

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

Condensed consolidated interim financial statements
30 June 2011

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Condensed consolidated interim financial statements

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Independent Auditor's 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 2011, 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 2011 is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Vijendranath Malhotra
Registration No. 48B
Dubai, United Arab Emirates
Date: 31 July 2011

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated income statement for the period ended 30 June 2011

		Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	Note	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Revenue		117,256	90,895	211,552	176,163
Cost of sales	4	<u>(79,296)</u>	<u>(53,604)</u>	<u>(145,882)</u>	<u>(109,664)</u>
Gross profit		37,960	37,291	65,670	66,519
Administrative and general expenses	5	<u>(29,832)</u>	<u>(29,869)</u>	<u>(57,734)</u>	<u>(56,392)</u>
Finance expense		<u>(396)</u>	<u>(601)</u>	<u>(544)</u>	<u>(777)</u>
Other income		<u>752</u>	<u>410</u>	<u>1,822</u>	<u>865</u>
Profit before tax		8,484	7,231	9,214	10,215
Provision for taxation		<u>(90)</u>	<u>(71)</u>	<u>(176)</u>	<u>(142)</u>
Profit after tax		<u>8,394</u>	<u>7,160</u>	<u>9,038</u>	<u>10,073</u>
Earnings per share					
Basic earnings per share (AED)	12	<u>28</u>	<u>24</u>	<u>30</u>	<u>33</u>

The notes set out on pages 8 to 12 form part of the condensed consolidated interim financial statements.

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of comprehensive income for the period ended 30 June 2011

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Profit for the period	8,394	7,160	9,038	10,073
Other comprehensive income:				
Net change in fair value of available for sale investments	(35)	(118)	(85)	(112)
Total comprehensive income for the period	8,359	7,042	8,953	9,961

The notes set out on pages 8 to 12 form part of the condensed consolidated interim financial statements.

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of financial position

	<i>Note</i>	Unaudited 30 June 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 June 2010 AED'000
Property, plant and equipment	6	71,754	76,689	75,992
Available for sale investment	7	5,879	5,964	5,941
Current assets				
Trade and other receivables	8	49,112	43,279	45,135
Inventories	9	93,345	87,208	76,680
Cash at bank and in hand		1,818	2,902	1,217
		<u>144,275</u>	<u>133,389</u>	<u>123,032</u>
Current liabilities				
Trade and other payables	10	62,457	60,100	48,276
Due to related parties	11	717	493	1,841
Bank overdraft		6,545	4,588	11,942
		<u>69,719</u>	<u>65,181</u>	<u>62,059</u>
Net current assets		74,556	68,208	60,973
Net assets		152,189	150,861	142,906
Represented by				
Share capital		30,250	27,500	27,500
Reserves		121,939	123,361	115,406
		<u>152,189</u>	<u>150,861</u>	<u>142,906</u>

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



Obaid Saeed Al Mulla
Chairman



Ali Humaid Ali Abdullah Al Owais
Vice Chairman

The notes set out on pages 8 to 12 form part of this condensed consolidated interim financial statements.

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of cash flows for the six months period ended 30 June 2011

	Unaudited 30 June 2011 AED'000	Unaudited 30 June 2010 AED'000
Operating activities		
Profit after tax for the year	9,038	10,073
<i>Adjustments for:</i>		
Depreciation	7,083	6,707
Profit on disposal of property, plant and equipment	(84)	(149)
Provision for tax	176	142
<i>Operating profit before working capital changes</i>	<u>16,213</u>	<u>16,773</u>
Change in trade and other receivables	(5,833)	(5,720)
Change in inventories	(6,137)	17,574
Change in trade and other payables	2,324	(13,544)
Change in due to related parties	224	1,477
Tax paid	(143)	(143)
<i>Net cash from operating activities</i>	<u>6,648</u>	<u>16,417</u>
Investing activities		
Additions to property, plant and equipment	(2,296)	(8,439)
Proceeds from disposal of property, plant and equipment	232	497
<i>Net cash used in investing activities</i>	<u>(2,064)</u>	<u>(7,942)</u>
Financing activities		
Director's fee paid	(750)	(750)
Dividend paid	(6,875)	(7,500)
<i>Net cash flows from financing activities</i>	<u>(7,625)</u>	<u>(8,250)</u>
Net (decrease)/increase in cash and cash equivalents	(3,041)	225
Cash and cash equivalents at the beginning of the period	<u>(1,686)</u>	<u>(10,950)</u>
Cash and cash equivalents at the end of the period	<u>(4,727)</u>	<u>(10,725)</u>
These comprise the following:		
Cash in hand and at bank	1,818	1,217
Bank overdraft	(6,545)	(11,942)
Cash and cash equivalents at the end of the period	<u>(4,727)</u>	<u>(10,725)</u>

The notes set out on pages 8 to 12 form part of the condensed consolidated interim financial statements.

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of changes in equity for the period ended 30 June 2011 (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 period									
Profit for the period	-	-	-	-	10,073	-	-	-	10,073
Other comprehensive income									
Net change in fair value of available for sale financial asset	-	-	-	-	-	-	-	(112)	(112)
Total comprehensive income for the period	-	-	-	-	10,073	-	-	(112)	9,961
Transactions with owners, recorded directly in equity									
<i>Contribution by and distributions to owners of the Company</i>									
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 of the Company	2,500	-	-	-	-	(10,000)	(750)	-	(8,250)
At 30 June 2010	27,500	13,291	76,900	15,000	10,120	-	-	95	142,906

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of changes in equity for the period ended 30 June 2011 (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 2011	27,500	14,541	83,300	15,000	27	9,625	750	118	150,861
Total comprehensive income for the period									
Profit for the period	-	-	-	-	9,038	-	-	-	9,038
Other comprehensive income									
Net change in fair value of available for sale financial asset	-	-	-	-	-	-	-	(85)	(85)
Total comprehensive income for the period	-	-	-	-	9,038	-	-	(85)	8,953
Transactions with owners, recorded directly in equity									
<i>Contribution by and distributions to owners of the Company</i>									
Dividend paid	-	-	-	-	-	(6,875)	-	-	(6,875)
Bonus shares issued	2,750	-	-	-	-	(2,750)	-	-	-
Director's fees paid	-	-	-	-	-	-	(750)	-	(750)
Total contributions by and distribution to owners of the Company	2,750	-	-	-	-	(9,625)	(750)	-	(7,625)
At 30 June 2011	30,250	14,541	83,300	15,000	9,065	-	-	33	152,189

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 2011 as it would be affected at the year-end.

The notes set out on pages 8 to 12 form part of the condensed consolidated interim financial statements.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial statements for the six months period ended 30 June 2011

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 financial statements has been prepared in accordance with the International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The financial statements does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010.

The accounting policies applied in the preparation of the condensed consolidated financial statements are consistent with those applied in the annual financial statements of the Group for the year ended 31 December 2010.

The condensed consolidated financial statements 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 statements 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 2010.

4 Cost of sales

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
<i>These include:</i>				
Direct labour	<u>1,103</u>	<u>1,118</u>	<u>2,223</u>	<u>2,169</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial statements (*continued*)
for the six months period ended 30 June 2011

5 Administrative and general expenses

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
<i>These include:</i>				
Staff costs	11,223	11,391	22,596	22,821
Depreciation	3,537	3,330	7,083	6,708
Commercial vehicle expenses	5,991	5,696	10,830	10,313
Utilities	2,990	2,892	5,704	5,543

6 Property, plant and equipment

Additions and disposals (Unaudited)

During the six month period ended 30 June 2011, the Group acquired assets amounting to AED 2.3 million (*six month period ended 30 June 2010: AED 8.4 million*).

The Company has a leased land in Dubai Industrial City. In 2009, the Company was not certain to go ahead with the construction of the 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 2009. In the previous year, the Company had decided to hand over the land back to Dubai Industrial City LLC and is currently in the process of formalising the cancelation of the lease. Dubai Industrial City LLC has demanded AED 1.3 million as early termination fees. The Company is disputing the early termination fees and is in the process of negotiating with Dubai Industrial City. However, provision of AED 1.3 million was made in the previous year.

7 Available for sale investments

	Unaudited 30 June 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 June 2010 AED'000
Opening balance	5,964	6,053	6,053
Gain /(loss) on fair valuation	(85)	(89)	(112)
Closing balance	5,879	5,964	5,941

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

8 Trade and other receivables

	Unaudited 30 June 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 June 2010 AED'000
Trade receivables	44,523	39,615	42,050
Less: Provision for bad and doubtful debts	(3,244)	(3,626)	(3,492)
	41,279	35,989	38,558
Advances, deposit and prepayments	7,833	7,290	6,577
	49,112	43,279	45,135

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial statements (*continued*)
for the six months period ended 30 June 2011

9 Inventories

	Unaudited 30 June 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 June 2010 AED'000
Raw materials and packing materials	46,194	47,633	47,080
Work in process	3,284	2,338	2,961
Finished products	6,260	5,969	5,465
Trading stocks	19,270	13,456	14,317
Consumable stores and spare parts	9,359	10,352	9,006
	<u>84,367</u>	<u>79,748</u>	<u>78,829</u>
Less: Provision for slow moving inventory	(3,791)	(3,791)	(3,791)
	<u>80,576</u>	<u>75,957</u>	<u>75,038</u>
Goods in transit	12,769	11,251	1,642
	<u>93,345</u>	<u>87,208</u>	<u>76,680</u>

10 Trade and other payables

	Unaudited 30 June 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 June 2010 AED'000
Trade payables	31,791	31,024	19,726
Employee terminal benefits	11,661	11,249	11,798
Other payables and accruals	18,430	17,285	16,482
Provision for taxation	575	542	270
	<u>62,457</u>	<u>60,100</u>	<u>48,276</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. In the opinion of the management, provision amounting to AED 0.6 million is adequate to meet the Group's tax liabilities.

11 Related party transactions

Significant related party transactions are as follows:

	Three months period ended 30 June (Unaudited) 2011 AED'000		Six months period ended 30 June (Unaudited) 2011 AED'000	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Sales to related parties	19,443	43	35,972	10,111
Purchases from related parties	4,177	2,446	7,614	5,866

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial statements *(continued)*
for the six months period ended 30 June 2011

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)	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Employee benefits (including remuneration)	<u>427</u>	<u>447</u>	<u>927</u>	<u>882</u>
Due to related parties	Unaudited 30 June 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 June 2010 AED'000	
United Foods Company PSC	488	233	1,574	
United Cans Company LLC	229	260	267	
	<u>717</u>	<u>493</u>	<u>1,841</u>	

12 Basic earnings per share

	Three months period ended 30 June (Unaudited)		Six months period ended 30 June (Unaudited)	
	2011	2010	2011	2010
Net profit attributable to the Owners (AED'000)	8,394	7,160	9,038	10,073
Weighted average number of shares outstanding	<u>302,500</u>	<u>302,500</u>	<u>302,500</u>	<u>302,500</u>

13 Contingent liabilities and capital commitments

	Unaudited 30 June 2011 AED'000	Unaudited 30 June 2010 AED'000
Letter of credits	1,053	636
Bank guarantees	5,227	4,437
Capital commitments	<u>2,179</u>	<u>543</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 6,875,000 (2009: AED 7,500,000) which has been paid in the current quarter. Furthermore for the year 2010, 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 2,750,000 (2009: AED 2,500,000) which have been issued in the current quarter.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial statements *(continued)*
for the six months period ended 30 June 2011

16 Seasonality of business impacting the results for the period (quarters)

Due to seasonal nature of the business of the Group, the results of operations of certain quarters, which fall in off peak periods may be substantially different from other quarters, which fall in the peak season (i.e. during summer season). Therefore, revenues from operations may not be evenly distributed over the four quarters of the same year and thus the results of operations of each quarter may not be comparable to the other quarters of the same year.