ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

INDEX

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Almarai – Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of **Almarai – Joint Stock Company** ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at 31 December 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 33 which form an integral part of the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia in compliance with Article 123 of the Regulations for Companies and the Company's by-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements taken as a whole:

1) Present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group.
2) Comply with the requirements of the Regulations for Companies and Company's by-laws with respect to the preparation and presentation of consolidated financial statements.

For KPMG Al Fozan & Al Sadhan

Abdullah H. Al Fozan
License No. 348

Date: 27 Rabi Al-Awal 1436H
Corresponding to: 18 January 2015

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	2014	2013
		SAR '000	SAR '000
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	796,787	1,810,516
Receivables and Prepayments	6	1,344,460	978,086
Inventories	7	2,769,050	2,545,315
Derivative Financial Instruments	26	1,275	14,328
Total Current Assets		**4,911,572**	**5,348,245**
Non Current Assets			
Investments	8	324,980	479,075
Property, Plant and Equipment	9	16,176,354	15,028,012
Biological Assets	10	1,069,912	992,350
Intangible Assets - Goodwill	11	1,350,165	1,310,126
Derivative Financial Instruments	26	1,712	11,987
Prepayment	6	114,156	-
Deferred Tax Asset		64	1,577
Total Non Current Assets		**19,037,343**	**17,823,127**
TOTAL ASSETS		**23,948,915**	**23,171,372**
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Bank Overdraft		143,631	104,804
Short Term Loans	12	115,530	169,100
Current Portion of Long Term Loans	12	1,562,181	1,409,066
Payables and Accruals	13	2,107,315	1,988,591
Derivative Financial Instruments	26	114,277	48,902
Total Current Liabilities		**4,042,934**	**3,720,463**
Non Current Liabilities			
Long Term Loans	12	7,737,026	8,180,302
End of Service Benefits		408,073	340,045
Deferred Tax Liability		84,394	119,985
Derivative Financial Instruments	26	45,556	46,389
Total Non Current Liabilities		**8,275,049**	**8,686,721**
TOTAL LIABILITIES		**12,317,983**	**12,407,184**
EQUITY			
Share Capital	14	6,000,000	6,000,000
Statutory Reserve		1,230,572	1,063,138
Other Reserves		(466,898)	(188,585)
Treasury Shares	16	(146,386)	(146,386)
Retained Earnings		2,569,564	1,714,303
Equity Attributable to Shareholders		**9,186,852**	**8,442,470**
Perpetual Sukuk	15	1,700,000	1,700,000
Equity Attributable to Equity Holders of the Company		**10,886,852**	**10,142,470**
Non Controlling Interest		744,080	621,718
TOTAL EQUITY		**11,630,932**	**10,764,188**
TOTAL LIABILITIES AND EQUITY		**23,948,915**	**23,171,372**

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Paul Gay Chief Financial Officer	Abdulrahman Al Fadley Chief Executive Officer	Abdulrahman Al Muhanna Managing Director

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		SAR '000	SAR '000
Sales	17	12,605,565	11,219,182
Cost of Sales	18	(8,070,530)	(7,256,450)
Gross Profit		**4,535,035**	**3,962,732**
Selling and Distribution Expenses	19	(2,246,220)	(1,870,466)
General and Administration Expenses	20	(338,701)	(295,660)
Operating Income		**1,950,114**	**1,796,606**
Share of Results of Associates and Joint Ventures	8	(8,158)	(29,967)
Other Income	21	20,897	-
Finance Cost, net		(207,875)	(224,282)
Income from Main Operations		**1,754,978**	**1,542,357**
Zakat and Foreign Income Tax	22	(71,069)	(41,985)
Income before Non Controlling Interest		**1,683,909**	**1,500,372**
Non Controlling Interest		(9,570)	1,835
Net Income for the Year		**1,674,339**	**1,502,207**
Earnings per Share (SAR), based on Income from Main Operations	23		
- Basic		2.86	2.56
- Diluted		2.84	2.55
Earnings per Share (SAR), based on Net Income for the Year	23		
- Basic		2.72	2.50
- Diluted		2.70	2.48

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Paul Gay	Abdulrahman Al Fadley	Abdulrahman Al Muhanna
Chief Financial Officer	Chief Executive Officer	Managing Director

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		SAR '000	SAR '000
OPERATING ACTIVITIES			
Net Income for the Year		1,674,339	1,502,207
Adjustments for:			
Depreciation of Property, Plant and Equipment	24	1,223,820	1,153,466
Depreciation of Biological Assets	24	230,086	177,154
Finance Cost, net		207,875	224,282
Zakat and Foreign Income Tax Accrued	22	71,069	41,985
Profit on Sale of Property, Plant and Equipment	24	(10,077)	(9,926)
Loss on Sale of Biological Assets	24	57,590	46,962
Share of Results of Associates and Joint Ventures	8	8,158	29,967
Other Income	21	(20,897)	-
Provision for End of Service Benefits		95,214	62,709
Share Based Payment		10,687	8,532
Non Controlling Interest		9,570	(1,835)
		3,557,434	3,235,503
Changes in:			
Receivables and Prepayments		(187,816)	(191,848)
Inventories		(216,719)	(239,126)
Payables and Accruals		110,317	(172,182)
Cash Generated from Operating Activities		3,263,216	2,632,347
End of Service Benefits Paid		(27,188)	(9,720)
Zakat and Foreign Income Tax Paid	22	(37,265)	(37,006)
Net Cash Generated from Operating Activities		**3,198,763**	**2,585,621**
INVESTING ACTIVITIES			
Acquisition of Subsidiaries, Net of Cash Acquired	4	(13,160)	-
Investment in Associates and Joint Ventures, net	8	65,869	(234,936)
Dividend received from Associates	8	1,875	2,366
Additions to Property, Plant and Equipment	9	(2,740,449)	(2,798,909)
Proceeds from the Sale of Property, Plant and Equipment	24	50,693	44,682
Additions to Biological Assets	10	(79,766)	(79,644)
Appreciation of Biological Assets	24	(439,762)	(393,118)
Proceeds from the Sale of Biological Assets	24	154,239	157,308
Prepayment	6	(114,156)	-
Net Cash Used in Investing Activities		**(3,114,617)**	**(3,302,251)**
FINANCING ACTIVITIES			
Increase in Loans, net		(343,682)	1,166,104
Bank Overdraft, net		38,827	104,804
Dividends Paid		(598,275)	(498,522)
Finance Cost Paid, net		(240,168)	(261,835)
Purchase of Treasury Shares		-	(51,104)
Proceeds from Issuance of Perpetual Sukuk		-	1,700,000
Perpetual Sukuk Issuance Costs		-	(9,918)
Payment of Profit on Perpetual Sukuk		(51,648)	-
Transactions with Non Controlling Interests		112,792	(34,416)
Net Cash (Used in) / Generated from Financing Activities		**(1,082,154)**	**2,115,113**
Currency Translation Impact on Cash and Cash Equivalents		**(15,721)**	**(5,271)**
Net (Decrease) / Increase in Cash and Cash Equivalents		**(1,013,729)**	**1,393,212**
Cash and Cash Equivalents at 1 January		1,810,516	417,304
Cash and Cash Equivalents at 31 December	5	**796,787**	**1,810,516**

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Paul Gay	Abdulrahman Al Fadley	Abdulrahman Al Muhanna
Chief Financial Officer	Chief Executive Officer	Managing Director

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Statutory Reserve	Other Reserves	Treasury Shares	Retained Earnings	Equity Attributable to Shareholders	Perpetual Sukuk	Equity Attributable to Equity Holders	Non Controlling Interest	Total Equity
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance at 1 January 2013	**4,000,000**	**912,917**	**(189,861)**	**(95,282)**	**2,921,667**	**7,549,441**	**-**	**7,549,441**	**621,549**	**8,170,990**
Net Income for the Year	-	-	-	-	1,502,207	1,502,207	-	1,502,207	(1,835)	1,500,372
Dividend Declared	-	-	-	-	(500,000)	(500,000)	-	(500,000)	-	(500,000)
Net Movement in Fair Value of Available for Sale Investments	-	-	32,145	-	-	32,145	-	32,145	-	32,145
Net Movement on Cash Flow Hedges	-	-	(933)	-	-	(933)	-	(933)	-	(933)
Bonus Shares Issued	2,000,000	-	-	-	(2,000,000)	-	-	-	-	-
Transfer for the Year	-	150,221	-	-	(150,221)	-	-	-	-	-
Foreign Currency Translation Differences	-	-	(51,480)	-	-	(51,480)	-	(51,480)	-	(51,480)
Share Based Payment Transactions	-	-	8,532	-	-	8,532	-	8,532	-	8,532
Net movement in Treasury Shares	-	-	-	(51,104)	-	(51,104)	-	(51,104)	-	(51,104)
Perpetual Sukuk Issue	-	-	-	-	-	-	1,700,000	1,700,000	-	1,700,000
Perpetual Sukuk Issuance Costs	-	-	-	-	(9,918)	(9,918)	-	(9,918)	-	(9,918)
Profit on Perpetual Sukuk	-	-	13,012	-	(13,012)	-	-	-	-	-
Transaction with Non Controlling Interests	-	-	-	-	(36,420)	(36,420)	-	(36,420)	2,004	(34,416)
Balance at 31 December 2013	**6,000,000**	**1,063,138**	**(188,585)**	**(146,386)**	**1,714,303**	**8,442,470**	**1,700,000**	**10,142,470**	**621,718**	**10,764,188**
Net Income for the Year	-	-	-	-	1,674,339	1,674,339	-	1,674,339	9,570	1,683,909
Dividend Declared	-	-	-	-	(600,000)	(600,000)	-	(600,000)	-	(600,000)
Net Movement in Fair Value of Available for Sale Investments	-	-	(65,439)	-	-	(65,439)	-	(65,439)	-	(65,439)
Net Movement on Cash Flow Hedges	-	-	(87,870)	-	-	(87,870)	-	(87,870)	-	(87,870)
Transfer for the Year	-	167,434	-	-	(167,434)	-	-	-	-	-
Foreign Currency Translation Differences	-	-	(135,687)	-	-	(135,687)	-	(135,687)	-	(135,687)
Share Based Payment Transactions	-	-	10,687	-	-	10,687	-	10,687	-	10,687
Profit on Perpetual Sukuk	-	-	51,644	-	(51,644)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	(51,648)	-	-	(51,648)	-	(51,648)	-	(51,648)
Transaction with Non Controlling Interests	-	-	-	-	-	-	-	-	112,792	112,792
Balance at 31 December 2014	**6,000,000**	**1,230,572**	**(466,898)**	**(146,386)**	**2,569,564**	**9,186,852**	**1,700,000**	**10,886,852**	**744,080**	**11,630,932**

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Paul Gay
Chief Financial Officer

Abdulrahman Al Fadley
Chief Executive Officer

Abdulrahman Al Muhanna
Managing Director

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted from a limited liability company to a joint stock company on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dul Hijjah 1411 A.H. (1 July 1991) and operates under Commercial Registration No. 1010084223. Prior to the consolidation of activities in 1991, the core business was traded between 1976 and 1991 under the Almarai brand name.

The Company's Head Office is located at Exit 7, North Ring Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia ("Saudi Arabia").

The Company and its subsidiaries (together, the "Group") are a major integrated consumer food and beverage Group in the Middle East with leading market shares in Saudi Arabia, other Gulf Cooperation Council ("GCC") countries, Egypt and Jordan.

The dairy, fruit juices and related food business is operated under the Almarai, Beyti and Teeba brand names. All raw milk production and related processing along with dairy food manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates ("UAE"), Egypt and Jordan. Final consumer products are distributed from the manufacturing facilities in these countries to local distribution centres by the Group's long haul distribution fleet.

Bakery products are manufactured and traded by Western Bakeries Company Limited ("WB") and Modern Food Industries Company Limited ("MFI"), a joint venture, under the brand names L'usine and 7 Days respectively. These are Limited Liability companies registered in Saudi Arabia.

Poultry products are manufactured and traded by Hail Agricultural Development Company ("HADCO") under the Alyoum brand. HADCO is a closed joint stock company registered in Saudi Arabia.

Infant Nutrition products are manufactured by International Pediatric Nutrition Company ("IPNC") under "Enfamil", "Enfagrow", "Nuralac" and "Evolac" brands. IPNC is a limited liability company registered in Saudi Arabia.

The distribution centres in the GCC countries (except for Bahrain and Oman) are managed by the Group and operate under 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

The Group operates in Bahrain through its subsidiary Almarai Company Bahrain S.P.C and in Oman through its subsidiaries Arabian Planets for Trading and Marketing L.L.C. and Alyoum for Food Products Company L.L.C.

The Group owns and operates arable farms in Argentina ("Fondomonte Argentina") through its subsidiary Almarai Investment Holding Company W.L.L. ("AIHC"), incorporated in Bahrain. The Group manages these operations through Fondomonte South America S.A, incorporated in Argentina.

The Group owns and operates milk production, processing and dairy food manufacturing in Egypt and Jordan through its subsidiary AIHC. The Group manages these operations through following key legal entities:

- International Dairy and Juice Limited
- International Company for Agricultural Industries Projects (Beyti) (SAE)
- Teeba Investment for Developed Food Processing

On 2 Safar 1434 A.H. (5 December 2013) the Company entered into an agreement (the "Agreement") to acquire shares of IPNC held by Mead Johnson, for an agreed value of SAR 15.0 million. On 7 Rabi Al-Awal 1435 A.H. (8 January 2014) the Company received regulatory approvals with respect to the acquisition of shares in IPNC held by Mead Johnson, as a result of which IPNC became a wholly owned subsidiary of the Group. Consequently, the Company has consolidated IPNC in the current year.

On 5 Jamada Al-Awal 1435 A.H. (6 March 2014) the Group purchased 9,834 acres of farm land for USD 47.5 million (SAR 178.1 million) through its wholly owned subsidiaries Fondomonte Holdings North America L.L.C. ("FHNA") and Fondomonte Arizona L.L.C. which were incorporated as limited liability companies in the United States of America for the purpose of acquiring land to secure supply of animal feed.

On 17 Shawal 1435 A.H. (13 August 2014) a new company Fondomonte California L.L.C. was incorporated as a limited liability company in the United States of America, which is a wholly owned subsidiary of FHNA, for the purpose of acquiring land to secure supply of animal feed.

Details of the subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest 2014		Ownership Interest 2013		Share Capital	Number of Shares Issued
				Direct (a)	Effective	Direct (a)	Effective		
Almarai Investment Company Limited	Saudi Arabia	Holding Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	SAR	100%	100%	100%	100%	SAR 200,000,000	20,000,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	SAR	52%	52%	52%	52%	SAR 25,000,000	250
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	SAR	100%	100%	100%	100%	SAR 300,000,000	30,000,000
International Baking Services Company Limited	Saudi Arabia	Dormant	SAR	100%	100%	100%	100%	SAR 500,000	500
International Pediatric Nutrition Company	Saudi Arabia	Manufacturing Company	SAR	100%	100%	50%	50%	SAR 41,000,000	410,000
Modern Food Industries Company Limited	Saudi Arabia	Bakery Company	SAR	60%	60%	60%	60%	SAR 70,000,000	70,000
Nourlac Company Limited	Saudi Arabia	Trading Company	SAR	100%	100%	100%	100%	SAR 3,000,000	3,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	SAR	100%	100%	100%	100%	SAR 200,000,000	200,000
Agro Terra S.A.	Argentina	Dormant	ARS	100%	100%	100%	100%	ARS 475,875	475,875
Fondomonte South America S.A. (b)	Argentina	Agricultural Company	ARS	100%	100%	-	-	ARS 418,258,098	418,258,098
Fondomonte El Descanso S.A. (b)	Argentina	Agricultural Company	ARS	100%	100%	100%	100%	ARS 80,892,580	80,892,580
Fondomonte Inversiones Argentina S.A. (b)	Argentina	Agricultural Company	ARS	100%	100%	100%	100%	ARS 66,170,335	66,170,335
Fondomonte Sandoval S.A. (b)	Argentina	Agricultural Company	ARS	100%	100%	100%	100%	ARS 4,383,432	4,383,432

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

(b) Fondomonte Inversiones Argentina S.A. and Fondomonte Sandoval S.A. were merged into Fondomonte El Descanso S.A. with effect from 7 Dul Hijjah 1435 A.H. (1 October 2014). Upon merger, Fondomonte El Descanso S.A. changed its name to Fondomonte South America S.A.; the regulatory filing for change in name has been made and is currently pending final certification.

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest 2014 Direct (a)	Ownership Interest 2014 Effective	Ownership Interest 2013 Direct (a)	Ownership Interest 2013 Effective	Share Capital	Number of Shares Issued
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company	BHD	100%	100%	100%	100%	BHD 100,000	2,000
Almarai International Holding W.L.L.	Bahrain	Holding Company	BHD	100%	100%	100%	100%	BHD 250,000	2,500
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	BHD	99%	99%	99%	99%	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	BHD	100%	52%	100%	52%	BHD 250,000	2,500
International Dairy and Juice Limited	Bermuda	Holding Company	USD	52%	52%	52%	52%	USD 7,583,334	7,583,334
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	EGP	100%	52%	100%	52%	EGP 320,000,000	32,000,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company	EGP	100%	52%	100%	52%	EGP 558,000,000	55,800,000
Markley Holdings Limited	Jersey	Dormant	GBP	100%	100%	100%	100%	-	-
Al Muthedoon for Dairy Production	Jordan	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 500,000	500,000
Al Atheer Agricultural Company	Jordan	Agricultural Company	JOD	100%	52%	100%	52%	JOD 750,000	750,000
Al Namouthjya for Plastic Production	Jordan	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 250,000	250,000
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 500,000	500,000
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 49,675,352	49,675,352
Arabian Planets for Trading and Marketing L.L.C.	Oman	Sales Company	OMR	90%	90%	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Sales Company	OMR	100%	100%	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	Holding Company	EUR	100%	100%	100%	100%	EUR 13,000,000	13,000,000
Almarai Emirates Company L.L.C.	United Arab Emirates	Sales Company	AED	100%	100%	100%	100%	AED 300,000 (Unpaid)	300

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest 2014 Direct (a)	Ownership Interest 2014 Effective	Ownership Interest 2013 Direct (a)	Ownership Interest 2013 Effective	Share Capital	Number of Shares Issued
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	USD	100%	52%	100%	52%	USD 22,042,183	22,042,183
Fondomonte Holding North America L.L.C.	United States of America	Holding Company	USD	100%	100%	-	-	USD 500,000	50,000
Fondomonte Arizona L.L.C.	United States of America	Agricultural Company	USD	100%	100%	-	-	USD 500,000	50,000
Fondomonte California L.L.C.	United States of America	Agricultural Company	USD	100%	100%	-	-	-	-

(b) Direct ownership means directly owned by the Company or any of its subsidiaries.

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

(a) These consolidated financial statements have been prepared on the accrual basis under the historical cost convention (except for derivative financial instruments and available for sale investments that are measured at fair value) and in accordance with the accounting standards generally accepted in Kingdom of Saudi Arabia as issued by the Saudi Organisation for Certified Public Accountants (SOCPA).

(b) These consolidated financial statements include assets, liabilities and the results of the operations of the Company and its Subsidiaries, as set out in note (1). The Company and its Subsidiaries are collectively referred to as the Group. A subsidiary company is that in which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a direct or indirect shareholding of more than one half of the subsidiary's net assets or its voting rights. A subsidiary company is consolidated from the date on which the Group obtains control until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at fair value of the assets given or liabilities incurred or assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill in the consolidated balance sheet. Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of Subsidiaries are aligned where necessary to ensure consistency with the policies adopted by the Company. The Company and its Subsidiaries have identical reporting periods. Non-controlling interests represent the portion of profit or loss and net assets not controlled by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet.

(c) The preparation of consolidated financial statements, in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia, 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.

(d) These consolidated financial statements are presented in Saudi Riyal ("SAR"), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. When necessary, prior year comparatives have been regrouped to conform to current year presentation.

A. Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank, cash in hand and short-term deposits that are readily convertible into known amounts of cash and have an original maturity of three months or less.

B. Trade Receivables

Trade receivables are carried at the original invoiced amount less any allowance made for impairment and expected sales returns. Allowance for impairment is made for the receivables when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Allowance for sales returns is calculated based on the forecasted return of expired products in line with the Group's product replacement policy. Bad debts are written off as incurred.

C. Inventory Valuation

Inventory is stated at the lower of cost and net realisable value. Cost is determined using weighted average method. Cost includes all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary, for obsolete, slow moving and defective stocks.

SIGNIFICANT ACCOUNTING POLICIES (Continued…)

D. Investments

a. Investment in Associates and Joint Ventures

Associates are those entities in which the Group exercise significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights. Join Ventures are those entities over whose activities the Group has joint control, established by contractual arrangements and requiring unanimous consent for strategic financial and operating decisions. The investments in associates and joint ventures are accounted for under the equity method of accounting. These Investments are initially recognised at cost and subsequently adjusted by the post-acquisition changes in the Group's share in net assets of the investee less any impairment in value. When the Group's share of losses arising from these investments equals or exceeds its interest in the investee, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the investee.

b. Available for Sale Investments

Available for Sale Investments that are actively traded in organised financial markets, are measured and carried in the consolidated balance sheet at fair value which is determined by reference to quoted market bid prices at the close of business at the consolidated balance sheet date. The unrealised gains or losses are recognised directly in equity. When the investment is disposed of or impaired, the cumulative gain or loss previously recorded in equity is recognised in the consolidated statement of income. Where there is no market for the investment, cost is taken as the most appropriate, objective and reliable measure of fair value of the investment.

E. Property, Plant and Equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the qualifying assets are capitalized during the period of time that is required to substantially complete and prepare the qualifying asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized as an expense when incurred.

The cost less estimated residual value is depreciated on straight-line basis over the following estimated useful lives of the assets:

Buildings	5 – 33 years
Plant, Machinery and Equipment	1 – 20 years
Motor Vehicles	6 – 8 years

Land and Capital Work in Progress are not depreciated.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

F. Biological Assets

Biological assets acquired are stated at cost of purchase and biological assets reared internally are stated at the cost of rearing or growing to the point of commercial production (termed as appreciation), less accumulated depreciation and accumulated impairment loss. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Immature biological assets are not depreciated. The dairy herd is depreciated over four lactation cycles and other biological assets are depreciated on a straight line basis to their estimated residual values over periods ranging from 36 weeks to 70 years as summarized below:

Dairy Herd	4 Lactation cycles
Plantations	22 – 70 years
Poultry Flock	24 – 36 weeks

SIGNIFICANT ACCOUNTING POLICIES (Continued…)

G. Impairment of Non Current Assets

Non Current Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use; the assets are written down to their recoverable amount. Impairment losses are recognized immediately as an expense in the consolidated statement of income.

Non Current Assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income. Impairment losses recognized on intangible assets are not reversed.

H. Intangible Assets - Goodwill

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the fair value of net assets of the business acquired at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

I. Trade Payable and Accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether invoiced by the supplier or not.

J. Zakat and Foreign Income Tax

Zakat is provided for in accordance with Saudi Department of Zakat and Income Tax ("DZIT") regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

K. Deferred Tax

Deferred tax is accounted for in foreign subsidiaries, where applicable using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date. Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

L. Derivative Financial Instruments and Hedging

Forward foreign exchange contracts are entered into to hedge exposure to changes in currency rates on purchases and other expenditures of the Group.

Commission rate swap agreements are entered into to hedge the exposure to commission rate changes on the Group's borrowings.

Forward purchase commodity contracts are entered into to hedge exposure to changes in the price of commodities used by the Group.

All hedges are expected to be in the range of 80% – 125% effective and are assessed on an ongoing basis. All hedges are classified as cash flow hedges and effective portion of the fair value gains / losses arising on revaluation of hedging instruments are recognized directly in equity under other reserves. When the hedging instrument matures or expires any associated gain or loss in other reserves is reclassified to the consolidated statement of income, or the underlying asset purchased that was subjected to the hedge.

SIGNIFICANT ACCOUNTING POLICIES (Continued…)

M. End of Service Benefits

End of service benefits are payable to all employees employed under the terms and conditions of the Labour Laws applicable on the Company and its subsidiaries, 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.

N. Statutory Reserve

In accordance with its by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 50% of its share capital. This statutory reserve is not available for distribution to shareholders.

O. Sukuk

The Group classifies Sukuk issued as financial liabilities or equity, in accordance with the substance of the contractual terms of the Sukuk. Sukuk having fixed maturity dates and fixed dates for payment of profit distribution are classified as a liability.

Sukuk having no fixed maturity date (Perpetual Sukuk) and no fixed date for payment of profit distribution are classified as equity. Distributions thereon are recognized directly in equity under other reserves.

P. Treasury Shares

Own equity instruments are purchased (treasury shares), for discharging obligations under the Employee Stock Participation Programme. These treasury shares are recognised at cost of purchase (including any directly attributable cost) and are presented as a deduction from equity attributable to shareholders, until the treasury shares are de-recognised i.e. cancelled, reissued or disposed. Any gain or loss upon de-recognition is recognised as share premium or discount.

Q. Share Based Payment Transactions

Employees of the Group receive remuneration in the form of share based payments under the Employee Stock Participation Program, whereby employees render services as consideration for the option to purchase equity instruments at a predetermined price (equity settled transactions).

The cost of equity settled transactions is recognised, together with a corresponding increase in other reserves, in equity, over the period during which the service conditions are fulfilled. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in Employee Costs.

When the terms of an equity settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of the modification.

When equity settled award is terminated, it is treated as if it vested on the date of termination, and any expense not yet recognised for the award is recognised immediately. This includes any award where non vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the terminated award, and designated as a replacement award on the date that it is granted, the terminated and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

R. Conversion of Foreign Currency Transactions

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 SAR 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 consolidated statement of income as appropriate.

SIGNIFICANT ACCOUNTING POLICIES (Continued…)

The functional currencies of foreign subsidiaries are listed in Note 1. As at the reporting date, the assets and liabilities of Subsidiaries are translated into SAR the functional and presentation currency of the Company, at the rate of exchange ruling at the balance sheet date and their statement of income are translated at the weighted average exchange rates for the year. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded as a separate component of equity.

S. Revenue Recognition

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

Revenue from the sale of wheat guaranteed to be sold to the Government is recognised upon completion of harvest but the profit on any undelivered quantities is deferred until delivered to the Government.

T. Government Grants

Government grants are recognized when it is a virtually certain that the grants will be received from the state authority. When the grant relates to a cost item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

U. Selling, Distribution, General and Administration Expenses

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

V. Cost Reimbursement

The reimbursement of cost incurred in respect of the management of Arable Farms is recognised as a deduction under general and administration expenses.

W. Operating Leases

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

X. Borrowing Costs

Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to a stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed; otherwise, such costs are charged to the consolidated statement of income.

Y. Segmental Reporting

A segment is a distinguishable component of the Group that is engaged either in selling / providing products or services (a business segment) or in selling / providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

4. BUSINESS COMBINATION ACHIEVED IN STAGES

On 7 Rabi Al-Awal 1435 A.H. (8 January 2014) the Company completed the acquisition of shares of International Pediatric Nutrition Company ("IPNC") held by Mead Johnson, for an agreed value of SAR 15.0 million. These consolidated financial statements include the results of IPNC from 9 January 2014, as the Company effectively obtained control of IPNC from that date. If the combination had taken place at the beginning of the year, the net operating income would have been higher by SAR 0.1 million and the net income of the Group would have been higher by SAR 0.1 million.

After this acquisition, the objective of IPNC remains to address the Infant Nutrition products market opportunity in the GCC and the wider Arab world. The acquisition will provide greater flexibility in the commercialisation process fully leveraging the existing processes and systems. The goodwill resulting from the transaction is driven by the strong market potential in this product category, including the potential to extend the reach and scope of existing products and introduce new products or brands without incurring significant investment, the expertise in marketing of Infant Nutrition products and the expertise to operate a state-of-art Infant Nutrition manufacturing facility.

The re-measurement to fair value of the Group's existing 50% interest in IPNC resulted in a one-time gain of SAR 20.9 million.

The fair value of identifiable assets and liabilities of IPNC as at the date of acquisition were as follows:

	Fair Value on Acquisition at 8 January 2014
	SAR'000
Goodwill on Acquisition	
Assets Acquired:	
Cash and Cash Equivalents	1,856
Trade Receivables & Prepayments	5,605
Inventories	6,957
	14,418
Liabilities Acquired:	
Payables and Accruals	5,297
Due to Almarai	20,882
	26,179
Total Acquisition Cost	30,032
Goodwill	**41,793**
Total Acquisition Cost:	
Cash Consideration	15,016
Fair Value of Previously Held Equity Interest	15,016
Total	**30,032**
Cash Outflow on Acquisition:	
Net Cash Acquired with the Subsidiary	1,856
Cash Paid	(15,016)
Net Cash Outflow	**(13,160)**

	2014	2013
	SAR '000	SAR '000
5. CASH AND CASH EQUIVALENTS		
Cash in Hand	362,366	254,925
Cash at Bank	117,959	101,164
Bank Deposits	316,462	1,454,427
Total	796,787	1,810,516

		2014	2013
		SAR '000	SAR '000
6. RECEIVABLES AND PREPAYMENTS			
Trade Receivables	- Third Parties	717,695	632,129
	- Related Parties (Refer note 29)	74,993	79,375
		792,688	711,504
Less: Allowance for impairment of trade receivables (Refer (a) below)		(49,665)	(45,415)
Less: Allowance for sales returns		(15,677)	(26,958)
Net Trade Receivables		727,346	639,131
Prepayments (Refer (d) below)		345,769	274,685
Other Receivables		57,391	64,270
Insurance Claim Receivable (Refer note 21)		213,954	-
Total		1,344,460	978,086

(a) Movement in allowance for impairment of trade receivables is as follows:

	2014	2013
	SAR '000	SAR '000
Allowance for Impairment of Trade Receivables		
Balance at 1 January	45,415	38,939
Allowance made during the Year	4,250	6,476
Balance at 31 December	49,665	45,415

	2014	2013
	SAR '000	SAR '000
Trade Receivables		
Up to 3 months	743,023	666,089
More than 3 months	49,665	45,415
Total	792,688	711,504

(b) Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

(c) The allowance for sales returns is calculated based on the forecasted return of expired products in line with the Group's product return policy.

(d) During 2014 the subsidiary in Argentina entered into an operating lease agreement for agricultural land for a term of 40 years. The subsidiary has made a prepayment of lease rentals, of which the long term portion amounting to SAR 114.2 million has been classified under Non Current Assets.

7. INVENTORIES

	2014 SAR '000	2013 SAR '000
Raw Materials	2,117,377	1,969,195
Finished Goods	347,401	256,544
Spares	240,191	240,036
Work in Progress	205,497	190,228
Less: Allowance for Impairment of Inventories	(101,920)	(110,688)
Less: Losses Arising due to Fire (Refer note 21)	(39,496)	-
Total	2,769,050	2,545,315

8. INVESTMENTS

The investments in associates, joint ventures and available for sale investments comprise of the following:

	2014	2013	2014 SAR '000	2013 SAR '000
Investments in Associates and Joint Ventures (Refer note a)				
United Farmers Holding Company	33.0%	33.0%	133,181	203,950
Pure Breed Company	21.5%	21.5%	29,331	33,883
International Pediatric Nutrition Company	-	50.0%	-	13,335
Almarai Company W.L.L.	50.0%	50.0%	204	204
			162,716	251,372
Available for Sale Investments (Refer note b)				
Zain Equity Investment	2.1%	2.1%	148,100	213,539
Jannat for Agricultural Investment Company	10.0%	10.0%	7,000	7,000
National Company for Tourism	1.1%	1.1%	4,500	4,500
National Seeds and Agricultural Services Company	7.0%	7.0%	2,064	2,064
United Dairy Farms Company	8.3%	8.3%	600	600
			162,264	227,703
Total			324,980	479,075

(a) The investment in associates and joint ventures comprises the following:

	2014 SAR '000	2013 SAR '000
United Farmers Holding Company		
Opening Balance	203,950	-
Funds Introduced*	3,300	205,676
Repayment of Loan	(69,169)	-
Share of Results for the year	(4,900)	(1,726)
Closing Balance	133,181	203,950

* This includes loan amounting to SAR 205.3 million in 2013.

	2014 SAR '000	2013 SAR '000
Pure Breed Company		
Opening Balance	33,883	36,886
Share of Results for the year	(3,302)	(637)
Distributions	(1,250)	(2,366)
Closing Balance	29,331	33,883

INVESTMENTS (Continued…)

	2014 SAR '000	2013 SAR '000
International Pediatric Nutrition Company		
Opening Balance	13,335	11,679
Capital Introduced	-	29,260
Share of Results for the year *	44	(27,604)
Re-measurement to Fair Value of Equity Interest Already held, net	1,637	-
Transfer to Consolidated Subsidiary (Refer note 4)	(15,016)	-
Closing Balance	-	13,335

* This represents share of results for the eight day period ended 8 January 2014

	2014 SAR '000	2013 SAR '000
Almarai Company W.L.L.		
Opening Balance	204	204
Closing Balance	204	204

All other available for sale investments are stated at cost less impairment.

(b) The equity investment of 23.0 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Stock Exchange (Tadawul). The fair valuation resulted in unrealised loss of SAR 65.4 million for the year ended 31 December 2014. The closing balance of unrealised fair valuation loss was SAR 155.7 million as at 31 December 2014, presented within other reserves in equity. The Company has pledged Zain shares to Banque Saudi Fransi ("BSF") to secure the BSF loan to Zain KSA.

All other available for sale investments are stated at cost less impairment.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant, Machinery & Equipment	Motor Vehicles	Capital Work-in-Progress [(a)]	Total 2014	Total 2013
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost						
At the beginning of the year	7,851,707	9,105,798	1,855,844	1,818,104	20,631,453	18,223,053
Additions during the year	-	-	-	2,769,184	2,769,184	2,844,011
Transfers during the year	180,141	33,367	2,628	(216,136)	-	-
Disposals during the year	(20,962)	(142,014)	(141,878)	-	(304,854)	(374,245)
Losses Arising due to Fire (Refer note 21)	(80,616)	(320,765)	-	-	(401,381)	-
Currency Translation Difference	(172,636)	(14,893)	(1,771)	(1,258)	(190,558)	(61,366)
At the end of the year	**7,757,634**	**8,661,493**	**1,714,823**	**4,369,894**	**22,503,844**	**20,631,453**
Accumulated Depreciation						
At the beginning of the year	1,034,235	3,694,750	874,456	-	5,603,441	4,807,217
Depreciation for the year	211,098	819,017	193,705	-	1,223,820	1,153,466
Disposals during the year	(17,475)	(127,228)	(119,535)	-	(264,238)	(339,489)
Losses Arising due to Fire (Refer note 21)	(47,496)	(179,427)	-	-	(226,923)	-
Currency Translation Difference	(6,034)	(1,956)	(620)	-	(8,610)	(17,753)
At the end of the year	**1,174,328**	**4,205,156**	**948,006**	**-**	**6,327,490**	**5,603,441**
Net Book Value						
At 31 December 2014	**6,583,306**	**4,456,337**	**766,817**	**4,369,894**	**16,176,354**	
At 31 December 2013	**6,817,472**	**5,411,048**	**981,388**	**1,818,104**		**15,028,012**

(a) Capital Work-in-Progress includes SAR 29.3 million of borrowing costs capitalised during the year (2013: SAR 45.1 million).

10. BIOLOGICAL ASSETS

	Mature Dairy	Immature Dairy	Mature Poultry	Immature Poultry	Mature Plantations	Immature Plantations	Total 2014	Total 2013
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost								
At the beginning of the year	870,659	348,954	42,129	33,217	41,103	6,807	1,342,869	1,198,324
Additions during the year	-	6,230	-	72,253	-	1,283	79,766	79,644
Appreciation	453	439,309	-	-	-	-	439,762	393,118
Transfers during the year	302,558	(302,558)	94,511	(94,511)	5,532	(5,532)	-	-
Disposals during the year	(226,893)	(92,315)	(68,898)	(2,695)	-	-	(390,801)	(327,998)
Currency Translation Difference	39	(68)	-	-	-	-	(29)	(219)
At the end of the year	**946,816**	**399,552**	**67,742**	**8,264**	**46,635**	**2,558**	**1,471,567**	**1,342,869**
Accumulated Depreciation								
At the beginning of the year	322,693	-	21,237	-	6,589	-	350,519	297,295
Depreciation for the year	151,719	-	77,486	-	881	-	230,086	177,154
Disposals during the year	(113,653)	-	(65,319)	-	-	-	(178,972)	(123,728)
Currency Translation Difference	22	-	-	-	-	-	22	(202)
At the end of the year	**360,781**	**-**	**33,404**	**-**	**7,470**	**-**	**401,655**	**350,519**
Net Book Value								
At 31 December 2014	**586,035**	**399,552**	**34,338**	**8,264**	**39,165**	**2,558**	**1,069,912**	
At 31 December 2013	**547,966**	**348,954**	**20,892**	**33,217**	**34,514**	**6,807**		**992,350**

11. INTANGIBLE ASSETS – GOODWILL

The goodwill arises from the acquisition of WB in 2007, HADCO in 2009, Fondomonte in 2011, IDJ in 2012 and IPNC in 2014.

	2014	2013
	SAR '000	SAR '000
Western Bakeries Company Limited (WB)	548,636	548,636
Hail Agricultural Development Company (HADCO)	244,832	244,832
International Dairy and Juice Limited (IDJ)	487,109	488,863
Fondomonte	27,795	27,795
International Pediatric Nutrition Company Limited (IPNC) - Refer note 4	41,793	-
Total	1,350,165	1,310,126

Western Bakeries Company Limited forms part of the Bakery Products reporting segment, HADCO represents part of both the Arable and Horticulture reporting segment and the Poultry reporting segment while Fondomonte forms part of the Arable and Horticulture reporting segment. IDJ falls under the dairy and juice reporting segment.

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the carrying amount of each cash-generating unit (CGU) to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five-year period. The discount rate applied to cash flow projections varies between 8.51% and 14.07% for each CGU and the residual value at the end of the forecast period has been calculated by applying an earnings multiple to the net income for the final year in the forecast period. The recoverable amount for Fondomonte has been determined based on a fair value less costs to sell calculation.

Key Assumptions Used in Value in Use Calculations

Management determined forecast sales growth and gross margin based on past performance and its expectations of market development. The discount rates reflect management's estimate of the specific risks relating to the segment. Estimates for raw material price inflation have been made based on the publicly available information and historical actual raw material price movements, which have been used as an indicator of future price movements. Growth rates are based on the industry averages.

The calculation of value in use is most sensitive to the assumptions on sales growth rate and cost of sales inflation used to extrapolate cash flows beyond the budget period of 5 years, as well as the earnings multiple applied to the net income for the final year of the forecast period.

Sensitivity to Changes in Assumptions – Western Bakeries Company Limited

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 12.41%. All other assumptions kept the same; a reduction of this growth rate to 8.52% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 42.77% of sales. All other assumptions kept the same; an increase in the rate to an average of 65.26% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The multiple applied to net income for the final year of the forecast period to determine the terminal value is 15.37. All other assumptions kept the same; a reduction of this multiple to 1.08 would give a value in use equal to the current carrying amount.

INTANGIBLE ASSETS – GOODWILL (Continued…)

Sensitivity to Changes in Assumptions – HADCO

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 26.21%. All other assumptions kept the same; a reduction of this growth rate to 25.76% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 47.98% of sales. All other assumptions kept the same; an increase in the rate to an average of 71.23% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The multiple applied to net income for the final year of the forecast period to determine the terminal value is 21.52. All other assumptions kept the same; a reduction of this multiple to 18.74 would give a value in use equal to the current carrying amount.

Sensitivity to Changes in Assumptions – IDJ

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 14.14%. All other assumptions kept the same; a reduction of this growth rate to 12.52% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 62.82% of sales. All other assumptions kept the same; an increase in the rate to an average of 75.96% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The multiple applied to net income for the final year of the forecast period to determine the terminal value is 23.22. All other assumptions kept the same; a reduction of this multiple to 4.97 would give a value in use equal to the current carrying amount.

Key Assumptions Used in Fair Value Calculations - Fondomonte

The recoverable amount is measured on the basis of fair value less costs to sell. Fair value less costs to sell is defined as "the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal".

Management has reviewed the carrying value of Fondomonte and its underlying assets internally. Based on the current price of cereal grains the market value of these assets is determined to be at least equal to their carrying value.

12. TERM LOANS

	Notes	2014 SAR '000	2013 SAR '000
Islamic Banking Facilities (Murabaha)	(a)	5,602,180	5,851,020
Saudi Industrial Development Fund	(b)	1,393,853	1,431,202
Banking Facilities of Foreign Subsidiaries	(c)	118,704	175,462
Agricultural Development Fund		-	784
		7,114,737	7,458,468
Sukuk	(d)	2,300,000	2,300,000
		9,414,737	9,758,468
Short Term Loans		115,530	169,100
Current Portion of Long Term Loans		1,562,181	1,409,066
Long Term Loans		7,737,026	8,180,302
Total		9,414,737	9,758,468

(a) The borrowings from Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group. The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature. During 2014 the group secured an additional SAR 2,500.0 million of Islamic Banking Facilities (Murabaha) with maturities greater than five years (2013: SAR 1,752.0 million with maturities greater than five years). As at 31 December 2014 SAR 4,275.2 million Islamic Banking Facilities (Murabaha) were unutilized and available for drawdown (2013: SAR 3,143.0 million).

(b) The borrowings of the Group from the Saudi Industrial Development Fund are secured by a mortgage on specific assets amounting to SAR 1,393.9 million as at 31 December 2014 (SAR 1,431.2 million as at 31 December 2013). As at 31 December 2014 the Group had SAR 660.5 million of unutilized SIDF facilities available for draw down with maturities predominantly greater than five years (2013: SAR 607.7 million).

(c) These banking facilities represent borrowings of foreign subsidiaries from foreign banking institutions.

(d) On 14 Rabi Thani 1433 A.H. (7 March 2012), the Company issued its first Sukuk – Series I amounting to SAR 1,000.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk is due for maturity at par on its expiry date of 30 Jamad Thani 1440 A.H. (7 March 2019).

On 19 Jamad Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk - Series II amounting to SAR 787.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk is due for maturity at par on its expiry date of 7 Shabaan 1441 A.H. (31 March 2020).

On 19 Jamad Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk – Series III amounting to SAR 513.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk is due for maturity at par on its expiry date of 15 Rajab 1439 A.H. (31 March 2018).

The terms of the Sukuk entitle the Company to commingle its own assets with the Sukuk Assets. Sukuk Assets comprise the Sukukholders' share in the Mudaraba Assets and the Sukukholders' interest in the Murabaha Transactions, together with any amounts standing to the credit of the Sukuk Account and the Reserve retained by the Company from the Sukuk Account.

(e) Maturity of Financial Liabilities:

	Facilities available at 31 December 2014	Outstanding Term Loans 2014	Outstanding Term Loans 2013
	SAR '000	SAR '000	SAR '000
Less than one year	1,698,712	1,677,711	1,578,166
One to two years	4,754,708	1,575,975	1,787,803
Two to five years	5,015,800	3,930,687	3,230,650
Greater than five years	2,881,218	2,230,364	3,161,849
Total	14,350,438	9,414,737	9,758,468

13. PAYABLES AND ACCRUALS

		2014 SAR '000	2013 SAR '000
Trade Payable	- Third Parties	1,247,370	1,225,392
	- Related Parties (Refer note 29)	36,081	45,445
Other Payables and Accruals		729,347	644,455
Zakat and Foreign Income Tax Provision (Refer note 22)		94,517	73,299
Total		2,107,315	1,988,591

14. SHARE CAPITAL

The Company's share capital at 31 December 2014 amounted to SAR 6,000.0 million (2013: SAR 6,000.0 million), consisting of 600 million (2013: 600 million) fully paid and issued shares of SAR 10 each.

15. PERPETUAL SUKUK

	2014 SAR '000	2013 SAR '000
Perpetual Sukuk	1,700,000	1,700,000

On 24 Dhul Qadah 1434 A.H. (30 September 2013), the Company issued its first Perpetual Sukuk - Series I amounting to SAR 1,700.0 million at a par value of SAR 1 million each without discount or premium, bearing a return based on SIBOR plus a pre-determined margin.

The Company at its own discretion may redeem the Perpetual Sukuk, in full or in part, and may defer, in full or in part, payment of any profit distribution. The Company is not subject to any limitation on the number of times that it may defer such payment at its own discretion and such deferral is not considered as an event of default.

The Perpetual Sukuk, in the event of winding up of the Company, ranks in priority to all subordinated obligations and the ordinary share capital of the Company. These Sukuk do not carry the right to vote, however each sukukholder participates in the Sukuk Assets.

The terms of the Sukuk entitle the Company to commingle its own assets with the Sukuk Assets. Sukuk Assets comprise the sukukholders' share in the Mudaraba Assets and the sukukholders' interest in the Murabaha Transaction, together with any amounts standing to the credit of the Sukuk account and the Reserve retained by the Company from the Sukuk account.

16. EMPLOYEE STOCK PARTICIPATION PROGRAM

The Company is offering certain employees (the "Eligible Employees") the option (the "Option") for equity ownership ("Restricted Shares" i.e. treasury shares) opportunities and performance based incentives which will result in more alignment between the interest of both shareholders and these employees. The vesting of the Option is dependent on meeting or exceeding the requisite annual performance targets set by the Company in accordance with its five year plan. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Saudi Arabian (Tadawul) stock exchange.

If Restricted Shares have not been granted to Eligible Employees in the reporting period for which it was earmarked, it shall carry over to the next reporting period.

In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of Restricted Shares and the exercise price subject to the Option will be adjusted accordingly.

The number of share options and the exercise price has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

The first tranche was granted in Dul Qadah 1432 A.H. (October 2011). The number of Restricted Shares shall not exceed 2,869,350 shares.

The second tranche was granted in Rajab 1434 A.H. (June 2013). The number of Restricted Shares shall not exceed 1,237,500 shares.

EMPLOYEE STOCK PARTICIPATION PROGRAM (Continued…)

The following table sets out the number of, and movements in, share options during the year:

	2014	2013
EMPLOYEE SHARE OPTION PLAN		
Outstanding at 1 January	3,459,990	2,741,740
Granted during the year	142,170	1,008,000
Forfeited during the year	(412,935)	(289,750)
Outstanding at 31 December	3,189,225	3,459,990

The fair value per Option, estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted, was SAR 13.5 for the first tranche and SAR 23.9 for second the tranche. The following table lists the inputs to the model:

	First tranche	Second tranche
Dividend Yield (%)	2.50%	1.50%
Expected Volatility (%)	20.95%	17.97%
Risk Free Interest Rate (%)	5.00%	5.00%
Contractual Life of Share Options (Years)	2.42	2.75
Weighted Average Share Price (SAR) at Grant Date	89.50	83.25
Exercise Price (SAR) at Grant Date	88.25	64.84

The exercise price, after taking account of bonus shares issued, for first tranche and second tranche is SAR 34.07 and SAR 43.23 respectively.

During 2014 the management has introduced a new plan that comes on the back of the first tranche in January 2014. This plan has been duly filed to the Capital Market Authority (the "CMA") as per its requirements. This new plan has a vesting period of 1 year from the expiry of first tranche and has been accounted for under the applicable accounting standards, as a modification of the first tranche, which resulted in incremental fair value per option using Black Scholes Merton pricing model of SAR 0.67.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.

17. SEGMENTAL REPORTING

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai, Beyti and Teeba brands, bakery products under L'usine and 7 Days brands, poultry products under the Alyoum brand, arable and horticultural products as well as other activities. Other activities include Arable, Horticulture and Infant Nutrition. Selected financial information as of 31 December 2014 and 31 December 2013 and for the years then ended categorized by these business segments, are as follows:

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2014					
Sales	9,942,757	1,532,906	1,022,761	514,263	13,012,687
Third Party Sales	9,901,898	1,532,906	1,022,761	148,000	12,605,565
Depreciation	(913,010)	(161,034)	(298,086)	(81,776)	(1,453,906)
Share of Results of Associates and Joint Ventures	-	-	(3,302)	(4,856)	(8,158)
Income / (loss) before Non Controlling Interest	2,009,188	168,347	(397,317)	(96,309)	1,683,909
Share of Net Assets in Associates and Joint Ventures	204	-	29,331	133,181	162,716
Additions to Non-Current Assets	2,532,426	162,642	520,748	228,099	3,443,915
Non-Current Assets	11,330,184	1,499,413	4,682,291	1,525,455	19,037,343
Total Assets	14,943,930	1,815,650	5,229,829	1,959,506	23,948,915
31 December 2013					
Sales	8,868,185	1,445,116	792,332	435,103	11,540,736
Third Party Sales	8,835,807	1,445,116	792,332	145,927	11,219,182
Depreciation	(930,050)	(136,709)	(174,578)	(89,283)	(1,330,620)
Share of Results of Associates and Joint Ventures	-	-	(637)	(29,330)	(29,967)
Income / (loss) before Non Controlling Interest	1,705,293	139,387	(338,626)	(5,682)	1,500,372
Share of Net Assets in Associates and Joint Ventures	204	-	33,883	217,285	251,372
Additions to Non-Current Assets	2,089,622	172,073	1,074,861	272,995	3,609,551
Non-Current Assets	8,990,491	1,783,655	4,447,036	2,601,945	17,823,127
Total Assets	13,255,241	2,021,600	4,937,621	2,956,910	23,171,372

The business activities and operating assets of the Group are mainly concentrated in GCC countries. The selected financial information as at 31 December 2014 and 31 December 2013 for the years then ended, categorized by these geographic segments is as follows:

	2014	2013
	SAR '000	SAR '000
Sales		
Saudi Arabia	8,100,898	7,276,782
Other GCC Countries	3,321,258	2,874,201
Other Countries	1,183,409	1,068,199
Total	12,605,565	11,219,182

SEGMENTAL REPORTING (Continued...)

	2014 SAR '000	2013 SAR '000
Non - Current Assets		
Saudi Arabia	16,922,237	15,966,171
Other GCC Countries	359,944	329,810
Other Countries	1,755,162	1,527,146
Total	19,037,343	17,823,127

18. COST OF SALES

	2014 SAR '000	2013 SAR '000
Direct Material Consumed	5,483,548	4,995,390
Government Grants	(354,149)	(250,968)
Employee Costs	1,088,925	943,501
Share Based Payment	5,449	4,282
Depreciation of Property, Plant and Equipment	984,172	933,099
Depreciation of Biological Assets	230,086	177,154
Appreciation of Biological Assets	(439,762)	(393,118)
Loss on Sale of Biological Assets	57,590	46,962
Repair and Maintenance	352,253	297,093
Telephone and Electricity	172,658	142,656
Vaccines and Drugs Consumed	122,751	119,636
Crates and Pallets Consumed	77,004	52,525
Rent	48,614	33,976
Other Expenses	241,391	154,262
Total	8,070,530	7,256,450

19. SELLING AND DISTRIBUTION EXPENSES

	2014 SAR '000	2013 SAR '000
Employee Costs	1,157,535	971,148
Share Based Payment	2,900	2,444
Marketing	671,993	552,871
Depreciation of Property, Plant and Equipment	197,851	181,364
Repair and Maintenance	101,170	79,536
Telephone and Electricity	16,173	15,769
Crates and Pallets Consumed	4,256	8,244
Rent	32,619	33,430
Other Expenses	61,723	25,660
Total	2,246,220	1,870,466

20. GENERAL AND ADMINISTRATION EXPENSES

	2014 SAR '000	2013 SAR '000
Employee Costs	236,872	187,809
Share Based Payment	2,338	1,806
Insurance	25,915	16,058
Depreciation of Property, Plant and Equipment	41,797	39,003
Repair and Maintenance	33,849	24,668
Profit on Sale of Property, Plant and Equipment	(10,077)	(9,926)
Telephone and Electricity	4,392	4,810
Rent	2,450	1,736
Other Expenses	1,165	29,696
Total	338,701	295,660

21. OTHER INCOME

	2014 SAR '000	2013 SAR '000
Re-measurement to Fair Value of Equity Interest Already Held (Refer note 4)	20,897	-
Losses Arising due to Fire (Refer (a) below)	(213,954)	-
Partial Claim Recognised (Refer (a) below)	213,954	-
Total	20,897	-

(a) On 15 Dul Hijjah 1435 A.H. (9 October 2014) a fire incident occurred at one of the manufacturing facilities in Jeddah. The fire resulted in damage of certain assets, having a carrying value of SAR 213.9 million, and loss of profits (collectively referred to as "the Losses").

The Losses are covered under the Property All Risk insurance policy and Loss of Profits insurance policy (collectively referred to as "the Insurance Policies"). The insurer has acknowledged the event and has confirmed that, in light of investigations carried out by the insurer's Loss Adjuster and Forensic Investigator, the insurer has no ground to consider that insurer's liability will not engage under the Insurance Policies.

As at 31 December 2014, the Group has recognized an estimated partial claim equal to the carrying value of the damaged assets. The Group is currently performing a detailed assessment of the Losses in order to lodge a formal comprehensive claim under the Insurance Policies.

22. ZAKAT AND FOREIGN INCOME TAX

A. Zakat is charged at the higher of net adjusted income or Zakat base as required by the Department of Zakat and Income Tax (DZIT). In both 2014 and 2013, the Zakat charge is based on the net adjusted income. Foreign Income Tax in each jurisdiction is calculated as per applicable tax regulations.

	2014 SAR '000	2013 SAR '000
Zakat	45,763	32,994
Foreign Income Tax	12,720	5,073
Deferred Tax	12,586	3,918
	71,069	41,985

B. **Zakat Provision**

	2014 SAR '000	2013 SAR '000
Balance at 1 January	66,552	67,699
Charge	45,763	32,994
Payments	(34,054)	(34,141)
Balance at 31 December	78,261	66,552

ZAKAT AND FOREIGN INCOME TAX (Continued…)

The Company has filed its Consolidated Zakat returns for all the years up to 2013 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all the years up to 2006 while the 2007 to 2013 Zakat returns are under review by the DZIT.

HADCO has filed its Zakat returns for all years up to 31 December 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all years up to 31 December 2002 while the 2003 to 2008 Zakat returns are under review by the DZIT. From 2009 onwards HADCO is not required to file a return as its results are included in the Company's Consolidated Zakat return.

	2014	2013
	SAR '000	SAR '000
C. **Foreign Income Tax Provision**		
Balance at 1 January	6,747	4,539
Charge	12,720	5,073
Payments	(3,211)	(2,865)
Balance at 31 December	16,256	6,747

Foreign Subsidiaries have filed their tax returns for all years up to 2013, and settled their tax liabilities accordingly. While all the returns have been filed, final assessments are pending for certain years. The earliest year open for assessment is 2008, and the latest year assessed is 2011.

D. **Deferred Tax**

Deferred tax liability of SAR 84.4 million relates to taxable temporary differences arising on property, plant and equipment. This includes SAR 48.8 million on the revaluation of land amounting to SAR 139.6 million carried out at the time of business combination of its subsidiaries in Argentina, being the temporary difference between the carrying amount of land for financial reporting purposes and the amount used for taxation purposes.

Deferred tax asset of SAR 0.1 million relates to unused tax losses for to its subsidiaries in Argentina. Management believes that future taxable profits will be available against which deferred tax asset can be realized.

23. EARNINGS PER SHARE

	2014	2013
	SAR '000	SAR '000
Income from Main Operations	1,754,978	1,542,357
Less: Profit attributable to Perpetual Sukukholders	(51,644)	(13,012)
Income from Main Operations - Attributable to Shareholders	**1,703,334**	**1,529,345**
Net Income for the Year	1,674,339	1,502,207
Less: Profit attributable to Perpetual Sukukholders	(51,644)	(13,012)
Net Income for the Year - Attributable to Shareholders	**1,622,695**	**1,489,195**
Total Weighted Average Shares in thousands for Basic EPS	595,893	596,280
Total Weighted Average Shares in thousands for Diluted EPS	600,000	600,000

Weighted average numbers of shares are retrospectively adjusted to reflect the effect of bonus shares and are adjusted to take account of treasury shares held under the Almarai Employees Stock Participation Program.

	2014	2013
	SAR '000	SAR '000
24. DEPRECIATION AND DISPOSAL OF ASSETS		
A. Depreciation		
Property, Plant and Equipment		
Depreciation of Property, Plant and Equipment	1,223,820	1,153,466
Biological Assets		
Depreciation of Biological Assets	230,086	177,154
Appreciation of Biological Assets	(439,762)	(393,118)
Net Biological Assets Appreciation	(209,676)	(215,964)
Total	1,014,144	937,502
B. Profit / (Loss) on the Sale of Assets		
Property, Plant & Equipment		
Proceeds from the Sale of Property, Plant and Equipment	50,693	44,682
Net Book Value of Property, Plant and Equipment Sold	(40,616)	(34,756)
Profit on Sale of Property, Plant and Equipment	10,077	9,926
Biological Assets		
Proceeds from Sale of Biological Assets	154,239	157,308
Net Book Value of Biological Assets Sold	(211,829)	(204,270)
Loss on Sale of Biological Assets	(57,590)	(46,962)
Total	(47,513)	(37,036)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade and other receivables, derivative financial instruments, investments in securities, loans, trade and other payables and other liabilities.

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha), other banking facilities and Sukuk amounting to SAR 8,164.5 million at 31 December 2014 (2013: SAR 8,431.3 million) bear financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The policy is to keep 50% to 60% of its borrowings at fixed commission. The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, with all other variables held constant. There is no direct impact on the Company's equity.

		Increase / decrease in basis points of commission rates	Effect on income for the year SAR'000
2014	SAR	+30	(24,494)
	SAR	-30	24,494
2013	SAR	+30	(25,294)
	SAR	-30	25,294

Foreign Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has transactional currency exposure principally in United States Dollars, Euros and Great Britain Pounds. Other transactions in foreign currencies are not material.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued...)

The significant outstanding foreign currency forward purchase agreements were as follows:

	2014	2013
United States Dollar ('000)	655,000	715,500
Euro ('000)	242,851	231,500
Great Britain Pound ('000)	34,000	7,800

The Group uses forward currency contracts to eliminate significant currency exposures. Management believe that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. It is the Group's policy to enter into forward contracts based on the underlying exposure available from the group's business plan/commitment with the suppliers. The forward purchase agreements are secured by promissory notes given by the Group. As the Saudi Riyal is pegged to the United States Dollar any exposure to fluctuations in the exchange rate are deemed to be insignificant.

The following analysis shows the sensitivity of income to reasonably possible movements of the SAR currency rate against the Euro, with all other variables held constant, on the fair value of currency sensitive monetary assets and liabilities as at the reporting date.

	Increase / decrease in Euro rate to SAR	Effect on income for the year SAR'000
2014	+10%	(13,093)
	-10%	13,093
2013	+10%	(11,638)
	-10%	11,638

Commodity Price Risk is the risk that is associated with changes in prices to certain commodities that the Group is exposed to and its unfavorable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

Credit Risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group limits its credit risk by trading only with recognized, creditworthy third parties. The Group's policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. Trade and other receivables are mainly due from local customers and related parties and are stated at their estimated realizable values. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant. The five largest customers account approximately for 27% of outstanding trade receivables at 31 December 2014 (2013: 29%).

With respect to credit risk arising from other financial assets of the Group comprising of cash and cash equivalents, investments in securities, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. Cash and bank balances are placed with national and international banks with sound credit ratings.

Liquidity Risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis. The average days of sales outstanding for 2014 were 22 days (2013: 22 days). Trade payables are typically settled on a terms basis, the average payables outstanding for 2014 were 57 days (2013: 67 days).

26. FINANCIAL INSTRUMENTS

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's consolidated financial statements are prepared under the historical cost method, differences can arise between the carrying values and the fair value. The fair values of financial instruments are not materially different from their carrying values.

Hedging Activities

At 31 December 2014, the Group had various financial derivatives that were designated as cash flow hedge instruments to cover cash flow fluctuations arising from commission rates, foreign exchange prices and commodity prices that are subject to market price fluctuations. As per Group policy derivative instruments are not used for trading or speculative purposes.

At 31 December 2014 the Group had 22 commission rate swap agreements in place covering a total notional amount of SAR 3,300.0 million. At 31 December 2013 the Group had 22 commission rate swap agreements in place covering a total notional amount of SAR 3,300.0 million

The swaps result in the Group receiving floating SIBOR or LIBOR rates while paying fixed rates of commission rate under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

The Group enters into hedging strategies by using various financial derivatives to cover foreign exchange firm commitments and forecasted transactions that are highly probable.

The Group enters in to various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item, therefore does not result in basis risk.

All financial derivatives are carried in the consolidated balance sheet at fair value. All cash flow hedges are considered highly effective. The net decrease in fair value of SAR 87.9 million (2013: net decrease of SAR 0.9 million) was recognised in Other Reserves within equity.

27. COMMITMENTS AND CONTINGENCIES

A. The contingent liabilities against letters of credit are SAR 178.5 million at 31 December 2014 (2013: SAR 160.6 million).

B. The contingent liabilities against letters of guarantee are SAR 1,214.7 million at 31 December 2014 (2013: SAR 1,065.0 million).

C. The Company had capital commitments amounting to SAR 1,966.9 million at 31 December 2014 in respect of ongoing projects (2013: SAR 1,747.8 million). The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and IT equipment.

D. Commitments under operating leases expire as follows:

	2014	2013
	SAR '000	SAR '000
Within one year	101,639	89,048
Two to five years	85,772	96,770
After five years	938	67,329
Total	188,349	253,147

28. DIRECTORS REMUNERATION

The Directors' remuneration paid to the Board of Directors for year ended 31 December 2014 amounted to SAR 6.5 million (2013: SAR 6.6 million).

29. RELATED PARTY TRANSACTIONS AND BALANCES

During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2014 and 31 December 2013 along with their balances:

	Transaction Amount		Balance at 31 December	
Nature of Transaction	**2014**	**2013**	**2014**	**2013**
	SAR '000	SAR '000	SAR '000	SAR '000
Sales To				
Azizia Panda United	421,771	422,439	74,266	68,578
International Pediatric Nutrition Company Limited	-	4,501	-	2,373
	421,771	426,940	74,266	70,951
Purchases From				
Savola Packaging Systems Company Limited	166,745	117,905	(26,218)	(34,958)
United Sugar Company	105,228	88,466	(7,622)	(8,871)
Afia International Company	3,776	9,633	(78)	(1,616)
International Pediatric Nutrition Company Limited	1,860	19,876	-	-
Al Kabeer Farms - Forage	34,906	45,479	(2,163)	6,117
	312,515	281,359	(36,081)	(39,328)
Services To				
Al Kabeer Farms	864	864	-	-
	864	864	-	-
Services From				
Arabian Shield Cooperative Insurance Company (Refer note (a) below)	66,025	53,893	214,038	296
Todhia Farm	2,564	813	(5)	1,746
Abdul Aziz Al Muhanna (Land rent)	173	173	-	-
United Farmers Holding Company Limited	-	-	648	265
	68,762	54,879	214,681	2,307
Dividend Received				
Purebreed Company	1,250	2,366	-	-
	1,250	2,366	-	-
Payment of Sukuk Finance Charges				
Yamama Cement Company	962	489	(240)	(240)
Arabian Shield Cooperative Insurance Company	61	61	(19)	(19)
	1,023	550	(259)	(259)

(a) The related party balance with Arabian Shield Cooperative Insurance Company for the year ended 31 December 2014 includes a receivable of SAR 214.0 million in respect of the partial insurance claim (refer note 21).

Pricing and terms for these transactions are at arm's length. The related parties, other than subsidiaries and associates, include following:

Entity	**Relationship**
Azizia Panda United	Common Ownership
Savola Packaging Systems Company Limited	Common Ownership
United Sugar Company	Common Ownership
Afia International Company	Common Ownership
Yamama Cement Company	Common Directorship
Arabian Shield Cooperative Insurance Company	Common Directorship
Managed Arable Farms	Common Directorship
Abdul Aziz Al Muhanna	Common Directorship

30. DIVIDENDS APPROVED AND PAID

On 2 Jamad Thani 1435 A.H. (2 April 2014) the Extraordinary General Assembly Meeting approved a dividend of SAR 600.0 million (SAR 1.00 per share) for the year ended 31 December 2013 which was paid on 9 Jamad Thani 1435 A.H. (9 April 2014).

31. DIVIDENDS PROPOSED

The Board of Directors proposes for approval at the General Assembly Meeting a dividend for the year ended 31 December 2014 of SAR 600.0 million (SAR 1.00 per share based on 600 million shares).

32. SUBSEQUENT EVENTS

In the opinion of the Management, there have been no significant subsequent events since the year end that would have a material impact on the Financial Position of the Group as reflected in these Consolidated Financial Statements.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 27 Rabi Al-Awal 1436 A.H. (18 January 2015).