United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated interim financial statements

31 March 2011

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Contents *Pages*

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 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 31 March 2011, the condensed consolidated income statement and condensed consolidated statements of comprehensive income, cash flows and changes in equity for the three 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 31 March 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: 28 April 2011

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated income statement
for the period ended 31 March 2011

	Note	**Unaudited Three months period ended 31 March 2011 AED'000**	Unaudited Three months period ended 31 March 2010 AED'000
Revenue		**94,296**	85,268
Cost of sales	*4*	**(66,586)**	(56,040)
		--------	--------
Gross profit		**27,710**	29,228
Administrative and general expenses	5	**(27,902)**	(26,523)
Finance expense		**(148)**	(176)
Other income		**1,070**	455
		-------	-------
Profit before tax		**730**	2,984
Provision for tax		**(86)**	(71)
		-----	-------
Profit after tax		**644**	2,913
		===	=====
Earnings per share			
Basic earnings per share (AED)		**2**	11
		==	==

The notes set out on pages 8 to 11 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 31 March 2011

	Unaudited Three months period ended 31 March 2011 AED'000	Unaudited Three months period ended 31 March 2010 AED'000
Profit for the period	**644**	2,913
Other comprehensive income:		
Net change in fair value of available for sale investments	**(50)**	6
	-----	-------
Total comprehensive income for the period	**594**	2,919
	===	====

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

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of financial position

	Note	Unaudited 31 March 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 31 March 2010 AED'000
Property, plant and equipment	*6*	**73,966**	76,689	75,810
Available for sale investment	*7*	**5,914**	5,964	6,059
Current assets				
Trade and other receivables	*8*	**42,782**	43,279	40,788
Inventories	*9*	**102,930**	87,208	80,628
Cash at bank and in hand		**1,196**	2,902	2,078
		146,908	133,389	123,494
Current liabilities				
Trade and other payables	*10*	**60,214**	60,100	48,718
Due to related parties	*11*	**567**	493	446
Bank overdraft		**14,552**	4,588	12,835
		75,333	65,181	61,999
Net current assets		**71,575**	68,208	61,495
Net assets		**151,455**	150,861	143,364
Represented by				
Share capital		**27,500**	27,500	25,000
Reserves		**123,955**	123,361	118,364
		151,455	150,861	143,364

The condensed consolidated interim financial statements was authorised for issue on behalf of the Board of Directors on 28 APR 2011

Obaid Saeed Al Mulla
Director

Sajjad Ahmad
Managing Director

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

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of cash flows

for the period ended 31 March 2011

	Unaudited 31 March 2011 AED'000	Unaudited 31 March 2010 AED'000
Operating activities		
Profit after tax for the period	**644**	2,913
Adjustment for:		
Depreciation	**3,546**	3,378
Profit on disposal of property, plant and equipment	**(51)**	(143)
Provision for tax	**86**	71
Operating profit before working capital changes	**4,225**	6,219
Change in inventories	**(15,722)**	13,626
Change in trade and other receivables	**497**	(1,373)
Change in trade and other payables	**171**	(13,781)
Change in due to related parties	**74**	82
Tax paid	**(143)**	(143)
Net cash (used)/from operating activities	**(10,898)**	4,630
Investing activities		
Acquisition of property, plant and equipment	**(939)**	(4,735)
Proceeds from disposal of property, plant and equipment	**167**	298
Net cash used in investing activities	**(772)**	(4,437)
Net increase in cash and cash equivalents	**(11,670)**	193
Cash and cash equivalents at beginning of the year	**(1,686)**	(10,950)
Cash and cash equivalents at end of the year	**(13,356)**	(10,757)
These comprise the following:		
Cash at bank and in hand	**1,196**	2,078
Bank overdraft	**(14,552)**	(12,835)
Cash and cash equivalents at end of the year	**(13,356)**	(10,757)

The notes set out on pages 8 to 11 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 31 March 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/ bonus shares 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									
Net change in fair value of available for sale financial asset	-	-	-	-	-	-	-	6	6
Total comprehensive for the year	-	-	-	-	2,913	-	-	6	2,919
Transactions with owners, recorded directly in equity									
Contribution by and distributions to owners of the Company									
Director's fees transferred to payable account	-	-	-	-	-	-	(750)	-	(750)
Total contributions by and distribution to owners of the Company	-	-	-	-	-	-	(750)	-	(750)
At 31 March 2010	**25,000**	**13,291**	**76,900**	**15,000**	**2,960**	**10,000**	**-**	**213**	**143,364**

United Kaipara Dairies Company (PSC) and its subsidiary

Condensed consolidated statement of changes in equity
for the period ended 31 March 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/ bonus shares 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 year									
Profit for the period	-	-	-	-	644	-	-	-	644
Other comprehensive income									
Net change in fair value of available for sale financial asset	-	-	-	-	-	-	-	(50)	(50)
Total comprehensive for the year	-	-	-	-	644	-	-	(50)	594
Transactions with owners, recorded directly in equity									
Contribution by and distributions to owners of the Company									
Total contributions by and distribution to owners of the Company	-	-	-	-	-	-	-	-	-
At 31 March 2011	**27,500**	**14,541**	**83,300**	**15,000**	**671**	**9,625**	**750**	**68**	**151,455**

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 2011 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 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 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 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 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

	Unaudited Three months period ended 31 March 2011 AED'000	Unaudited Three months period ended 31 March 2010 AED'000
These include:		
Direct labour	**1,120**	1,051
	====	====

5 Administrative and general expenses

	Unaudited Three months period ended 31 March 2011 AED'000	Unaudited Three months period ended 31 March 2010 AED'000
These include:		
Staff costs	**11,373**	11,430
Depreciation	**3,546**	3,378
Commercial vehicle expenses	**4,839**	4,617
Utilities	**2,714**	2,651
	====	====

6 Property, plant and equipment

Additions and disposals (Unaudited)

During the quarter ended 31 March 2011, the Group acquired assets amounting to AED 0.9 million *(quarter ended 31 March 2010: AED 4.74 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 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 1.9 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 1.9 million was made in the previous year.

7 Available for sale investments

	Unaudited 31 March 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 31 March 2010 AED'000
Opening balance	**5,964**	6,053	6,053
Gain/(loss) on fair valuation	**(50)**	(89)	6
	-------	-------	-------
Closing balance	**5,914**	5,964	6,059
	====	====	====

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 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 31 March 2010 AED'000
Trade receivables	**38,066**	39,615	36,433
Less: Provision for bad and doubtful debts	**(3,626)**	(3,626)	(3,086)
	--------	---------	---------
	34,440	35,989	33,347
Advances, deposit and prepayments	**8,342**	7,290	7,441
	--------	---------	---------
	42,782	43,279	40,788
	=====	=====	=====

9 Inventories

	Unaudited 31 March 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 31 March 2010 AED'000
Raw materials and packing materials	**56,354**	47,633	56,092
Work in process	**2,790**	2,338	2,201
Finished products	**5,537**	5,969	4,711
Trading stocks	**18,423**	13,456	10,692
Consumable stores and spare parts	**9,324**	10,352	8,974
	92,428	79,748	82,670
Less: Provision for slow moving inventory	**(3,791)**	(3,791)	(3,791)
	88,637	75,957	78,879
Goods in transit	**14,293**	11,251	1,749
	102,930	87,208	80,628

10 Trade and other payables

	Unaudited 31 March 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 31 March 2010 AED'000
Trade payable	**31,443**	31,024	19,826
Employee terminal benefits	**11,498**	11,249	11,861
Other payables and accruals	**16,788**	17,285	16,832
Provision for taxation	**485**	542	199
	60,214	60,100	48,718

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 0.5 million is adequate to meet the Group's tax liabilities.

11 Related party transactions

Significant related party transactions are as follows:

	Unaudited Three months period ended 31 31 March 2011 AED'000	Unaudited Three months period ended 31 March 2010 AED'000
Sales to related parties	**16,529**	10,068
Purchases from related parties	**3,437**	3,420

11 Related party transactions (continued)

The compensation to key management is as follows:

	Unaudited Three months period ended 31 March 2011 AED'000	Unaudited Three months period ended 31 March 2010 AED'000
Employee benefits (including remuneration)	**400**	435
	===	===

Due to related parties	**Unaudited 31 March 2011 AED'000**	Audited 31 December 2010 AED'000	Unaudited 31 March 2010 AED'000
United Foods Company PSC	**430**	233	196
United Cans Company LLC	**137**	260	250
	-----	-----	-------
	567	493	446
	===	===	====

12 Earnings per share

	Unaudited Three months period ended 31 March 2011	Unaudited Three months period ended 31 March 2010
Earnings per share	**2**	11
	==	==

13 Contingent liabilities and capital commitments

	Unaudited 31 March 2011 AED'000	Unaudited 31 March 2010 AED'000
Letter of credits	**996**	1,425
Bank guarantees	**4,427**	4,437
Capital commitments	**2,517**	668
	====	====

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)*. 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)*. These have been subsequently approved in the Annual General Meeting held on 25 April 2011.