ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

THE CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2007

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH – SAUDI ARABIA

INDEX

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

Aldar Audit Bureau
Abdullah AlBasri & Co.

AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Almarai Company – a Saudi Joint Stock Company as of 31 December 2007 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year ended 31 December 2007 together with notes 1 - 29. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and information which we obtained and deemed necessary in the circumstances.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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

- Present fairly, in all material respects, the financial position of Almarai Company – a Saudi Joint Stock Company as of 31 December 2007 and the results of its operations and cash flows for the year ended 31 December 2007, in the light of presentation and disclosure of information contained in the consolidated financial statements and in conformity with generally accepted accounting principles relevant to the Company's underlying circumstances,

- Comply with the requirements of companies' regulations in the Kingdom of Saudi Arabia and the company's articles of association concerning the presentation and disclosure of the consolidated financial statements.

Aldar Audit Bureau
Abdullah Al Basri & Co.

ALDAR AUDIT BUREAU
Licence No. 36
Certified Accountants
Abdullah AlBasri & Co.

Abdullah M. Al-Basri
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Riyadh, 13 Muharram 1429 A.H.
Corresponding to 21 January 2008 A.D.

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ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Notes	2007	2006
		SAR '000	SAR '000
ASSETS			
Current Assets			
Cash and Bank Balances	5	137,975	68,026
Derivative Financial Instruments	23	938	5,690
Receivables and Prepayments	6	402,502	221,100
Inventories	7	733,573	431,283
Total Current Assets		**1,274,988**	**726,099**
Non Current Assets			
Investments and Financial Assets	8	471,074	-
Property, Plant and Equipment	9	4,041,132	3,045,810
Intangible Assets - Goodwill	4/10	548,636	-
Total Non Current Assets		**5,060,842**	**3,045,810**
TOTAL ASSETS		**6,335,830**	**3,771,909**
LIABILITIES AND EQUITY			
Current Liabilities			
Short Term Loans	11	182,348	110,781
Payables and Accruals	12	575,337	403,378
Derivative Financial Instruments	23	10,033	-
Total Current Liabilities		**767,718**	**514,159**
Non Current Liabilities			
Long Term Loans	11	2,409,428	1,277,425
Employees' Termination Benefits		104,903	82,102
Total Non Current Liabilities		**2,514,331**	**1,359,527**
Shareholders' Equity			
Share Capital	13	1,090,000	1,000,000
Share Premium	4	612,000	-
Statutory Reserve	14	325,663	258,936
Other Reserves	15	(9,095)	4,759
Retained Earnings		1,034,878	634,336
Total Shareholders' Equity		**3,053,446**	**1,898,031**
Minority Interest		**335**	**192**
TOTAL LIABILITIES AND EQUITY		**6,335,830**	**3,771,909**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 DECEMBER 2007
AND FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	October - December 2007	October - December 2006	2007	2006
		SAR '000	SAR '000	SAR '000	SAR '000
Sales	16	1,044,773	717,683	3,769,833	2,756,935
Cost of Sales	17	(650,797)	(426,588)	(2,276,495)	(1,682,262)
Gross Profit		**393,976**	**291,095**	**1,493,338**	**1,074,673**
Selling and Distribution Expenses	18	(142,831)	(119,709)	(570,149)	(423,181)
General and Administration Expenses	19	(28,691)	(23,042)	(142,451)	(116,760)
Income before Bank Charges, Zakat and Minority Interest		**222,454**	**148,344**	**780,738**	**534,732**
Bank Charges		(23,500)	(14,772)	(94,860)	(55,915)
Income before Zakat and Minority Interest		**198,954**	**133,572**	**685,878**	**478,817**
Zakat	20	(5,642)	(3,376)	(18,079)	(13,687)
Income before Minority Interest		**193,312**	**130,196**	**667,799**	**465,130**
Minority Interest		(229)	(131)	(530)	(402)
Net Income		**193,083**	**130,065**	**667,269**	**464,728**
Earnings per Share (SAR)	21	**1.77**	**1.30**	**6.12**	**4.65**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007	2006
		SAR '000	SAR '000
OPERATING ACTIVITIES			
Net Income		667,269	464,728
Adjustments for:			
Depreciation	22	227,684	173,762
Bank Charges		94,860	55,915
Change in Employees' Termination Benefits		19,509	15,901
Share of Minority Interest in Net Income of Consolidated Subsidiary		530	402
Changes in:			
Receivables and Prepayments		(146,808)	(3,661)
Inventories		(279,646)	(110,302)
Payables and Accruals		141,801	32,987
Cash Flows from Operating Activities		**725,199**	**629,732**
INVESTING ACTIVITIES			
Additions to Property, Plant and Equipment	9	(1,099,196)	(877,517)
Proceeds from the Sale of Property, Plant and Equipment		73,556	54,203
Acquisition of Investments and Financial Assets	8	(471,074)	-
Acquisition / Disposal of Derivative Financial Assets		931	(931)
Acquisition of Subsidiaries, Net of Cash Acquired	4	7,580	-
Cash Flows used in Investing Activities		**(1,488,203)**	**(824,245)**
FINANCING ACTIVITIES			
Increase in Loans		1,127,596	277,141
Dividends Paid		(199,396)	-
Distribution to Minority Interests		(387)	(362)
Bank Charges		(94,860)	(55,915)
Cash Flows from Financing Activities		**832,953**	**220,864**
Increase in Cash and Bank Balances		**69,949**	**26,351**
Cash and Bank Balances at 1 January		**68,026**	**41,675**
Cash and Bank Balances at 31 December		**137,975**	**68,026**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital	Share Premium	Statutory Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance at 1 January 2006	**1,000,000**	**-**	**212,463**	-	**216,081**	**152**	**1,428,696**
Net Income for the Year	-	-	-	-	464,728	402	465,130
Transfers from Retained Earnings	-	-	46,473	-	(46,473)	-	-
Distribution to Minority Interests	-	-	-	-	-	(362)	(362)
Net Movement on Cash Flow Hedges	-	-	-	4,759	-	-	4,759
Balance at 31 December 2006	**1,000,000**	**-**	**258,936**	**4,759**	**634,336**	**192**	**1,898,223**
Balance at 1 January 2007	**1,000,000**	**-**	**258,936**	**4,759**	**634,336**	**192**	**1,898,223**
Net Income for the Year	-	-	-	-	667,269	530	667,799
Transfers from Retained Earnings	-	-	66,727	-	(66,727)	-	-
Shares Issued (Note 4)	90,000	612,000	-	-	-	-	702,000
Distribution to Minority Interests	-	-	-	-	-	(387)	(387)
Dividends Paid (Note 27)	-	-	-	-	(200,000)	-	(200,000)
Net Movement on Cash Flow Hedges	-	-	-	(13,854)	-	-	(13,854)
Balance at 31 December 2007	**1,090,000**	**612,000**	**325,663**	**(9,095)**	**1,034,878**	**335**	**3,053,781**

1. THE COMPANY, ITS SUBSIDIARIES 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 and its subsidiaries (together, "the Group") are a major integrated consumer food group in the Middle East with leadership positions in the Kingdom of 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 and United Arab Emirates (UAE). Final consumer products are distributed from the manufacturing facilities in Saudi Arabia and UAE 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

On 30 Muharram 1428 A.H. (18 February 2007) the Company acquired 100% of the share capital of Western Bakeries Company Limited and its subsidiary International Baking Services Company Limited, two Limited Liability Companies registered in the Kingdom of Saudi Arabia.

On 8 Rabi I 1428 A.H. (27 March 2007), the Company issued 9 million shares to the owners of the Western Bakeries Company Limited and its subsidiary International Baking Services Company Limited, on acquisition of the same (Note 4), and as a result the share capital of the Company increased from 100 million fully paid and issued shares of SAR 10 each to 109 million fully paid and issues shares of SAR 10 each.

In the second quarter of 2007 Western Bakeries Company Limited entered into a joint venture to manufacture and distribute a range of bakery products under the "7 Days" brand. The joint venture company is under formation and its initial share capital will be SAR 35 million, 60% Western Bakeries Company Limited, 25% Vivartia SA and 15% Olayan Financing Company.

In May 2007 the Company paid SAR 7 million for a 10% stake in Jannat for Agricultural Investment Company whose objective is to develop feed supplies within and outside the Kingdom of Saudi Arabia.

On 25 Jumada I 1428 (11 June 2007) the Council of Ministers licensed the consortium led by Zain (formerly Mobile Telecommunication Company in Kuwait - MTC) to operate the Kingdom's third mobile phone network. The Zain led consortium, in which the Company will have a participating interest of 2.5% after the planned IPO from 9 to 18 February 2008, won the bid with an offer of SAR 22.9 billion. On 23

July 2007 Almarai Company paid SAR 464 million into escrow accounts as its contribution to the Zain led consortium, of which SAR 354 million was to purchase equity and SAR 110 million was to fund a shareholders' loan.

Details of the subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Direct and Beneficial Ownership Interest	
		2007	2006
Western Bakeries Company Limited	Kingdom of Saudi Arabia	100%	-
International Baking Services Company Limited	Kingdom of Saudi Arabia	100%	-
Arabian Planets for Trade and Marketing L.L.C.	Sultanate of Oman	90%	90%
Almarai Company Bahrain W.L.L.	Kingdom of Bahrain	100%	100%

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

(a) The 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 year/period comparatives have been regrouped or adjusted on a basis consistent with current year/period classification. Any adjustments are considered immaterial in the context of these consolidated financial statements.

(d) The 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 consolidated financial statements are rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

The preparation of 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 Group 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. **Property, Plant and Equipment**

Property, plant and equipment 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 property, plant and equipment 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 young stock 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 property, plant and equipment 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 property, plant and equipment 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 Income Statement.

Except for goodwill, 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 recognised for the asset in prior years/periods. A reversal of an impairment loss is recognised as income immediately in the consolidated Income Statement.

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 consolidated Income Statement as appropriate.

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 and 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 and Administration Expenses.

L. Zakat

Zakat is provided for in the 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 consolidated Income Statement over the terms of the leases.

N. Investments in Securities

Investments in securities are measured and carried in the consolidated Balance Sheet at fair value. Where there is no market for the Investments cost is taken as the most appropriate, objective and reliable measurement of fair value of the securities.

O. Hedging

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

Interest rate swap agreements are entered into to hedge the exposure to interest rate changes of the Group's borrowings.

Forward purchase commodity contracts are entered into to hedge exposure to changes in 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 treated as cash flow hedges and gains / losses at market valuation are recorded as derivative financial instruments in the consolidated Balance Sheet and taken to other reserves in equity. When the hedging instrument matures or expires any associated gain or loss in other reserves is reclassified to the consolidated Income Statement, or the underlying asset purchased that was subjected to the hedge.

4. BUSINESS COMBINATION

Acquisition of Western Bakeries Company Limited and its Subsidiary International Baking Services Company Limited (together, "the Subsidiaries")

On 30 Muharram 1428 A.H. (18 February 2007), the Company acquired 100% of the share capital of Western Bakeries Company Limited, a company engaged in the production of bread and other bakery items, and its subsidiary company International Baking Services Company Limited, a company engaged in the wholesale and retail trading in food stuff, bakery machinery and equipment and cooked and non-cooked food catering for a purchase consideration of SAR 708 million. These consolidated financial statements include the results of the Subsidiaries for the period from 1 January 2007 as the Company effectively obtained control of the Subsidiaries from that date.

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

	Recognised Values on Acquisition	Fair Value Adjustments	Carrying Value
	SAR '000	SAR '000	SAR '000
Fixed Assets	197,366	-	197,366
Inventories	22,645	(5,019)	27,664
Receivables and Prepayments	34,593	(3,334)	37,927
Bank Balances and Cash	9,275	-	9,275
	263,879	(8,353)	272,232
Payables and Accruals	25,233	-	25,233
Short Term Loans	33,224	-	33,224
Long Term Loans	42,750	-	42,750
Employees' Termination Benefits	3,291	-	3,291
	104,498	-	104,498
Fair Value of Net Assets	159,381	(8,353)	167,734
Goodwill Arising on Acquisition	548,636		
Total Acquisition Cost	708,017		

Total Acquisition Cost:	SAR '000
Shares Issued, at Fair Value	702,000
Costs Associated with the Acquisition	6,017
Total	708,017

Cash Inflow on Acquisition:	
Net Cash Acquired with the Subsidiaries	9,275
Cash Paid	(1,695)
Net Cash Inflow	7,580

The total acquisition cost of SAR 708 million comprised an issue of shares and costs directly attributable to the combination. The Company issued 9 million ordinary shares with a fair value of SAR 78 each, being the published price of the shares of the Company at the date of exchange.

The goodwill is attributable to the Subsidiaries' strong positions in their markets and the projected cash flows expected to arise after acquisition by the Company.

	2007	**2006**
	SAR '000	SAR '000

5. CASH AND BANK BALANCES

Cash at Bank	108,617	36,330
Cash in Hand	29,358	31,696
Total	137,975	68,026

6. RECEIVABLES AND PREPAYMENTS

Net Accounts Receivable	252,317	149,977
Prepayments	150,185	71,123
Total	402,502	221,100

7. INVENTORIES

Raw Materials	592,654	344,357
Work-in-Progress	18,500	6,311
Finished Goods	122,419	80,615
Total	733,573	431,283

8. INVESTMENTS AND FINANCIAL ASSETS

Jannat for Agricultural Investment Company - 10%	7,000	-
Zain Equity Investment (Company Under Formation)	354,487	-
Share of Zain Subordinated Funding Shareholders' Loan	109,587	-
	471,074	-

9. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Plant, Machinery & Equipment	Motor Vehicles	Dairy Herd	Young Stock	Capital Work-in-Progress	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 1 January 2007	1,116,890	1,798,203	408,338	312,286	122,924	593,145	4,351,786
Acquisition of Subsidiaries	60,207	157,100	63,754	-	-	37,594	318,655
Additions during 2007	35,611	72,291	20,373	-	141,400	829,521	1,099,196
Livestock Appreciation	-	-	-	-	165,807	-	165,807
Transfers during 2007	227,723	354,469	72,609	215,915	(215,915)	(654,801)	-
Disposals during 2007	(8,686)	(28,528)	(28,505)	(98,441)	(32,693)	-	(196,853)
At 31 December 2007	**1,431,745**	**2,353,535**	**536,569**	**429,760**	**181,523**	**805,459**	**5,738,591**
Accumulated Depreciation							
At 1 January 2007	221,643	780,495	195,140	108,698	-	-	1,305,976
Acquisition of Subsidiaries	26,476	71,607	23,206	-	-	-	121,289
Disposals during 2007	(7,360)	(25,126)	(27,196)	(36,649)	-	-	(96,331)
Charges for 2007	45,827	192,403	77,298	50,997	-	-	366,525
At 31 December 2007	**286,586**	**1,019,379**	**268,448**	**123,046**	**-**	**-**	**1,697,459**
Net Book Value							
At 31 December 2007	**1,145,159**	**1,334,156**	**268,121**	**306,714**	**181,523**	**805,459**	**4,041,132**
At 31 December 2006	**895,247**	**1,017,708**	**213,198**	**203,588**	**122,924**	**593,145**	**3,045,810**

10. IMPAIRMENT TESTING OF INTANGIBLE ASSETS - GOODWILL

Goodwill acquired through business combination (Note 4) has been allocated to Western Bakeries Limited and International Baking Services Limited ("the Subsidiaries") for impairment testing. These also represent a reporting segment.

The carrying amount of goodwill allocated to the Subsidiaries was SAR 548.6 million as at 31 December 2007.

Assets are tested for impairment by comparing the residual carrying amount of each cash-generating unit 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 is 12% and the residual value at the end of the forecast period has been calculated using the times earning multiple at acquisition multiplied by the net profit of the final year in the forecast period.

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 in the Kingdom of Saudi Arabia and past 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 raw materials price inflation used to extrapolate cash flows beyond the budget period.

Sensitivity to Changes in Assumptions

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

(a) Sales Growth Assumption

The current sales growth is 34% and in the forecast period has been estimated to be a compound annual growth of 20%. All other assumptions kept the same; a reduction of this growth rate to 12% would give a value in use equal to the current carrying amount.

(b) Raw Material Price Inflation

The three main ingredients used are white cheese, margarine and flour. In the forecast projections, management have prudently provided a 15% per annum increase in white cheese and margarine and a 10% increase in flour per annum from year 3 onwards. With all these increases taken into account, cost of sales represents 37% of sales in the forecast projections. An increase in cost of sales to 54% of sales would give a value in use equal to the current carrying amount.

	2007	2006
	SAR '000	SAR '000

11. LOANS

Saudi Industrial Development Fund	544,280	411,030
Saudi Arabian Agricultural Bank	16,638	19,099
Islamic Banking Facilities (Murabaha)	2,030,858	958,077
Total	2,591,776	1,388,206

A. The borrowings from the Saudi Industrial Development Fund (SIDF) are secured as follows:
   (i) in respect of borrowings amounting to SAR 453.9 million for 31 December 2007 and SAR 394.9 million for 31 December 2006 by a mortgage on specific assets;
   (ii) in respect of borrowings amounting to SAR 16.2 million for 31 December 2006 by a bank payment guarantee, whereas no payment gurantee was given for the year ended 31 December 2007.

B. The borrowings from Saudi Arabian Agricultural Bank are secured by a bank payment guarantee.

C. The borrowings from Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group.

D. Maturity of Financial Liabilities:

Less than one year	182,348	110,781
One to two years	871,932	850,569
Two to five years	1,409,050	302,856
Greater than five years	128,446	124,000
Total	2,591,776	1,388,206

The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature.

During 2007 the Group restructured SAR 1.7 billion of commercial loan facilities, at commercially more attractive costs, into medium to long-term loans with maturities of between three to five years. At 31 December 2007 SAR 352 million of these facilities were unutilised and available for draw down.

At 31 December 2007 the Group had SAR 321 million of unutilised SIDF facilities available for draw down with maturities predominantly greater than five years.

12. PAYABLES AND ACCRUALS

Accounts Payable	361,796	234,108
Accrued Expenses	195,513	156,569
Zakat	18,028	12,701
Total	575,337	403,378

13. SHARE CAPITAL

The Company's share capital at 31 December 2007 and 31 December 2006 was SAR 1,090 million and SAR 1,000 million, consisting of 109 million fully paid and issued shares of SAR 10 each and 100 million fully paid and issued shares of SAR 10 each respectively.

On 8 Rabi I 1428 A.H. (27 March 2007), the Company issued 9 million shares to the owners of the Western Bakeries Company Limited and its subsidiary International Baking Services Company Limited, on acquisition of the same (Note 4), and as a result the share capital of the Company increased from 100 million fully paid and issued shares of SAR 10 each to 109 million fully paid and issues shares of SAR 10 each.

14. STATUTORY RESERVE

In accordance with its Articles of Association and the regulations for Companies in the Kingdom of Saudi Arabia, the Group is required each year to transfer 10% of its net income to a Statutory Reserve until such reserve equals 50% of its share capital. This Statutory Reserve is not available for distribution to Shareholders.

15. OTHER RESERVES

Included in this reserve are fair value changes on available for sale investments and gains or losses on valuing hedging instruments (treated as cash flow hedges) to market values. When the hedging instrument matures or expires any associated gain or loss in other reserves is reclassified to the consolidated Income Statement, or the underlying asset purchased that was subject to the hedge.

16. SEGMENTAL REPORTING

The Group's principal business activities involve manufacturing and trading of dairy products, fruit juices, dairy and non-dairy foods, bakery products and investing activities. Selected financial information as of 31 December 2007 and 2006 and for the years then ended categorised by these business segments, are as follows:

	Dairy, Fruit Juices & Related Foods	Bakery Products	Investing Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000
2007				
Sales	3,401,038	368,795	-	3,769,833
Depreciation	(193,305)	(34,379)	-	(227,684)
Net Income	595,297	74,798	(2,826)	667,269
Total Assets	4,906,488	958,268	471,074	6,335,830
Total Liabilities	(2,637,923)	(173,052)	(471,074)	(3,282,049)
2006				
Sales	2,756,935	-	-	2,756,935
Depreciation	(173,762)	-	-	(173,762)
Net Income	464,728	-	-	464,728
Total Assets	3,771,909	-	-	3,771,909
Total Liabilities	(1,873,686)	-	-	(1,873,686)

The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 31 December 2007 and 2006 and for the years then ended, categorised by these geographic segments are as follows:

	Sales	Non-Current Assets
	SAR '000	SAR '000
2007		
GCC	3,741,105	5,060,842
Other Countries	28,728	-
Total	3,769,833	5,060,842
2006		
GCC	2,737,724	3,045,810
Other Countries	19,211	-
Total	2,756,935	3,045,810

Analysis of Sales is given by Product Group as shown below.

	October - December 2007	October - December 2006	2007	2006
	SAR '000	SAR '000	SAR '000	SAR '000
Fresh Dairy	559,679	461,140	1,977,117	1,648,265
Long Life Dairy	88,759	51,719	310,704	251,286
Fruit Juice	102,817	56,629	340,274	206,502
Cheese & Butter	193,732	143,303	741,581	629,630
Bakery Products	94,185	-	368,795	-
Other	5,601	4,892	31,362	21,252
Total	1,044,773	717,683	3,769,833	2,756,935

17. COST OF SALES

Direct Material Costs	1,601,895	1,170,584
Employee Costs	244,076	189,043
Depreciation	287,086	239,120
Livestock Appreciation	(165,807)	(132,419)
Loss on Disposal of Livestock	37,543	18,780
Other Expenses	271,702	197,154
Total	2,276,495	1,682,262

18. SELLING AND DISTRIBUTION EXPENSES

Marketing Expenses	190,603	138,963
Employee Costs	249,680	186,812
Depreciation	70,924	41,377
Other Expenses	58,942	56,029
Total	570,149	423,181

	2007	2006
	SAR '000	SAR '000

19. GENERAL AND ADMINISTRATION EXPENSES

	2007 SAR '000	2006 SAR '000
Insurance	18,070	12,742
Employee Costs	101,067	75,858
Depreciation	8,515	7,625
Profit on Disposal of Other Fixed Assets	(10,577)	(721)
Other Expenses	25,376	21,256
Total	142,451	116,760

20. ZAKAT

A. Zakat is charged at the higher of the net income or net working capital methods as required under Saudi Arabian Zakat Regulations. In the current year, the Zakat charge is based on the net income method, calculated as follows:

	2007	2006
Net Income before Zakat	685,878	478,817
Disallowed Expenses:		
Accrual for Employees' Termination Benefits	26,822	22,716
Other Provision	10,460	6,518
Net Income for Zakat Purposes	723,160	508,051
Zakat Charge @ 2.5%	18,079	12,701
Adjustment in respect of prior year provision	-	986
Charged to Consolidated Statement of Income	18,079	13,687

B. **Zakat Provisions**

	2007	2006
Balance at 1 January	12,701	10,237
Transfer of Western Bakeries Company Limited and International Baking Services Company Limited Zakat Provision 1 January 2007	1,250	-
Charged to Consolidated Statement of Income	18,079	13,687
Payments	(14,002)	(11,223)
Balance at 31 December	18,028	12,701

C. The Company has paid its Zakat liabilities for all years up to 31 December 2006 and has obtained Zakat Certificates in respect of the years then ended. The final assessments up to 2004 have been agreed with the DZIT and the final assessment for 2005 and 2006 are to be received. The Company has answered all enquiries from the DZIT for the years 2005 and 2006.

21. EARNINGS PER SHARE

Earnings per Share are calculated on the total number of issued shares at 31 December 2007 and 31 December 2006 amounting to 109 million shares and 100 million shares respectively.

On 8 Rabi I 1428 A.H. (27 March 2007), the Company issued 9 million shares to the owners of the Western Bakeries Company Limited and its subsidiary International Baking Services Company Limited, on acquisition of the same (Note 4), and as a result the share capital of the Company increased from 100 million fully paid and issued shares of SAR 10 each to 109 million fully paid and issues shares of SAR 10 each.

	2007	2006
	SAR '000	SAR '000

22. DEPRECIATION

	2007	2006
Livestock		
Depreciation of Dairy Herd	50,997	58,365
Livestock Appreciation	(165,807)	(132,419)
Net Livestock Appreciation	(114,810)	(74,054)
Depreciation of Property, Plant and Equipment	315,528	229,757
Loss on the Disposal of Livestock	37,543	18,780
Profit on the Disposal of Property, Plant and Equipment	(10,577)	(721)
Total Depreciation	227,684	173,762

(Profit)/Loss on the Disposal of Assets

	2007	2006
Livestock		
Proceeds from Disposal of Livestock	(56,942)	(42,253)
NBV of Dairy Herd Cows Disposed	61,792	39,204
NBV of Youngstock Disposed	32,693	21,829
Loss on the Disposal of Livestock	37,543	18,780
Fixed Assets		
Proceeds from the Disposal of Property, Plant and Equipment	(16,614)	(11,950)
NBV of Assets Disposed	6,037	11,229
Profit on the Disposal of Property, Plant and Equipment	(10,577)	(721)

23. FINANCIAL INSTRUMENTS

Financial instruments carried on the consolidated Balance Sheet include cash and bank balances, trade and other accounts receivable, derivative financial instruments, investments in securities, loan advances, short term bank borrowings, accounts payable, accrued expenses and other liabilities, and long term debt.

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 Company trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Trade and other account receivables are mainly due from local customers and related parties and are stated at their estimated realisable values. The receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from other financial assets of the Group comprising of cash and cash equivalents, investments in securities and loan advances, 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. All derivative financial instruments form part of effective cash flow hedges.

Interest Rate Risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. Islamic banking facilities (Murabaha) amounting to SAR 2,030.9 million and SAR 958.1 million at 31 December 2007 and 31 December 2006 respectively bear financing charges at the prevailing market rates.

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 are available to meet the Company's future commitments. Also see Note 11.

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals, United States Dollars, British Pounds and Euro. Management believe that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. Other transactions in foreign currencies are not material.

The outstanding foreign currency forward purchase agreements were as follows:

	2007	2006
	SAR '000	SAR '000
Euro	532,632	239,545
United States Dollar	-	101,226
British Pound	60,911	27,602
Other	7,971	20,890
Total	601,514	389,263

Foreign currency forward purchase agreements are secured by promissory notes given by the Company.

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 Company's consolidated financial statements are prepared under the historical cost method, differences can arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

Derivative Financial Instruments and Hedging
At 31 December 2007 the Group had three interest rate swap agreements in place covering total notional amounts of SAR 300 million and US$ 53.3 million. At 31 December 2006 the Group had two interest rate swap agreements in place covering total notional amounts of SAR 200 million and US$ 53.3 million. The swaps result in the Group receiving floating 6 month SIBOR and US$ LIBOR rates while paying fixed rates of interest. The swaps are being used to hedge the exposure to interest rate changes of the Group's borrowings. The borrowings and associated interest rate swaps have the same critical terms.

At 31 December 2007 and 2006 the Group has various forward foreign exchange contracts that were designated as hedges to cover purchases and other expenditures in a variety of foreign currencies.

At 31 December 2006 the Group had forward purchase commodity contracts designated as hedges against the purchase of animal feeds.

All derivative financial instruments are being used as cash flow hedges and are carried in the balance sheet at fair value. All cash flow hedges are either against transactions with either firm commitments, or forecast transactions that are highly probable.

All 2007 hedges were considered highly effective and the net loss on cash flow hedges during the year recognised in Other Reserves within equity was SAR 9.1 million (2006: net gain of SAR 4.8 million). During the year net gains reclassified to the income statement were SAR 4.8 million (2006: SAR nil).

24. COMMITMENTS AND CONTINGENCIES

A. The contingent liabilities against letters of credit were SAR 73.2 million and SAR 52.9 million for 31 December 2007 and 31 December 2006 respectively.

B. The contingent liabilities against letters of guarantee were SAR 13.4 million and SAR 33.6 million for 31 December 2007 and 31 December 2006 respectively.

C. The Company had capital commitments to SAR 647.4 million and SAR 475.8 million for 31 December 2007 and 31 December 2006 respectively in respect of ongoing projects. The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and information technology.

D. Commitments under operating leases expire as follows:

	2007	2006
	SAR '000	SAR '000
Within one year	45,958	35,676
Two to five years	56,831	69,260
After five years	100,383	13,094
Total	203,172	118,030

25. DIRECTORS REMUNERATION

The Directors' fees paid to the Board of Directors for years ending 31 December 2007 and 31 December 2006 amounted to SAR 2.1 million for each year.

26. RELATED PARTY TRANSACTIONS

During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2007 and 31 December 2006:

Related Party Relationship	Nature of Transaction	Amount	Balance at 31 December
		SAR '000	SAR '000
2007			
Common Shareholders / Owners	Sales	(105,527)	15,621
Common Shareholders / Owners	Purchases	173,552	(36,582)
2006			
Common Shareholders / Owners	Sales	(80,390)	10,420
Common Shareholders / Owners	Purchases	100,295	(26,603)

The Common Shareholders / Owners noted above include the Savola Group, Arabian Shield Insurance Company and ARASCO Feed Mills whose major shareholders are also major shareholders of the Company. Also included are Managed Arable Farms and Nofa Equestrian Resort whose owners are major shareholders of the Company.

Pricing and terms of payment for these transactions are at arms length.

27. DIVIDENDS PAID

On 8 Rabi I 1428 A.H. (27 March 2007), the General Assembly Meeting approved a dividend of SAR 200 million (SAR 2 per share) for the year ended 31 December 2006, which was paid on 22 Rabia I 1428 A.H. (10 April 2007).

28. DIVIDENDS PROPOSED

The Board of Directors, on 13 Muharram 1429 A.H. (21 January 2008), proposed for approval at the General Assembly Meeting a dividend for the year ended 31 December 2007 of SAR 272.5 million (SAR 2.5 per share).

29. 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 Company as reflected in these consolidated financial statements.