

United Kaipara Dairies Company (PSC)
and its subsidiary

Condensed consolidated interim financial information
30 September 2011

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P O Box 341145
Level 12, IT Plaza Tower
Dubai Silicon Oasis
Dubai
United Arab Emirates

Telephone +971 (4) 356 9500
Main Fax +971 (4) 326 3788
Audit Fax +971 (4) 326 3773
Website www.ae-kpmg.com

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 September 2011, the condensed consolidated income statement and condensed consolidated statements of comprehensive income, cash flows and changes in equity for the nine 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 September 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

31 OCT 2011

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated income statement for the period ended 30 September 2011

	Note	Three months period ended 30 September (Unaudited)		Nine months period ended 30 September (Unaudited)	
		2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Revenue		101,317	95,349	312,869	271,512
Cost of sales	4	(68,725)	(57,793)	(214,607)	(167,437)
Gross profit		32,592	37,556	98,262	104,075
Administrative and general expenses	5	(32,235)	(30,044)	(89,969)	(86,436)
Finance expense		(55)	(258)	(599)	(1,035)
Other income		1,259	1,062	3,081	1,927
Profit before tax		1,561	8,316	10,775	18,531
Provision for tax		(72)	(159)	(248)	(301)
Profit after tax		1,489	8,157	10,527	18,230
Earnings per share					
Basic earnings per share (AED)	12	5	27	35	60

The notes set out on pages 8 to 12 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 September 2011

	Three months period ended 30 September (Unaudited)		Nine months period ended 30 September (Unaudited)	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Profit for the period	1,489	8,157	10,527	18,230
Other comprehensive income:				
Net change in fair value of available for sale investments	(24)	81	(109)	(31)
Total comprehensive income for the period	1,465	8,238	10,418	18,199

The notes set out on pages 8 to 12 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 September 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 September 2010 AED'000
	Note			
Property, plant and equipment	6	70,985	76,689	77,998
Available for sale investment	7	5,855	5,964	6,022
Current assets				
Trade and other receivables	8	50,547	43,279	49,539
Inventories	9	82,615	87,208	75,416
Cash at bank and in hand		2,490	2,902	1,950
		135,652	133,389	126,905
Current liabilities				
Trade and other payables	10	51,031	60,100	46,275
Due to related parties	11	1,802	493	1,862
Bank overdraft		6,005	4,588	11,644
		58,838	65,181	59,781
Net current assets		76,814	68,208	67,124
Net assets		153,654	150,861	151,144
Represented by				
Share capital		30,250	27,500	27,500
Reserves		123,404	123,361	123,644
		153,654	150,861	151,144

The condensed consolidated interim financial information were authorised for issue on behalf of the Board of Directors on

31 OCT 2011

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 information.

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of cash flows for the nine months period ended 30 September 2011

	Unaudited 30 September 2011 AED'000	Unaudited 30 September 2010 AED'000
Operating activities		
Profit after tax for the period	10,527	18,230
<i>Adjustments for:</i>		
Depreciation	10,590	10,080
Profit on disposal of property, plant and equipment	(448)	(364)
Provision for tax	248	301
<i>Operating profit before working capital changes</i>	<u>20,917</u>	<u>28,247</u>
Change in trade and other receivables	(7,268)	(10,124)
Change in inventories	4,593	18,838
Change in trade and other payables	(8,527)	(15,732)
Change in due to related parties	1,309	1,498
Tax paid	(790)	(115)
<i>Net cash flows from operating activities</i>	<u>10,234</u>	<u>22,612</u>
Investing activities		
Additions to property, plant and equipment	(5,293)	(13,895)
Proceeds from disposal of property, plant and equipment	855	789
<i>Net cash used in investing activities</i>	<u>(4,438)</u>	<u>(13,106)</u>
Financing activities		
Director's fee paid	(750)	(750)
Dividend paid	(6,875)	(7,500)
<i>Net cash used in financing activities</i>	<u>(7,625)</u>	<u>(8,250)</u>
Net (decrease)/increase in cash and cash equivalents	(1,829)	1,256
Cash and cash equivalents at the beginning of the period	(1,686)	(10,950)
Cash and cash equivalents at the end of the period	<u>(3,515)</u>	<u>(9,694)</u>
These comprise the following:		
Cash in hand and at bank	2,490	1,950
Bank overdraft	(6,005)	(11,644)
Cash and cash equivalents at the end of the period	<u>(3,515)</u>	<u>(9,694)</u>

The notes set out on pages 8 to 12 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 September 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 period									
Profit for the period	-	-	-	-	18,230	-	-	-	18,230
Other comprehensive income									
Net change in fair value of available for sale financial asset	-	-	-	-	-	-	-	(31)	(31)
Total comprehensive income for the period	-	-	-	-	18,230	-	-	(31)	18,199
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 September 2010	27,500	13,291	76,900	15,000	18,277	-	-	176	151,144

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of changes in equity for the period ended 30 September 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	-	-	-	-	10,527	-	-	-	10,527
Other comprehensive income									
Net change in fair value of available for sale financial asset	-	-	-	-	-	-	-	(109)	(109)
Total comprehensive income for the period	-	-	-	-	10,527	-	-	(109)	10,418
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 September 2011	30,250	14,541	83,300	15,000	10,554	-	-	9	153,654

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 nine month period ended 30 September 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 information.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial information for the nine months period ended 30 September 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 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 September (Unaudited)		Nine months period ended 30 September (Unaudited)	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
<i>These include:</i>				
Direct labour	<u>1,055</u>	<u>1,140</u>	<u>3,278</u>	<u>3,309</u>

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial information *(continued)*
for the nine months period ended 30 September 2011

5 Administrative and general expenses

	Three months period ended 30 September (Unaudited)		Nine months period ended 30 September (Unaudited)	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
<i>These include:</i>				
Staff costs	10,501	9,803	33,097	32,624
Depreciation	3,507	3,373	10,590	10,081
Commercial vehicle expenses	7,092	6,528	17,922	16,422
Utilities	3,868	3,484	9,572	8,348
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6 Property, plant and equipment

Additions and disposals (Unaudited)

During the nine month period ended 30 September 2011, the Group acquired assets amounting to AED 5.3 million *(nine month period ended 30 September 2010: AED 13.9 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 construction 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, a provision of AED 1.3 million was made in the previous year.

7 Available for sale investments

	Unaudited 30 September 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 September 2010 AED'000
Opening balance	5,964	6,053	6,053
Loss on fair valuation	(109)	(89)	(31)
	<u> </u>	<u> </u>	<u> </u>
Closing balance	5,855	5,964	6,022
	<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 September 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 September 2010 AED'000
Trade receivables	47,210	39,615	45,132
Less: Provision for bad and doubtful debts	(3,243)	(3,626)	(3,617)
	<u> </u>	<u> </u>	<u> </u>
	43,967	35,989	41,515
Advances, deposit and prepayments	6,580	7,290	8,024
	<u> </u>	<u> </u>	<u> </u>
	50,547	43,279	49,539
	<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 nine months period ended 30 September 2011

9 Inventories

	Unaudited 30 September 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 September 2010 AED'000
Raw materials and packing materials	43,567	47,633	42,310
Work in process	3,619	2,338	3,357
Finished products	6,858	5,969	6,007
Trading stocks	16,202	13,456	15,842
Consumable stores and spare parts	9,886	10,352	9,635
	<u>80,132</u>	<u>79,748</u>	<u>77,151</u>
Less: Provision for slow moving inventory	(3,791)	(3,791)	(3,791)
	<u>76,341</u>	<u>75,957</u>	<u>73,360</u>
Goods in transit	6,274	11,251	2,056
	<u>82,615</u>	<u>87,208</u>	<u>75,416</u>

10 Trade and other payables

	Unaudited 30 September 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 September 2010 AED'000
Trade payables	22,212	31,024	17,669
Employee terminal benefits	11,571	11,249	11,853
Other payables and accruals	17,248	17,827	16,753
	<u>51,031</u>	<u>60,100</u>	<u>46,275</u>

11 Related party transactions

Significant related party transactions are as follows:

	Three months period ended 30 September (Unaudited)		Nine months period ended 30 September (Unaudited)	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Sales to related parties	3,685	415	39,657	10,526
Purchases from related parties	3,866	2,723	11,480	8,589

United Kaipara Dairies Company (PSC) and its subsidiary

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

11 Related party transactions (continued)

The compensation to key management personnel is as follows:

	Three months period ended 30 September (Unaudited) 2011 AED'000		Nine months period ended 30 September (Unaudited) 2011 AED'000	
	2010 AED'000		2010 AED'000	
Employee benefits (including remuneration)	415	623	1,342	1,505
	=====	=====	=====	=====
Due to related parties	Unaudited 30 September 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 30 September 2010 AED'000	
United Foods Company PSC	1,691	233	1,504	
United Cans Company LLC	111	260	358	
	=====	=====	=====	=====
	1,802	493	1,862	
	=====	=====	=====	=====

12 Basic earnings per share

	Three months period ended 30 September (Unaudited) 2011 AED'000		Nine months period ended 30 September (Unaudited) 2011 AED'000	
	2010 AED'000		2010 AED'000	
Net profit attributable to the Owners (AED'000)	1,489	8,157	10,527	18,230
Weighted average number of shares outstanding	302,500	302,500	302,500	302,500
	=====	=====	=====	=====

13 Contingent liabilities and capital commitments

	Unaudited 30 September 2011 AED'000	Unaudited 30 September 2010 AED'000
Letter of credits	553	705
Bank guarantees	5,227	4,437
Capital commitments	-	2,098
	=====	=====

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 previous 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 has been issued in the previous quarter.

United Kaipara Dairies Company (PSC) and its subsidiary

Notes to the condensed consolidated interim financial statements *(continued)*
for the nine months period ended 30 September 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.