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ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT FOR THE SIX PERIODS
ENDED 29 JUNE 2005

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH – SAUDI ARABIA

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Owners of
Almarai Company Limited
A Limited Liability Company
Riyadh - Saudi Arabia

We have reviewed the accompanying interim consolidated balance sheet of Almarai Company Limited (the "Company") as of 29 June 2005, the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the six periods ended 29 June 2005, including the related notes. These interim consolidated financial statements are the responsibility of the company's management.

We conducted our review in accordance with the standards established by the Saudi Organization for Certified Public Accountants. A limited review of interim consolidated financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible in the Company for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the interim consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have not reviewed the interim consolidated financial statements of the Company for the corresponding period in 2004 and for the period then ended. Accordingly, we were unable to identify any material modifications that should be made to those interim consolidated financial statements for them to be in conformity with generally accepted accounting principles.



Abdullah M. Al-Basri
Certified Accountant
Licence No. 171
Aldar Audit Bureau
Abdullah M. Al-Basri & Co.



Riyadh, 11th July 2005 A.H.
Corresponding to 4th Jumad Thani 1426 A.D.

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 29 JUNE 2005 (UNAUDITED)

	<u>Notes</u>	<u>YTD June 2005</u> SAR '000	<u>YTD June 2004</u> SAR '000
<u>Current Assets</u>			
Cash and Bank Balances		78,394	39,084
Receivables and Prepayments		213,187	207,901
Inventories		261,138	183,056
Total Current Assets		552,719	430,041
<u>Current Liabilities</u>			
Payables and Accruals		327,905	215,402
Short Term Loans	4	19,017	62,379
Total Current Liabilities		346,922	277,781
NET CURRENT ASSETS		205,797	152,260
<u>Non Current Assets</u>			
Intangible Assets - Goodwill		7,081	17,423
Fixed Assets		2,142,079	1,735,153
Total Non Current Assets		2,149,160	1,752,576
<u>Non Current Liabilities</u>			
Long Term Loans	4	1,077,300	757,140
Employees' Termination Benefits		56,704	50,405
Total Non Current Liabilities		1,134,004	807,545
NET ASSETS		1,220,953	1,097,291
SHAREHOLDER'S EQUITY			
Share Capital		750,000	500,000
Statutory Reserve		173,860	136,830
Retained Earnings		297,093	460,461
TOTAL SHAREHOLDER'S EQUITY		1,220,953	1,097,291

"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT"

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX PERIODS ENDED 29 JUNE 2005 (UNAUDITED)

	<u>Notes</u>	<u>April - June 2005</u> SAR '000	<u>April - June 2004</u> SAR '000	<u>YTD June 2005</u> SAR '000	<u>YTD June 2004</u> SAR '000
Sales	5	522,178	463,493	994,769	907,025
Cost of Sales		(310,787)	(273,279)	(599,761)	(543,814)
Gross Profit		211,391	190,214	395,008	363,211
Selling & Distribution Expenses		(76,580)	(67,606)	(148,056)	(135,796)
General & Administration Expenses		(22,544)	(17,999)	(46,353)	(41,981)
Net Income before Bank Charges & Zakat		112,267	104,609	200,599	185,434
Bank Charges		(9,395)	(2,336)	(17,654)	(6,036)
Net Income before Zakat		102,872	102,273	182,945	179,398
Zakat		(2,539)	(2,421)	(4,649)	(4,462)
Net Income		100,333	99,852	178,296	174,936
Earnings per Share (SAR)*		6.7	6.7	11.9	11.7

The operating results reported above in this interim consolidated statement of income present a true picture of the past performance of the Company, but are not necessarily indicative of future results.

* Earnings per Share is calculated assuming the total number of issued shares is equal to the shares issued at 30 June 2005 (i.e. 15 million shares).

"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT"

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX PERIODS ENDED 29 JUNE 2005 (UNAUDITED)

	YTD June 2005	YTD June 2004
	SAR '000	SAR '000
<u>Cash Flow from Operating Activities</u>		
Net Income	178,296	174,936
Depreciation & Amortisation	56,997	61,874
Bank Charges	17,654	6,036
Change in Employees' Termination Benefits	3,284	(4,030)
	256,231	238,816
Operating Cash Flow Before Changes in Working Capital		
Changes in:		
Receivables & Prepayments	(26,593)	(28,953)
Inventories	(17,899)	10,081
Payables & Accruals	41,434	(8,698)
	(3,058)	(27,570)
Cash Flow from Operating Activities	253,173	211,246
<u>Cash Flow used in Investing Activities</u>		
Additions to Fixed Assets	(316,792)	(249,691)
Proceeds from the Sale of Fixed Assets	19,820	21,644
	(296,972)	(228,047)
<u>Cash Flow from Financing Activities</u>		
Increase in Loans	328,893	313,159
Dividends Paid during the Period	(250,000)	(300,000)
Bank Charges	(17,654)	(6,036)
	61,239	7,123
Cash Flow from Financing Activities	61,239	7,123
Increase/(Decrease) in Cash and Bank Balances	17,440	(9,678)
Cash and Bank Balances at 1 January	60,954	48,762
Cash and Bank Balances at End of Period	78,394	39,084

"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT"

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX PERIODS ENDED 29 JUNE 2005 (UNAUDITED)

	<u>YTD June 2005</u> SAR '000	<u>YTD June 2004</u> SAR '000
<u>Share Capital</u>		
Balance at 1 January	750,000	500,000
Balance at End of Period	<u>750,000</u>	<u>500,000</u>
<u>Statutory Reserve</u>		
Balance at 1 January	173,860	136,830
Balance at End of Period	<u>173,860</u>	<u>136,830</u>
<u>Retained Earnings</u>		
Balance at 1 January	368,797	585,525
Net Income	178,296	174,936
Dividends Paid	(250,000)	(300,000)
Balance at End of Period	<u>297,093</u>	<u>460,461</u>

"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT"

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. THE COMPANY AND ITS BUSINESS DESCRIPTION

Almarai Company Limited (the "Company") is a Limited Liability Company and was established on 19 Dī' Hijjah 1411 A.H. (1 July 1991) and operates under Commercial Registration No. 1010084223.

The Company is a major integrated consumer food company in the Middle East with leadership positions in Saudi Arabia and the neighbouring Gulf Cooperative Council (GCC) countries. All raw milk production and related processing along with food manufacturing activities are undertaken in Saudi Arabia. Final consumer products are distributed from the manufacturing facilities in Saudi Arabia to local distribution centres by the Company's long haul distribution fleet.

The distribution centres in the GCC countries (except for Bahrain) are managed by the Company and operate within Distributor Agency Agreements as follows:

Kuwait	- Al Kharafi Brothers Dairy Products Company Limited
Qatar	- Khalid for Foodstuff and Trading Company
United Arab Emirates	- Bustan Al Khaleej Establishment
Oman	- Far East Agency

The Company operates in Bahrain through a 100% owned subsidiary, Almarai Company Bahrain W.L.L.

During 2005, the Company commenced the process of establishing a subsidiary in Oman. This company, Arabian Planets for Trade and Marketing LLC was established on 16 May 2005 and started trading on 30 June 2005. This development will not impact our business in Oman.

The Company's Head Office is located at the following address:

Exit 7, North Circle Road
Al Izdihar District
P.O. Box 8524
Riyadh 11492
Kingdom of Saudi Arabia

On 14 Dhu al-Qa'dah 1425H (26 December 2004) the Shareholders of the Company resolved to convert the Company into a Joint Stock Company and this resolution was approved by the Ministry of Commerce and Industry and properly notarised on 28 Rabi'II 1426H (8 June 2005). Pursuant to this resolution the par value of the Company's shares increased from SAR 10 to SAR 50, thus reducing the number of shares to 15 million.

On 6 Jumada'I 1426H (13 June 2005) the Minister of Commerce and Industry authorised the conversion of the Company from a limited liability company into a joint stock company and its floatation on the Saudi Arabian stock exchange. The subscription period for the Company's shares will be from 27 Jumada'I 1426H (4 July 2005) to 6 Jumada'I 1426H (13 July 2005), after which the Company will hold a Conversion General Assembly on 24 Jumada'II 1426H (30 July 2005). An application will then be submitted to the Minister of Commerce and Industry requesting him to announce the conversion of the Company. The Company will be considered duly converted into a joint stock company from the date of the issuance of the Ministerial Resolution declaring its conversion and we expect the Company to start trading on the Saudi Arabian stock exchange in Rajab 1426H (August 2005).

In June 2005, the Company acquired the trade, assets and liabilities of Al Riyadh Dairy Company.

2. BASIS OF ACCOUNTING, PREPARATION, CONSOLIDATION & PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (a) The interim consolidated financial statements have been prepared on the accrual basis under the historical cost convention and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).
- (b) The statutory records are maintained in Arabic.
- (c) When necessary, prior period comparatives have been regrouped on a basis consistent with current period classification.
- (d) The interim consolidated financial statements reflect all business operations undertaken on behalf of the Company and its subsidiaries and the assets and liabilities beneficially held by the Company.
- (e) The figures in these interim consolidated financial statements are rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

The preparation of interim consolidated financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the balance sheet date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

B. Revenue Recognition

Products are sold principally on a sale or return basis. Revenue is recognised on delivery of products to customers by the company or its distributors, at which time risk and title passes, subject to the physical return of unsold products. Adjustment is made in respect of known actual returns.

C. Cash and Bank Balances

Time deposits purchased with original maturities of less than three months are included in Cash at Bank.

D. Accounts Receivable

Accounts receivable are carried at the original invoiced amount less any provision made for doubtful debts. Provision is made for all debts for which the collection is considered doubtful.

E. Inventory Valuation

Inventory is stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure based on the normal level of activity. Net realisable value comprises estimated price less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

F. Goodwill

Goodwill represents the difference between the cost of businesses acquired and the aggregate of the fair values of their identifiable net assets at the date of acquisition. Goodwill arising on acquisitions is capitalised on the interim consolidated balance sheet and amortised to the interim consolidated statement of income in equal annual instalments over its expected useful life, not exceeding twenty years. The carrying value of goodwill is reviewed annually and adjustments are made for any permanent diminution in value.

G. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. There is no open market for dairy livestock in the GCC against which to measure fair value. Accordingly, dairy livestock are treated as fixed assets and included in the accounts at their cost of purchase or at the cost of rearing to the

point of first calving, less accumulated depreciation. The cost of dairy youngstock is determined by the cost of rearing to their respective age.

Cows in the dairy herd are depreciated to their estimated residual value, at rates between 10% - 25%, based on their expected continuing useful life. Other fixed assets are depreciated on a straight line basis at the following annual rates:

Buildings	3% - 10%
Plant, Machinery & Equipment	5% - 33%
Motor Vehicles	15% - 25%
Land is not depreciated	

H. Conversion of Foreign Currency Transactions

During the financial period foreign currency transactions are converted and booked in Saudi Riyals at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange variances are charged or credited to the interim consolidated statement of income as appropriate. Gains and losses on derivative financial instruments used to hedge foreign currency exposures are recognised in the interim consolidated statement of income when the underlying transaction occurs.

I. Employees' Termination Benefits

Employees' termination benefits are payable as a lump sum to all employees employed under the terms and conditions of the Saudi Labour and Workman Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on the employees' final salaries and allowances and their cumulative years of service, in compliance with the conditions stated in the laws of the Kingdom of Saudi Arabia.

J. Selling, Distribution, General & Administration Expenses

Selling, Distribution, General & Administration Expenses include direct and indirect costs not specifically part of Cost of Sales as required under generally accepted accounting principles. Allocations between Cost of Sales and Selling, Distribution, General & Administration Expenses, when required, are made on a consistent basis. The Company charges payments in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

K. Management Fees

The Company credits fees charged in respect of the management of Arable Farms to General & Administration Expenses.

L. Zakat

Zakat is provided for in the interim consolidated balance sheet on the basis of an estimated Zakat assessment carried out in accordance with Saudi Department of Zakat and Income Tax (DZIT) regulations. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are made.

M. Operating Leases

Rentals in respect of operating leases are charged to the interim consolidated statement of income over the terms of the leases.

4. LOANS

	<u>YTD June 2005</u> SAR '000	<u>YTD June 2004</u> SAR '000
(i) Saudi Industrial Development Fund	254,960	127,140
(ii) Saudi Arabian Agricultural Bank	20,308	12,074
(iii) Islamic Banking Facilities (Murabaha)	400,000	-
(iv) Commercial Banks	421,049	680,305
Total	<u>1,096,317</u>	<u>819,519</u>

5. SEGMENTAL REPORTING

Analysis of Sales is given by Product Group as shown below. The disclosure of segmental information in respect of net income and net assets is not, in the opinion of the Board of Directors, required as the Company operates only in the consumer food business and as such, this information would not add any value to readers of these interim consolidated financial statements.

The disclosure of segmental information by geographical area, in respect of net income and net assets would, in the opinion of the Board of Directors, be prejudicial to the interest of the Company and accordingly is not disclosed.

	<u>April - June 2005</u> SAR '000	<u>April - June 2004</u> SAR '000	<u>YTD June 2005</u> SAR '000	<u>YTD June 2004</u> SAR '000
<u>Sales</u>				
By Product Group				
Fresh Dairy	329,640	293,941	608,029	548,356
Long Life Dairy	49,998	42,285	103,916	91,111
Fruit Juice	37,941	35,616	65,013	66,936
Cheese & Butter	100,094	89,213	209,032	195,421
Non-Dairy Foods	2,728	865	5,184	2,254
Other	1,777	1,573	3,595	2,947
	<u>522,178</u>	<u>463,493</u>	<u>994,769</u>	<u>907,025</u>
By Destination				
Saudi Arabia	356,860	314,020	674,692	620,336
Other Countries	165,318	149,473	320,077	286,689
	<u>522,178</u>	<u>463,493</u>	<u>994,769</u>	<u>907,025</u>