

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

Condensed consolidated interim financial statements
31 March 2010

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31 March 2010

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Independent Auditor's Report on review of interim Financial Information

The Shareholders
United Kaipara Dairies Company (PSC)

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of United Kaipara Dairies Company (PSC) ("the Company") and its subsidiary (collectively referred to as "the Group") as of 31 March 2010, and the related condensed consolidated statement of comprehensive income (comprising a separate condensed consolidated income statement and a condensed consolidated statement of comprehensive income), condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity and selected explanatory notes for the three-month period then ended (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the three-month period ended 31 March 2010 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

28 APR 2010

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

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated income statement for the period ended 31 March 2010

		Unaudited Three months period ended 31 March 2010 AED'000	Unaudited Three months period ended 31 March 2009 AED'000
	<i>Note</i>		
Revenue		85,268	77,769
Cost of sales	4	(56,040)	(51,719)
Gross profit		29,228	26,050
Administrative and general expenses	5	(26,523)	(23,011)
Finance expense		(176)	(142)
Other income		455	187
Profit before tax		2,984	3,084
Provision for tax		(71)	(28)
Profit after tax		2,913	3,056

The notes set out on pages 8 to 11 form part of the condensed consolidated interim financial information.

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of comprehensive income for the period ended 31 March 2010

	Unaudited Three months period ended 31 March 2010 AED'000	Unaudited Three months period ended 31 March 2009 AED'000
Profit for the period	2,913	3,056
Other comprehensive income:		
Net change in fair value of available for sale investments	6	(2)
Total comprehensive income for the period	<u>2,919</u>	<u>3,054</u>

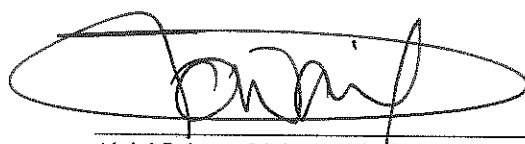
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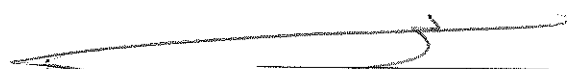
United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of financial position

		Unaudited 31 March 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
	<i>Note</i>			
Property, plant and equipment	6	75,810	74,608	67,769
Available for sale investment	7	6,059	6,053	5,894
Current assets				
Trade and other receivables	8	40,788	39,415	37,650
Inventories	9	80,628	94,254	66,259
Cash at bank and in hand		2,078	697	1,121
		123,494	134,366	105,030
Current liabilities				
Trade and other payables	10	48,718	61,821	40,153
Due to related parties	11	446	364	1,296
Bank overdraft		12,835	11,647	14,169
		61,999	73,832	55,618
Net current assets		61,495	60,534	49,412
Net assets		143,364	141,195	123,075
Represented by				
Share capital		25,000	25,000	25,000
Reserves		118,364	116,195	98,075
		143,364	141,195	123,075

The condensed consolidated interim financial information was authorized for issue on behalf of the Board of Directors on 28 April 2010


Abdul Rahman Mohammad Bin Nasser Al Owais
Chairman


Yousuf Mohammad Al-Mulla
Vice Chairman

The notes set out on pages 8 to 11 form part of the condensed consolidated interim financial information.

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of cash flows

for the period ended 31 March 2010

	Unaudited 31 March 2010 AED'000	Unaudited 31 March 2009 AED'000
Operating activities		
Profit after tax for the year	2,913	3,056
<i>Adjustment for:</i>		
Depreciation	3,378	2,673
Profit on disposal of property, plant and equipment	(143)	(18)
Provision for tax	71	28
	<u>6,219</u>	<u>5,739</u>
<i>Operating profit before working capital changes</i>		
Change in inventories	13,626	17,958
Change in trade and other receivables	(1,373)	5,529
Change in trade and other payables	(13,781)	(4,672)
Change in due to related parties	82	347
Tax paid	(143)	-
	<u>4,630</u>	<u>24,901</u>
Investing activities		
Acquisition of property, plant and equipment	(4,735)	(4,465)
Proceeds from disposal of property, plant and equipment	298	23
	<u>(4,437)</u>	<u>(4,442)</u>
Net increase in cash and cash equivalents	193	20,459
Cash and cash equivalents at beginning of the year	(10,950)	(33,507)
Cash and cash equivalents at end of the year	(10,757)	(13,048)
These comprise the following:		
Cash at bank and in hand	2,078	1,121
Bank overdraft	(12,835)	(14,169)
Cash and cash equivalents at end of the year	(10,757)	(13,048)

The notes set out on pages 8 to 11 form part of the condensed consolidated interim financial information.

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of changes in equity for the period ended 31 March 2010 (Unaudited)

	Share Capital AED'000	Legal reserve AED'000	General reserve AED'000	Fixed assets Replacement reserve AED'000	Retained earnings AED'000	Proposed dividend AED'000	Directors' fees AED'000	Fair value reserve AED'000	Total AED'000
At 1 January 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 period	-	-	-	-	3,056	-	-	-	3,056
Other comprehensive income									
Fair value adjustment on available for sale investment	-	-	-	-	-	-	-	(2)	(2)
Total comprehensive for the year	-	-	-	-	3,056	-	-	(2)	3,054
Transactions with owners, recorded directly in equity									
Director's fees transferred to payable account	-	-	-	-	-	-	(500)	-	(500)
Total contributions by and distribution to owners	-	-	-	-	-	-	(500)	-	(500)
At 31 March 2009	25,000	13,291	59,150	15,000	3,086	7,500	-	48	123,075

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of changes in equity for the period ended 31 March 2010 (Unaudited)

	Share Capital AED'000	Legal reserve AED'000	General reserve AED'000	Fixed assets Replacement reserve AED'000	Retained earnings AED'000	Proposed dividend AED'000	Directors' fees AED'000	Fair value reserve AED'000	Total AED'000
At 1 January 2010	25,000	13,291	76,900	15,000	47	10,000	750	207	141,195
Total comprehensive income for the year									
Profit for the period	-	-	-	-	2,913	-	-	-	2,913
Other comprehensive income									
Fair value adjustment on available for sale investment	-	-	-	-	-	-	-	6	6
Total comprehensive for the year	-	-	-	-	2,913	-	-	6	2,919
Transactions with owners, recorded directly in equity									
Director's fees transferred To payable account	-	-	-	-	-	-	(750)	-	(750)
Total contributions by and distribution to owners	-	-	-	-	-	-	(750)	-	(750)
At 31 March 2010	25,000	13,291	76,900	15,000	2,960	10,000	-	213	143,364

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

No allocation of profit has been made to the legal reserve, general reserve and fixed assets replacement reserves for the three month period ended 31 March 2010 as it would be affected at the year-end.

The notes set out on pages 8 to 11 form part of the condensed consolidated interim financial information.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2010

1 Reporting entity

United Kaipara Dairies Company (PSC) ("the Company") is a Public Shareholding Company, incorporated on 11 April 1977 by a Decree from His Highness, The Ruler of Dubai. On 8 June 1994, the Company amended its status to a public shareholding company to comply with the provisions of the UAE Federal Law No. 8 of 1984 (as amended). The Company and its subsidiary are collectively referred to as ("the Group"). The legal status of the subsidiary is set out in note 14.

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

2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard ("IAS") 34, Interim Financial Reporting. The financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009.

The accounting policies applied in the preparation of the condensed consolidated financial information are consistent with those applied in the annual financial statements of the Group for the year ended 31 December 2009.

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

3 Accounting estimates and judgements

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

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparation of the consolidated financial statements as at and for the year ended 31 December 2009.

4 Cost of sales

	Unaudited Three months period ended 31 March 2010 AED'000	Unaudited Three months period ended 31 March 2009 AED'000
<i>These include:</i>		
Direct labour	1,051	1,112

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial information *(continued)*
for the three month period ended 31 March 2010

5 Administrative and general expenses

	Unaudited Three months period ended 31 March 2010 AED'000	Unaudited Three months period ended 31 March 2009 AED'000
<i>These include:</i>		
Staff costs	11,430	10,606
Depreciation	3,378	2,673
Commercial vehicle expenses	4,617	3,637
Utilities	2,651	2,164
	<u> </u>	<u> </u>

6 Property, plant and equipment

Additions and disposals (Unaudited)

During the quarter ended 31 March 2010, the Group acquired assets amounting to AED 4.74 million (*quarter ended 31 March 2009: AED 4.46 million*).

7 Available for sale investments

	Unaudited 31 March 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Opening balance	6,053	5,896	5,896
Gain/(loss) on fair valuation	6	157	(2)
	<u> </u>	<u> </u>	<u> </u>
Closing balance	6,059	6,053	5,894
	<u> </u>	<u> </u>	<u> </u>

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

8 Trade and other receivables

	Unaudited 31 March 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Trade receivables	36,433	36,637	36,063
Less: Provision for bad and doubtful debts	(3,086)	(3,056)	(2,974)
	<u> </u>	<u> </u>	<u> </u>
	33,347	33,581	33,089
Advances, deposit and prepayments	7,441	5,834	4,561
	<u> </u>	<u> </u>	<u> </u>
	40,788	39,415	37,650
	<u> </u>	<u> </u>	<u> </u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial information *(continued)*
for the three month period ended 31 March 2010

9 Inventories

	Unaudited 31 March 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Raw materials and packing materials	56,092	54,153	39,630
Work in process	2,201	1,928	1,968
Finished products	4,711	5,031	5,082
Trading stocks	10,692	15,594	12,323
Consumable stores and spare parts	8,974	9,349	10,414
	<u>82,670</u>	<u>86,055</u>	<u>69,417</u>
Less: Provision for slow moving inventory	(3,791)	(3,791)	(3,946)
	<u>78,879</u>	<u>82,264</u>	<u>65,471</u>
Goods in transit	1,749	11,990	788
	<u>80,628</u>	<u>94,254</u>	<u>66,259</u>

10 Trade and other payables

	Unaudited 31 March 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Trade payable	19,826	32,536	15,735
Employee terminal benefits	11,861	11,657	11,194
Other payables and accruals	16,832	17,357	12,980
Provision for taxation	199	271	244
	<u>48,718</u>	<u>61,821</u>	<u>40,153</u>

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

11 Related party transactions

Significant related party transactions are as follows:

	Unaudited Three months period ended 31 March 2010 AED'000	Unaudited Three months period ended 31 March 2009 AED'000
Sales to related parties	10,068	543
Purchases from related parties	<u>3,420</u>	<u>3,432</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial information *(continued)*
for the three month period ended 31 March 2010

11 Related party transactions (continued)

The compensation to key management is as follows:

	Unaudited Three months period ended 31 March 2010 AED'000	Unaudited Three months period ended 31 March 2009 AED'000
Employee benefits (including remuneration)	<u>435</u>	<u>406</u>
Due to related parties	Unaudited 31 March 2010 AED'000	Audited 31 Dec 2009 AED'000
		Unaudited 31 March 2009 AED'000
United Foods Company PSC	196	321
United Cans Company LLC	250	43
	<u>446</u>	<u>364</u>
		Unaudited 31 March 2009 AED'000
		445
		851
		<u>1,296</u>

12 Earnings per share

	Unaudited Three months period ended 31 March 2010	Unaudited Three months period ended 31 March 2009
Earnings per share	<u>12</u>	<u>12</u>

13 Contingent liabilities and capital commitments

	Unaudited 31 March 2010 AED'000	Unaudited 31 March 2009 AED'000
Letter of credits	1,425	58
Bank guarantees	4,437	4,437
Capital commitments	<u>668</u>	<u>2,958</u>

14 Subsidiary

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

15 Proposed dividend

In accordance with the articles of association of the Company, the Board of Directors had 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. These have been subsequently approved in the Annual General Meeting held on 21 April 2010.