

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

Condensed consolidated interim financial statements
30 June 2010

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Independent Auditors' Report on Review of Condensed Consolidated 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") as at 30 June 2010, the condensed consolidated income statement and condensed consolidated statements of comprehensive income, cash flows and changes in equity for the six month period then ended ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



04 AUG 2010

Munther Dajani
Registration No. 268
Dubai, United Arab Emirates

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated income statement

for the period ended 30 June 2010

	Note	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
		2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Revenue		90,895	95,916	176,163	173,685
Cost of sales	4	(53,604)	(56,970)	(109,644)	(108,689)
Gross profit		37,291	38,946	66,519	64,996
Administrative and general expenses	5	(29,869)	(27,630)	(56,392)	(50,670)
Finance expense		(601)	(216)	(777)	(358)
Other income		410	524	865	712
Profit before tax		7,231	11,624	10,215	14,680
Provision for tax		(71)	(65)	(142)	(65)
Profit after tax		7,160	11,559	10,073	14,615

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 30 June 2010

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Profit for the period	7,160	11,559	10,073	14,615
Other comprehensive income:				
Net change in fair value of available for sale investments	(118)	96	(112)	94
Total comprehensive income for the period	<u>7,042</u>	<u>11,655</u>	<u>9,961</u>	<u>14,709</u>

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 financial position

		Unaudited 30 June 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 30 June 2009 AED'000
	Note			
Property, plant and equipment	6	75,992	74,608	71,089
Available for sale investment	7	5,941	6,053	5,990
Current assets				
Trade and other receivables	8	45,135	39,415	40,232
Inventories	9	76,680	94,254	60,328
Cash at bank and in hand		1,217	697	1,638
		123,032	134,366	102,198
Current liabilities				
Trade and other payables	10	48,276	61,821	44,950
Due to related parties	11	1,841	364	996
Bank overdraft		11,942	11,647	6,101
		62,059	73,832	52,047
Net current assets		60,973	60,534	50,151
Net assets		142,906	141,195	127,230
Represented by				
Share capital		27,500	25,000	25,000
Reserves		115,406	116,195	102,230
		142,906	141,195	127,230

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



Abdul Rahman Mohammad Bin Nasser Al Owais
Chairman

04 AUG 2010



Ali Bin Humaid Al Owais
Director

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 30 June 2010

	Unaudited 30 June 2010 AED'000	Unaudited 30 June 2009 AED'000
Operating activities		
Profit after tax for the year	10,073	14,615
<i>Adjustments for:</i>		
Depreciation	6,707	5,595
Profit on disposal of property, plant and equipment	(149)	(326)
Provision for tax	142	65
<i>Operating profit before working capital changes</i>	<u>16,773</u>	<u>19,949</u>
Change in trade and other receivables	(5,720)	2,947
Change in inventories	17,574	23,889
Change in trade and other payables	(13,544)	731
Change in due to related parties	1,477	47
Tax paid	(143)	(143)
<i>Net cash flows from operating activities</i>	<u>16,417</u>	<u>47,420</u>
Investing activities		
Additions to property, plant and equipment	(8,439)	(11,041)
Proceeds from disposal of property, plant and equipment	497	664
<i>Net cash used in from investing activities</i>	<u>(7,942)</u>	<u>(10,377)</u>
Financing activities		
Director's fee paid	(750)	(500)
Dividend paid	(7,500)	(7,500)
<i>Net cash flows from financing activities</i>	<u>(8,250)</u>	<u>(8,000)</u>
Net increase in cash and cash equivalents	225	29,043
Cash and cash equivalents at the beginning of the period	(10,950)	(33,506)
Cash and cash equivalents at the end of the period	<u>(10,725)</u>	<u>(4,463)</u>
These comprise the following:		
Cash in hand and at bank	1,217	1,638
Bank overdraft	(11,942)	(6,101)
Cash and cash equivalents at the end of the period	<u>(10,725)</u>	<u>(4,463)</u>

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 30 June 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	-	-	-	-	14,615	-	-	-	14,615
Other comprehensive income									
Fair value adjustment on available for sale investment	-	-	-	-	-	-	-	94	94
Total comprehensive for the year	-	-	-	-	14,615	-	-	94	14,709
Transactions with owners, recorded directly in equity									
Dividend paid	-	-	-	-	-	(7,500)	-	-	(7,500)
Director's fees paid	-	-	-	-	-	-	(500)	-	(500)
Total contributions by and distribution to owners	-	-	-	-	-	(7,500)	(500)	-	(8,000)
At 30 June 2009	25,000	13,291	59,150	15,000	14,645	-	-	144	127,230

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of changes in equity for the period ended 30 June 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	-	-	-	-	10,073	-	-	-	10,073
Other comprehensive income									
Fair value adjustment on available for sale investment	-	-	-	-	-	-	-	(112)	(112)
Total comprehensive for the year	-	-	-	-	10,073	-	-	(112)	9,961
Transactions with owners, recorded directly in equity									
Dividend paid	-	-	-	-	-	(7,500)	-	-	(7,500)
Bonus shares issued	2,500	-	-	-	-	(2,500)	-	-	-
Director's fees paid	-	-	-	-	-	-	(750)	-	(750)
Total contributions by and distribution to owners	2,500	-	-	-	-	(10,000)	(750)	-	(8,250)
At 30 June 2010	27,500	13,291	76,900	15,000	10,120	-	-	95	142,906

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

No allocation of profit has been made to the legal reserve, general reserve and fixed assets replacement reserves for the six month period ended 30 June 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 six month period ended 30 June 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 interim 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, which 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

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
<i>These include:</i>				
Direct labour	<u>1,118</u>	<u>1,391</u>	<u>2,169</u>	<u>2,503</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial information *(continued)*
for the six months period ended 30 June 2010

5 Administrative and general expenses

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
<i>These include:</i>				
Staff costs	11,391	10,974	22,821	21,580
Depreciation	3,330	2,922	6,708	5,595
Commercial vehicle expenses	5,277	4,776	9,894	8,413
Utilities	2,892	2,656	5,543	4,820
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6 Property, plant and equipment

Additions and disposals (Unaudited)

During the six month period ended 30 June 2010, the Group acquired assets amounting to AED 8.4 million (six month period ended 30 June 2009: AED 11.04 million).

The Company has a leased land in Dubai Industrial City. In the previous year, the Company was 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 was written off in the previous year. In the current period, the Company has decided to hand over the land back to Dubai Industrial City LLC and is currently in the process of formalising the cancellation of the lease. Directors of the Company have represented that the cancellation of the lease will not result in any obligations against the Company.

7 Available for sale investments

	Unaudited 30 June 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 30 June 2009 AED'000
Opening balance	6,053	5,896	5,896
Gain /(loss) on fair valuation	(112)	157	94
	<u> </u>	<u> </u>	<u> </u>
Closing balance	5,941	6,053	5,990
	<u> </u>	<u> </u>	<u> </u>

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

8 Trade and other receivables

	Unaudited 30 June 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 30 June 2009 AED'000
Trade receivables	42,050	36,637	38,456
Less: Provision for bad and doubtful debts	(3,492)	(3,056)	(2,937)
	<u> </u>	<u> </u>	<u> </u>
	38,558	33,581	35,519
Advances, deposit and prepayments	6,577	5,834	4,713
	<u> </u>	<u> </u>	<u> </u>
	45,135	39,415	40,232
	<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 six months period ended 30 June 2010

9 Inventories

	Unaudited 30 June 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 30 June 2009 AED'000
Raw materials and packing materials	47,080	54,153	32,108
Work in process	2,961	1,928	1,475
Finished products	5,465	5,031	4,662
Trading stocks	14,317	15,594	13,915
Consumable stores and spare parts	9,005	9,349	10,450
	<u>78,828</u>	<u>86,055</u>	<u>62,610</u>
Less: Provision for slow moving inventory	(3,790)	(3,791)	(3,946)
	<u>75,038</u>	<u>82,264</u>	<u>58,664</u>
Goods in transit	1,642	11,990	1,664
	<u>76,680</u>	<u>94,254</u>	<u>60,328</u>

10 Trade and other payables

	Unaudited 30 June 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 30 June 2009 AED'000
Trade payables	19,726	32,536	18,356
Employee terminal benefits	11,798	11,657	11,580
Other payables and accruals	16,482	17,357	14,876
Provision for taxation	270	271	138
	<u>48,276</u>	<u>61,821</u>	<u>44,950</u>

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

11 Related party transactions

Significant related party transactions are as follows:

	Three months period ended 30 June (Unaudited) 2010 AED'000		Six months period ended 30 June (Unaudited) 2010 AED'000	
	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Sales to related parties	43	52	10,111	595
Purchases from related parties	<u>2,446</u>	<u>3,145</u>	<u>5,866</u>	<u>6,577</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial information *(continued)*
for the six months period ended 30 June 2010

11 Related party transactions (continued)

The compensation to key management personnel is as follows:

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Employee benefits (including remuneration)	<u>447</u>	<u>602</u>	<u>882</u>	<u>1,008</u>
	Unaudited 30 June 2010 AED'000	Audited 31 Dec 2009 AED'000	Unaudited 30 June 2009 AED'000	
United Foods Company PSC	1,574	43		475
United Cans Company LLC	267	321		521
	<u>1,841</u>	<u>364</u>		<u>996</u>

12 Earnings per share

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Earnings per share	<u>26</u>	<u>42</u>	<u>37</u>	<u>53</u>

13 Contingent liabilities and capital commitments

	Unaudited 30 June 2010 AED'000	Unaudited 30 June 2009 AED'000
Letter of credits	636	904
Bank guarantees	4,437	4,437
Capital commitments	<u>543</u>	<u>4,053</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) which has been paid in the current quarter. 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 which have been issued in the current quarter. These were approved in the Annual General Meeting held on 21 April 2010.