costs	46,580	44,811
Depreciation and write-off of property, plant and equipment (refer note 9)	14,107	11,874
Commercial vehicle expenses	18,814	19,854
Utilities	10,895	8,761
Rent and taxes	4,329	3,828
	<u> </u>	<u> </u>

7 Finance expense

	2009 AED'000	2008 AED'000
Interest expense	673	1,698
Impairment loss on trade receivables	124	965
	<u> </u>	<u> </u>
	797	2,663
	<u> </u>	<u> </u>

8 Other income

	2009 AED'000	2008 AED'000
<i>This includes:</i>		
Sale of Scrap	454	487
Foreign exchange gains	273	459
Profit on sale of property, plant and equipment	901	580
	<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 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
At 1 January 2009	39,602	64,189	76,483	4,570	16,739	201,583
Additions	-	530	3,095	300	19,188	23,113
Transfers	11,483	13,905	4,454	191	(30,033)	-
Disposals	-	-	(2,523)	(343)	-	(2,866)
Write off	-	-	-	-	(2,104)	(2,104)
At 31 December 2009	51,085	78,624	81,509	4,718	3,790	219,726
Depreciation						
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
At 1 January 2009	25,060	42,851	64,471	3,219	-	135,601
Charge for the year	1,468	4,075	5,887	573	-	12,003
On disposals	-	-	(2,149)	(337)	-	(2,486)
At 31 December 2009	26,528	46,926	68,209	3,455	-	145,118
Net book value						
At 31 December 2009	<u>24,557</u>	<u>31,698</u>	<u>13,300</u>	<u>1,263</u>	<u>3,790</u>	<u>74,608</u>
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>

- (i) The Government of Dubai had granted land to the Group for setting up the manufacturing facility that has been recorded at a nominal value.
- (ii) 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.
- (iii) Presently, the Company is not certain to go ahead with the construction of new facility at Dubai Industrial City, accordingly all expenses incurred on the constructed related activities, recorded as capital work in progress have been written off during the year.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

10 Available for sale investments

	2009 AED'000	2008 AED'000
Opening Balance	5,896	7,157
Gain/(loss) on fair valuation	157	(1,261)
	<u>-----</u>	<u>-----</u>
Closing Balance	<u>6,053</u>	<u>5,896</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 0.4 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.

11 Inventories

	2009 AED'000	2008 AED'000
Raw materials and packing materials	54,153	54,555
Work in process	1,928	1,497
Finished products	5,031	4,643
Trading stock	15,594	16,023
Consumable stores and spare parts	9,349	11,044
	<u>-----</u>	<u>-----</u>
	86,055	87,762
Less: Provision for slow moving inventories	(3,791)	(3,946)
	<u>-----</u>	<u>-----</u>
	82,264	83,816
Goods in transit	11,990	401
	<u>-----</u>	<u>-----</u>
	<u>94,254</u>	<u>84,217</u>

12 Trade and other receivables

	2009 AED'000	2008 AED'000
Trade receivables	36,637	40,276
Less: Provision for bad and doubtful debts	(3,056)	(3,165)
	<u>-----</u>	<u>-----</u>
	33,581	37,111
Advances, deposit and prepayments	5,834	6,068
	<u>-----</u>	<u>-----</u>
	<u>39,415</u>	<u>43,179</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

13 Cash and cash equivalents

	2009 AED'000	2008 AED'000
Cash in hand	424	528
Cash at bank	273	1,609
Bank overdrafts	(11,647)	(35,644)
	<u>10,950</u>	<u>33,507</u>

14 Trade and other payables

	2009 AED'000	2008 AED'000
Trade payables	32,536	19,599
Employee terminal benefits	11,657	10,819
Other payables and accruals	17,357	13,663
Provision for taxation	271	216
	<u>61,821</u>	<u>44,297</u>

Movement in tax provision account is

	2009 AED'000	2008 AED'000
Opening balance	216	333
Tax paid	(219)	(117)
Current year tax provision	274	-
	<u>271</u>	<u>216</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. These transactions comprise purchase and sale of goods and transfer of funds. 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:

	2009 AED'000	2008 AED'000
Sales to related parties	1,912	1,089
Purchases from related parties	13,115	15,990

The compensation to key management personnel is as follows:

Employee benefits (including remuneration)	2,258	2,009
--	-------	-------

Due to related parties

	2009 AED'000	2008 AED'000
United Foods Company PSC	43	42
United Cans Company LLC	321	907
	364	949

16 Share capital

	2009 AED'000	2008 AED'00
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/bonus share

In accordance with the articles of association of the Company, the Board of Directors have proposed a dividend of AED 7,500,000 (2008: AED 7,500,000). Furthermore for the year 2009, the Board of Directors have proposed to issue bonus shares in the ratio of 1:10 (1 share for every 10 share held) of AED 2,500,000.

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 (2008: 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

	2009 AED	2008 AED
Earnings per share	114	86
Proposed dividend per share	40	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

	2009 AED'000	2008 AED'000
Letters of credits	2,731	2,346
Bank guarantees	837	4,437
Capital commitments	1,748	6,147
	<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 available for sale investments, 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:

	2009 AED'000	2008 AED'000
Trade receivables	33,581	37,111
Other receivables	2,768	2,923
Bank balances	273	1,609
	<u> </u>	<u> </u>
	36,622	41,643
	<u> </u>	<u> </u>

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

	Carrying amount	
	2009 AED'000	2008 AED'000
UAE	22,707	26,706
Oman	9,754	9,791
Other regions	1,120	614
	<u> </u>	<u> </u>
	33,581	37,111
	<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 2009 AED'000	Impairment 2009 AED'000	Gross 2008 AED'000	Impairment 2008 AED'000
0-30 days due from invoice date	12,993	349	14,751	375
31- 60 days from invoice date	8,979	217	9,877	247
61-90 days from invoice date	7,167	618	7,551	478
91-120 days from invoice date	3,630	844	4,693	302
Above 120 days	3,868	1,028	3,404	1,763
	<u>36,637</u>	<u>3,056</u>	<u>40,276</u>	<u>3,165</u>

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

	2009 AED'000	2008 AED'000
Balance at 1 January	3,165	2,469
Impairment loss recognised	124	965
Impairment allowance written off	(233)	(269)
Balance at 31 December	<u>3,056</u>	<u>3,165</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 2009

	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	364	364	364	-
Trade and other payables	50,164	50,164	50,164	-
Bank Overdraft	11,647	11,647	11,647	-
	<u>62,175</u>	<u>62,175</u>	<u>62,175</u>	<u>-</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

21 Financial instruments (continued)

(b) Liquidity risk (continued)

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	-
	-----	-----	-----	---
	70,071	70,071	70,071	-
	=====	=====	=====	=====

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:

	2009 AED'000	2008 AED'000
Trade and other payable	<u>(37)</u>	<u>(70)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2009 AED	2008 AED	2009 AED	2008 AED
Euro 1	<u>5.272</u>	<u>5.145</u>	<u>5.391</u>	<u>5.192</u>

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 2008.

	Profit or (loss)
<i>Effect in AED'000</i>	
2009	
Euro	4
	=
2008	
Euro	7
	=

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:

	Carrying amount	
	2009	2008
	AED'000	AED'000
Fixed rate instruments		
Bank overdrafts repayable on demand	149	17,026
	=====	=====
Variable rate instruments		
Bank overdrafts repayable on demand	11,498	18,618
	=====	=====

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 2008.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	AED'000	AED'000	AED'000	AED'000
31 December 2009				
Variable rate instruments	115	(115)	-	-
	=====	=====	=====	=====
31 December 2008				
Variable rate instruments	186	(186)	-	-
	=====	=====	=====	=====

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 2009		
Effect of changes in quoted equity portfolio of the Group	-	48
	==	==
31 December 2008		
Effect of changes in quoted equity portfolio of the Group	-	30
	==	==

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

Fair values versus carrying amounts

The fair value of the Group's financial assets and liabilities approximates their carrying values at the balance sheet date.

Basis for determining fair values

The following significant methods and assumptions were used in estimating the fair values of the Group's financial instruments:

Non-derivative financial liabilities and cash and bank balances

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying value of these financial instruments approximate their fair values as the applicable interest is equivalent to the discount rate used to determine their present values.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes (continued)

(f) Fair value (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2009

<i>In thousands of AED</i>	Level 1	Level 2	Level 3	Total
Available for sale investments	476	-	5,577	6,054
	----	---	-----	-----
	476	-	5,577	6,054
	=====	=====	=====	=====

2008

<i>In thousands of AED</i>	Level 1	Level 2	Level 3	Total
Available for sale investments	319	-	5,577	5,896
	----	---	-----	-----
	319	-	5,577	5,896
	=====	=====	=====	=====

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.

(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.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes *(continued)*

23 Comparative figures

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