 **الدار لتدقيق الحسابات**
عبد الله البصري وشركاه

محاسبون قانونيون
شركة تضامن مهنية ترخيص رقم (٣٦)
عضو جرائد ثورنتون الدولية



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تقرير المحاسب القانوني عن فحص التقارير المالية الأولية الموحدة

المحترمين

السادة / مساهمي شركة المراعي
شركة مساهمة سعودية
الرياض - المملكة العربية السعودية

لقد فحصنا قائمة المركز المالي الأولية الموحدة المرفقة لشركة المراعي - شركة مساهمة سعودية - كما في ٣٠ سبتمبر ٢٠٠٦م وكلا من قائمة الدخل الأولية الموحدة وقائمة التدفقات النقدية الأولية الموحدة وقائمة التغيرات في حقوق المساهمين الأولية الموحدة لفترة التسعة أشهر المنتهية في ٣٠ سبتمبر ٢٠٠٦م والإيضاحات المرفقة والمعدة من قبل ادارة الشركة، والمقدمة لنا مع كافة المعلومات والبيانات التي طلبناها . وكان فحصنا محدودا وفقا لمعيار فحص التقارير المالية الأولية الصادر من قبل الهيئة السعودية للمحاسبين القانونيين ويتكون الفحص المحدود بصفة أساسية من تطبيق اجراءات تحليلية على المعلومات المالية والاستفسار من الأشخاص المسؤولين في الشركة عن الأمور المالية المحاسبية . ويعد هذا الفحص اقل نطاقا من عملية المراجعة التي تتم وفقا لمعايير المراجعة المتعارف عليها والتي تهدف أساسا الى ايداء الرأي في القوائم المالية الأولية ككل:

- لذا فإننا لن نبدي مثل هذا الرأي.

وبناء على الفحص المحدود الذي قمنا به ، فإنه لم يتبين لنا وجود أية تعديلات مهمة يتعين ادخالها على التقارير المالية الأولية الموحدة المرفقة لكي تتفق مع معايير المحاسبة المتعارف عليها .

الدار لتدقيق الحسابات
عبدالله البصري وشركاه



بدر موسى عودة
(محاسب قانوني - ترخيص رقم ٢٢٤)



الرياض في ١٧ رمضان ١٤٢٧هـ
الموافق ١٠ أكتوبر ٢٠٠٦م

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Certified Accountants
Professional Partnership Co. License No. 36
Member Firm of
Grant Thornton

Aldar Audit Bureau 
Abdullah AlBasri & Co.



ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT FOR THE NINE MONTHS
ENDED 30 SEPTEMBER 2006

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH – SAUDI ARABIA

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders of
Almarai Company
A Saudi Joint Stock Company
Riyadh - Saudi Arabia

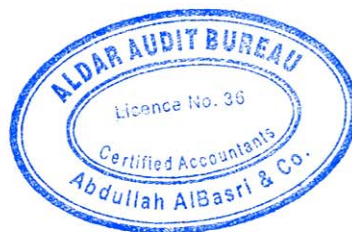
We have reviewed the accompanying interim consolidated balance sheet of Almarai Company a Saudi Joint Stock Company (the "Company") as of 30 September 2006, the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the period ended 30 September 2006, including 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 Organisation 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.



Bader M. Oudeh
Certified Accountant
Licence No. 224
Aldar Audit Bureau
Abdullah M. Al-Basri & Co.



Riyadh, 17 Ramadan II 1427 A.H.
Corresponding to 10 October 2006 A.D.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006 (UNAUDITED)

	<u>Notes</u>	<u>YTD September 2006</u> SAR '000	<u>YTD September 2005</u> SAR '000
<u>Current Assets</u>			
Cash and Bank Balances		46,802	27,231
Receivables and Prepayments		272,962	220,002
Inventories		449,535	299,570
Total Current Assets		769,299	546,803
<u>Current Liabilities</u>			
Payables and Accruals		466,357	376,708
Short Term Loans	4	105,261	103,462
Total Current Liabilities		571,618	480,170
NET CURRENT ASSETS		197,681	66,633
<u>Non Current Assets</u>			
Intangible Assets - Goodwill		-	4,081
Fixed Assets		2,876,958	2,258,327
Total Non Current Assets		2,876,958	2,262,408
<u>Non Current Liabilities</u>			
Long Term Loans	4	1,234,919	946,806
Employees' Termination Benefits		76,028	60,401
Total Non Current Liabilities		1,310,947	1,007,207
NET ASSETS		1,763,692	1,321,834
SHAREHOLDER'S EQUITY			
Share Capital		1,000,000	750,000
Statutory Reserve		212,470	195,601
Retained Earnings		551,222	376,233
TOTAL SHAREHOLDER'S EQUITY		1,763,692	1,321,834

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

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006 (UNAUDITED)

	Notes	July- September 2006	July- September 2005	YTD September 2006	YTD September 2005
		SAR '000	SAR '000	SAR '000	SAR '000
Sales	5	717,132	547,636	2,039,252	1,542,405
Cost of Sales		(432,865)	(324,844)	(1,255,674)	(924,605)
Gross Profit		284,267	222,792	783,578	617,800
Selling & Distribution Expenses		(110,710)	(83,978)	(303,472)	(232,034)
General & Administration Expenses		(32,728)	(24,233)	(93,718)	(70,586)
Net Income before Bank Charges & Zakat		140,829	114,581	386,388	315,180
Bank Charges		(14,866)	(10,876)	(41,143)	(28,530)
Net Income before Zakat		125,963	103,705	345,245	286,650
Zakat		(3,408)	(2,824)	(10,311)	(7,473)
Net Income		122,555	100,881	334,934	279,177
Earnings per Share (SAR)*	6	1.23	1.01	3.35	2.79

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 on the total number of issued shares is equal to the shares issued at 30 September 2006 (i.e.100 million shares).

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

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006 (UNAUDITED)

	YTD September 2006 SAR '000	YTD September 2005 SAR '000
<u>Cash Flows from Operating Activities</u>		
Net Income	334,934	279,177
Depreciation & Amortisation	130,147	89,339
Bank Charges	41,143	28,530
Change in Employees' Termination Benefits	9,827	6,981
Operating Cash Flows Before Changes in Working Capital	516,051	404,027
Changes in:		
Receivables & Prepayments	(55,460)	(33,408)
Inventories	(128,554)	(56,331)
Payables & Accruals	95,966	90,237
Cash Flows from / (used by) Changes in Working Capital	(88,048)	498
Cash Flows from Operating Activities	428,003	404,525
<u>Cash Flows used in Investing Activities</u>		
Additions to Fixed Assets	(651,460)	(473,819)
Proceeds from the Sale of Fixed Assets	40,612	31,257
Cash Flows used in Investing Activities	(610,848)	(442,562)
<u>Cash Flows from Financing Activities</u>		
Increase in Loans	229,115	282,844
Dividends Paid during the Period	-	(250,000)
Bank Charges	(41,143)	(28,530)
Cash Flows from Financing Activities	187,972	4,314
Increase / (Decrease) in Cash and Bank Balances	5,127	(33,723)
Cash and Bank Balances at 1 January	41,675	60,954
Cash and Bank Balances at End of Period	46,802	27,231

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

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006 (UNAUDITED)

	YTD September 2006 SAR '000	YTD September 2005 SAR '000
<u>Share Capital</u>		
Balance at 1 January	1,000,000	750,000
Balance at End of Period	<u>1,000,000</u>	<u>750,000</u>
<u>Statutory Reserve</u>		
Balance at 1 January	212,470	173,860
Transfer from Retained Earnings	-	21,741
Balance at End of Period	<u>212,470</u>	<u>195,601</u>
<u>Retained Earnings</u>		
Balance at 1 January	216,289	368,797
Net Income	334,933	279,177
Transfer to Statutory Reserve	-	(21,741)
Dividends Paid	-	(250,000)
Balance at End of Period	<u>551,222</u>	<u>376,233</u>

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

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. THE COMPANY AND ITS BUSINESS DESCRIPTION

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dl' Hijjah 1411 A.H. (1 July 1991) and still 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 and Oman) 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

The Company operates in Bahrain and Oman through subsidiaries, Almarai Company Bahrain W.L.L. and Arabian Planets for Trade and Marketing L.L.C. respectively.

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

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 reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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	

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are expensed in the consolidated Statement of Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years/periods. A reversal of an impairment loss is recognized as income immediately in the consolidated Statement of Income.

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

	YTD September 2006	YTD September 2005
	SAR '000	SAR '000
(i) Saudi Industrial Development Fund	393,480	254,960
(ii) Saudi Arabian Agricultural Bank	19,854	20,308
(iii) Islamic Banking Facilities (Murabaha)	926,846	775,000
Total	<u>1,340,180</u>	<u>1,050,268</u>

5. SEGMENTAL REPORTING

Analysis of Sales is given by Product Group as shown below. The disclosure of segmental information by geographical area would, in opinion of the Board of Directors, be prejudicial to the interest of the Company and accordingly is not disclosed.

By Product Group		
Fresh Dairy	1,187,126	957,859
Long Life Dairy	199,567	156,628
Fruit Juice	149,873	105,204
Cheese & Butter	486,327	309,199
Non-Dairy Foods	11,743	8,289
Other	4,616	5,226
	<u>2,039,252</u>	<u>1,542,405</u>

6. EARNINGS PER SHARE

As per the direction of the Ministry Board, the Saudi Arabian Capital Market Authority has directed the par value of shares to be restated at SAR 10 per share instead of SAR 50 per share. This change in the par value of shares took effect from 15 April 2006, and therefore the composition of the share capital of the Company was changed from 20 million fully paid and issued shares of SAR 50 each to 100 million fully paid and issued shares of SAR 10 each.