

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**THE INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS AND LIMITED REVIEW REPORT FOR**  
**THE NINE MONTHS**  
**ENDED 30 SEPTEMBER 2010**

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

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**LIMITED REVIEW REPORT**  
**TO THE SHAREHOLDERS OF ALMARAI COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**SCOPE:**

We have reviewed the accompanying interim consolidated balance sheet of Almarai Company - A Saudi Joint Stock Company ("the Company") and its subsidiaries ("the Group") as at 30 September 2010, and the related interim consolidated statement of income for the three month and nine month periods ended 30 September 2010 and the interim consolidated statements of cash flows and changes in equity for the nine month period then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible 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 financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION:**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements as of and for the three and nine month periods ended 30 September 2010 for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young



Abdulaziz A. Al-Sowailim  
Certified Public Accountant  
Registration No. 277




Riyadh: 26 Shawwal 1431H  
(5 October 2010)

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2010**

	Notes	30 September 2010 (Unaudited) SAR '000	31 December 2009 (Audited) SAR '000	30 September 2009 (Unaudited) SAR '000
<b>ASSETS</b>				
<b><u>Current Assets</u></b>				
Cash and Cash Equivalents		353,642	507,666	224,063
Derivative Financial Instruments		37,176	-	25,795
Receivables and Prepayments		731,192	455,492	569,304
Inventories		1,213,795	1,218,575	1,138,177
Investment Available for Sale	4	-	-	445,529
<b>Total Current Assets</b>		<b>2,335,805</b>	<b>2,181,733</b>	<b>2,402,868</b>
<b><u>Non Current Assets</u></b>				
Investments and Financial Assets	4	941,502	963,131	690,500
Property, Plant and Equipment		7,389,139	6,282,208	5,215,271
Biological Assets		751,885	734,689	674,702
Intangible Assets - Goodwill		793,468	793,468	548,636
Deferred Charges		25,609	31,766	33,805
<b>Total Non Current Assets</b>		<b>9,901,603</b>	<b>8,805,262</b>	<b>7,162,914</b>
<b>TOTAL ASSETS</b>		<b>12,237,408</b>	<b>10,986,995</b>	<b>9,565,782</b>
<b>LIABILITIES AND EQUITY</b>				
<b><u>Current Liabilities</u></b>				
Short Term Loans	5	356,838	395,534	597,979
Payables and Accruals		1,019,208	962,585	794,114
Derivative Financial Instruments		87,862	82,153	74,946
<b>Total Current Liabilities</b>		<b>1,463,908</b>	<b>1,440,272</b>	<b>1,467,039</b>
<b><u>Non Current Liabilities</u></b>				
Long Term Loans	5	4,655,748	3,981,193	3,793,123
Employees' Termination Benefits		194,057	165,814	146,007
<b>Total Non Current Liabilities</b>		<b>4,849,805</b>	<b>4,147,007</b>	<b>3,939,130</b>
<b><u>Shareholders' Equity</u></b>				
Share Capital		1,150,000	1,150,000	1,090,000
Share Premium		1,600,500	1,600,500	612,000
Statutory Reserve		526,361	526,361	416,689
Other Reserves		(128,673)	(81,390)	(22,138)
Retained Earnings		2,728,829	2,187,164	2,048,018
<b>Total Shareholders' Equity</b>		<b>5,877,017</b>	<b>5,382,635</b>	<b>4,144,569</b>
<b>Minority Interest</b>		<b>46,678</b>	<b>17,081</b>	<b>15,044</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,237,408</b>	<b>10,986,995</b>	<b>9,565,782</b>

  
Georges Schorderet  
Chief Financial Officer

  
Abdulrahman Al Fadley  
Chief Executive Officer

The accompanying notes form an integral part of these interim consolidated financial statements.



**ALMARAI COMPANY**  
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**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2010**

	Notes	July - September 2010 (Unaudited) SAR '000	July - September 2009 (Unaudited) SAR '000	YTD 30 September 2010 (Unaudited) SAR '000	YTD 30 September 2009 (Unaudited) SAR '000
Sales	6	1,833,735	1,547,440	5,132,093	4,320,638
Cost of Sales		(1,037,282)	(849,813)	(3,064,483)	(2,523,452)
<b>Gross Profit</b>		<b>796,453</b>	<b>697,627</b>	<b>2,067,610</b>	<b>1,797,186</b>
Selling and Distribution Expenses		(264,576)	(229,353)	(762,878)	(637,722)
General and Administration Expenses		(57,386)	(54,416)	(164,411)	(161,999)
<b>Net Operating Income</b>		<b>474,491</b>	<b>413,858</b>	<b>1,140,321</b>	<b>997,465</b>
Share of Results of Associates	4	(2,985)	(3,316)	(4,258)	(3,316)
Bank Charges		(34,603)	(36,009)	(97,425)	(122,181)
<b>Income from Main and Continuing Operations</b>		<b>436,903</b>	<b>374,533</b>	<b>1,038,638</b>	<b>871,968</b>
Zakat		(7,415)	(10,347)	(20,510)	(22,663)
<b>Income before Minority Interest</b>		<b>429,488</b>	<b>364,186</b>	<b>1,018,128</b>	<b>849,305</b>
Minority Interest		(4,976)	(752)	(16,463)	(1,401)
<b>Net Income for the Period</b>		<b>424,512</b>	<b>363,434</b>	<b>1,001,665</b>	<b>847,904</b>
<b>Earnings per Share (SAR)</b>	7				
Attributable to Income from Main and Continuing Operations		3.80	3.44	9.03	8.00
Attributable to Net Income for the Period		3.69	3.33	8.71	7.78

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

  
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Chief Executive Officer

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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Notes	YTD 30 September 2010 (Unaudited) SAR '000	YTD 30 September 2009 (Unaudited) SAR '000
<b><u>OPERATING ACTIVITIES</u></b>			
Net Income for the period		1,001,665	847,904
Adjustments for:			
Depreciation of Property, Plant and Equipment		459,357	350,309
Net Appreciation of Biological Assets		(154,540)	(160,656)
(Profit) on Sale of Property, Plant and Equipment		(10,596)	(6,860)
Loss on Sale of Biological Assets		56,535	55,720
Bank Charges		97,425	122,181
Share of Results of Associates		4,258	3,316
Change in Employees' Termination Benefits		28,243	17,966
Share of Minority Interest in Net Income of Subsidiaries		16,463	1,401
Changes in:			
Receivables and Prepayments		(275,700)	(159,527)
Inventories		4,780	(41,454)
Payables and Accruals		51,204	123,032
<b>Cash Flows from Operating Activities</b>		<b>1,279,094</b>	<b>1,153,332</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Additions to Property, Plant and Equipment		(1,574,194)	(866,406)
Additions to Biological Assets / Purchase Price Rebates		(3,662)	465
Proceeds from the Sale of Property, Plant and Equipment		18,502	12,265
Proceeds from the Sale of Biological Assets		84,471	68,498
Acquisition of Investments and Financial Assets	4	(61,379)	(641,258)
<b>Cash Flows used in Investing Activities</b>		<b>(1,536,262)</b>	<b>(1,426,436)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Increase in Loans		635,859	746,981
Dividends Paid		(454,581)	(379,976)
Bank Charges		(97,425)	(122,181)
Change in Deferred Charges		6,157	6,465
Minority Interest Share in Modern Food Industries		14,000	-
Distribution to Minority Interests		(866)	(707)
<b>Cash Flows from Financing Activities</b>		<b>103,144</b>	<b>250,582</b>
<b>Decrease in Cash and Cash Equivalents</b>		<b>(154,024)</b>	<b>(22,522)</b>
Cash and Cash Equivalents at 1 January		507,666	246,585
<b>Cash and Cash Equivalents at 30 September</b>		<b>353,642</b>	<b>224,063</b>

  
Georges Schorderet  
Chief Financial Officer

  
Abdulrahman Al Fadley  
Chief Executive Officer

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**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

Attributable to equity holders of the parent

	Share Capital	Share Premium	Statutory Reserve	Other Reserves	Retained Earnings	Total Shareholders' Equity	Minority Interest	Total Equity
	(Unaudited) SAR '000	(Unaudited) SAR '000	(Unaudited) SAR '000	(Unaudited) SAR '000	(Unaudited) SAR '000	(Unaudited) SAR '000	(Unaudited) SAR '000	(Unaudited) SAR '000
<b>Balance at 1 January 2009</b>	1,090,000	612,000	416,689	(83,161)	1,581,614	3,617,142	14,350	3,631,492
Net Income for the Period	-	-	-	-	847,904	847,904	1,401	849,305
Dividends Declared	-	-	-	-	(381,500)	(381,500)	-	(381,500)
Distribution to Minority Interests	-	-	-	-	-	-	(707)	(707)
Net Gain on Financial Investments	-	-	-	8,750	-	8,750	-	8,750
Net Movement on Cash Flow Hedges	-	-	-	52,273	-	52,273	-	52,273
<b>Balance at 30 September 2009</b>	<b>1,090,000</b>	<b>612,000</b>	<b>416,689</b>	<b>(22,138)</b>	<b>2,048,018</b>	<b>4,144,569</b>	<b>15,044</b>	<b>4,159,613</b>
<b>Balance at 1 January 2010</b>	1,150,000	1,600,500	526,361	(81,390)	2,187,164	5,382,635	17,081	5,399,716
Net Income for the Period	-	-	-	-	1,001,665	1,001,665	16,463	1,018,128
Dividends Declared	-	-	-	-	(460,000)	(460,000)	-	(460,000)
Distribution to Minority Interests	-	-	-	-	-	-	(866)	(866)
Net Loss on Financial Investments	-	-	-	(78,750)	-	(78,750)	-	(78,750)
Net Movement on Cash Flow Hedges	-	-	-	31,467	-	31,467	-	31,467
Minority Interest Share in Modern Food Industries	-	-	-	-	-	-	14,000	14,000
<b>Balance at 30 September 2010</b>	<b>1,150,000</b>	<b>1,600,500</b>	<b>526,361</b>	<b>(128,673)</b>	<b>2,728,829</b>	<b>5,877,017</b>	<b>46,678</b>	<b>5,923,695</b>



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Chief Financial Officer



Abdulrahman Al Fagley  
Chief Executive Officer

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED**  
**30 SEPTEMBER 2010**

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**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 operates under Commercial Registration No. 1010084223. Prior to the consolidation of activities in 1991, the core business traded between 1976 and 1991 under the Almarai brand name.

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

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

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Limited under the brand names L'usine and 7 Days respectively. International Baking Services Company Limited trades bakery products. These are Limited Liability companies registered in Saudi Arabia and based in Jeddah.

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

The distribution centres in the GCC countries (except for Bahrain and Oman) are managed by the Group 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 Group operates in Bahrain and Oman through subsidiaries, Almarai Company Bahrain S.P.C and Arabian Planets for Trade and Marketing L.L.C. respectively.

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

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

On 14 Rabi-Thani 1431 (30 March 2010) the Company announced the creation of International Pediatric Nutrition Company (IPNC) a 50:50 joint venture with Mead Johnson to produce, market and distribute infant nutrition products in the GCC. On 8 Rajab 1431 (21 June 2010) the Company paid SAR 20.5 million representing 50% of the share capital of IPNC. The joint venture will lease the plant under construction from the Group, which is scheduled for commissioning during 2011.



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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED**  
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Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Direct and Beneficial Ownership Interest		Shares	
			2010	2009	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	Holding Company	100%	100%	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	100%	100%	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	100%	-	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	100%	100%	SAR 100,000,000	100,000
International Baking Services Company Limited	Saudi Arabia	Trading Company	100%	100%	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Bakery Company	60%	60%	SAR 35,000,000	35,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	52%	-	SAR 25,000,000	250
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company	100%	100%	BHD 100,000	1,000
Almarai International Holding W.L.L.	Bahrain	Holding Company	100%	100%	BHD 250,000	2,500
Almarai Investment Holding W.L.L.	Bahrain	Holding Company	99%	99%	BHD 250,000	2,500
Markley Holdings Limited	Jersey	Dormant	100%	100%	-	-
Arabian Planets for Trade and Marketing L.L.C.	Oman	Sales Company	90%	90%	OMR 150,000	150,000

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED**  
**30 SEPTEMBER 2010**

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**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 (except for derivative financial instruments and investments that have been measured at fair value) and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).
- (b) When necessary, prior period comparatives have been regrouped or adjusted on a basis consistent with current period classification. Any such adjustments in the current period are considered immaterial in the context of these interim consolidated financial statements.
- (c) These interim consolidated financial statements include assets, liabilities and the results of the operations of Almarai Company (the Company) and its subsidiaries (the Group) as set out in note (1) above. A subsidiary company is that in which the Company has, directly or indirectly, a long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases. The interim consolidated financial statements are prepared on the basis of the individual financial statements of the Company and the financial statements of its subsidiaries, as adjusted by the elimination of all significant inter group balances and transactions. Minority interests represent the portion of profit or loss and net assets not controlled by the Group and are presented separately in the interim consolidated statement of income and within equity in the interim consolidated balance sheet.
- (d) 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 accounting standards generally accepted in 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.

**B. Cash and Cash Equivalents**

For the purposes of the interim consolidated statement of cash flows, cash and cash equivalents consists of cash at bank, cash on hand, and short-term deposits that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

**C. 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 or which have been outstanding for more than three months. Bad debts are written off as incurred.



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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED**  
**30 SEPTEMBER 2010**

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**D. 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.

**E. Investments in Securities**

Investments in securities are measured and carried in the interim consolidated balance sheet at fair value with unrealised gains or losses 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 interim consolidated statement of income. 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.

**F. Investments in Associates and Joint Ventures**

The investments in associates and joint ventures are accounted for under the equity method of accounting when the Company exercises significant influence over the entity and where the entity is not a subsidiary. Investments in associates and joint ventures are carried in the interim consolidated balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associates, less any impairment in value. The interim consolidated statement of income reflects the Company's share of the results of its associates. Unrealized gains and losses resulting from transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

**G. Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and depreciated on a straight line basis at the following annual rates:

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

**H. Biological Assets**

Biological assets are stated at cost of purchase or at the cost of rearing or growing to the point of commercial production, less accumulated depreciation. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Biological assets are depreciated to their estimated residual value on a straight line basis (excluding poultry flocks which are depreciated according to actual output) at the following annual rates:

Dairy Herd	15% - 25%
Plantations	2% - 8%

**I. Impairment**

The carrying values of property, plant and equipment and biological 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 interim consolidated statement of income.



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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED**  
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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 recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately in the interim consolidated statement of income.

**J. Intangibles-Goodwill**

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the net fair value of the acquiree's assets, liabilities and contingent liabilities 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.

**K. Accounts payable and accruals**

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

**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. 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 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 interim consolidated balance sheet and taken to Other Reserves in Shareholders' Equity. When the hedging instrument matures or expires any associated gain or loss in Other Reserves is reclassified to the interim consolidated statement of income, or the underlying asset purchased that was subjected to the hedge.

The Group policy is to use derivative financial instruments which are compliant with Shari'a.

**N. Employees' Termination Benefits**

Employees' termination benefits are payable as a lump sum to all employees employed under the terms and conditions of the respective GCC Labour and Workman Laws 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 reporting 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 respective GCC countries.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED**  
**30 SEPTEMBER 2010**

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**O. Statutory Reserve**

In accordance with its by-laws and the Regulations for Companies in Saudi Arabia, the Company 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.

**P. 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 reporting 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.

The functional currencies of foreign operations, Almarai Company Bahrain S.P.C, Almarai Investment Holding Company W.L.L., Almarai International Holding W.L.L. are the Bahraini Dinar and the functional currency of Arabian Planets for Trade and Marketing L.L.C is the Omani Riyal. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group (the SAR) at the rate of exchange ruling at the reporting date and their interim statements of income are translated at the weighted average exchange rates for the period.

**Q. 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 physical return of expired products. Adjustment 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.

**R. Government Grants**

Government grants are recognized when there is a reasonable assurance that they will be received from the state authority. When the grant relates to an expense 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.

**S. 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 accounting standards generally accepted in 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 payments in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

**T. Management Fees**

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



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**U. Operating Leases**

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

**V. 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. INVESTMENTS AND FINANCIAL ASSETS**

The investments in associated companies, joint ventures and securities comprise of the following:

		<b>30 September 2010 (Unaudited) SAR '000</b>	<b>31 December 2009 (Audited) SAR '000</b>	<b>30 September 2009 (Unaudited) SAR '000</b>
International Dairy & Juice Limited	48.0%	489,927	455,080	192,413
Pure Breed Company	21.5%	32,047	29,050	-
International Pediatric Nutrition Company	50.0%	19,277	-	-
Zain Equity Investment	2.5%	276,500	355,250	381,500
Zain Subordinated Funding Shareholders' Loan	-	109,587	109,587	109,587
Jannat for Agricultural Investment Company	10.0%	7,000	7,000	7,000
National Company for Tourism	1.1%	4,500	4,500	-
National Seeds and Agriculture Services Company	7.0%	2,064	2,064	-
United Dairy Farms Company	8.3%	600	600	-
International Company for Agro Industrial Projects (Beyti) - (Investment Available for Sale)	-	-	-	445,529
		<u>941,502</u>	<u>963,131</u>	<u>1,136,029</u>



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

	<b>30 September 2010 (Unaudited) SAR '000</b>	<b>31 December 2009 (Audited) SAR '000</b>	<b>30 September 2009 (Unaudited) SAR '000</b>
<b><u>International Dairy &amp; Juice Limited</u></b>			
Opening Balance	455,080	-	-
Add : Capital Introduced	40,879	458,451	195,729
Less : Share of Results for the period	<u>(6,032)</u>	<u>(3,371)</u>	<u>(3,316)</u>
Closing Balance	<u><u>489,927</u></u>	<u><u>455,080</u></u>	<u><u>192,413</u></u>
<b><u>Pure Breed Company</u></b>			
Opening Balance	29,050	-	-
Add : Capital Introduced	-	28,269	-
Less : Distributions	-	(587)	-
: Share of Results for the period	<u>2,997</u>	<u>1,368</u>	<u>-</u>
Closing Balance	<u><u>32,047</u></u>	<u><u>29,050</u></u>	<u><u>-</u></u>
<b><u>International Pediatric Nutrition Company</u></b>			
Opening Balance	-	-	-
Add : Capital Introduced	20,500	-	-
Less : Share of Results for the period	<u>(1,223)</u>	<u>-</u>	<u>-</u>
Closing Balance	<u><u>19,277</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

(b) The Zain equity investment of 35 million shares at a par value of SAR 10 per share is measured at fair value based on a quoted market price for the shares on the Saudi Arabian (Tadawul) stock exchange at 30 September 2010 of SAR 7.90. This has resulted in an unrealised loss of SAR 78.0 million which is shown within other reserves in Shareholders' Equity. The founding shareholders have extended the repayment date of the shareholders' loans to ZAIN KSA and have agreed to pledge their ZAIN's shares for and on behalf of the preferred creditors until 27 July 2012 in order to enable ZAIN KSA to refinance its existing debts. On 21 August 2010 ZAIN KSA announced a restructuring proposal in respect of its share capital. Any financial impact will be quantified in the fourth quarter of 2010 if the proposal is approved.

(c) All other investments in securities are stated at cost less impairment.

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**5. TERM LOANS**

	<b>30 September 2010 (Unaudited) SAR '000</b>	<b>31 December 2009 (Audited) SAR '000</b>	<b>30 September 2009 (Unaudited) SAR '000</b>
Islamic Banking Facilities (Murabaha)	4,424,495	3,756,739	3,775,386
Saudi Industrial Development Fund	581,373	612,270	606,280
Agricultural Development Fund	6,718	7,718	9,436
	<u>5,012,586</u>	<u>4,376,727</u>	<u>4,391,102</u>

The borrowings of the Group from the Saudi Industrial Development Fund are secured by a mortgage on specific assets amounting to SAR 581.4 million as at 30 September 2010 (SAR 612.3 million as at 31 December 2009 and SAR 606.3 million as at 30 September 2009).

**6. SEGMENTAL REPORTING**

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai brand, bakery products under the L'usine and 7 Days brands, poultry products under the HADCO brand, arable and horticultural products as well as other activities. Other activities include the investment in Zain and infant formula. Selected financial information as at 30 September 2010, 31 December 2009 and 30 September 2009 and for the periods then ended categorised by these business segments, are as follows:

	<b>Dairy and Juices SAR '000</b>	<b>Bakery Products SAR '000</b>	<b>Poultry SAR '000</b>	<b>Arable and Horticulture SAR '000</b>	<b>Other Activities SAR '000</b>	<b>Total SAR '000</b>
<b><u>30 September 2010 (Unaudited)</u></b>						
Sales	4,400,199	628,893	128,068	162,761	-	5,319,921
Third Party Sales	4,375,482	596,932	128,068	31,611	-	5,132,093
(Depreciation) / Appreciation	(202,688)	(55,503)	(17,267)	(29,358)	(1)	(304,817)
Income / (loss) before Minority Interest	924,118	102,305	(4,649)	5,945	(9,591)	1,018,128
Total Assets	8,151,893	1,759,165	509,952	1,086,778	729,620	12,237,408
Total Liabilities	(5,340,552)	(215,145)	(61,536)	(68,301)	(628,179)	(6,313,713)
<b><u>31 December 2009 (Audited)</u></b>						
Sales	5,204,614	646,416	44,498	158,926	-	6,054,454
Third Party Sales	5,177,730	618,122	44,498	28,455	-	5,868,805
(Depreciation) / Appreciation	(206,632)	(56,468)	(2,696)	(22,230)	-	(288,026)
Income / (loss) before Minority Interest	972,450	139,770	8,395	(7,910)	(12,545)	1,100,160
Total Assets	7,490,557	1,467,132	454,201	1,010,519	564,586	10,986,995
Total Liabilities	(4,666,296)	(218,375)	(70,241)	(131,717)	(500,650)	(5,587,279)
<b><u>30 September 2009 (Unaudited)</u></b>						
Sales	3,893,778	466,424	-	70,301	-	4,430,503
Third Party Sales	3,873,060	447,568	-	10	-	4,320,638
(Depreciation) / Appreciation	(138,074)	(39,909)	-	(11,670)	-	(189,653)
Income / (loss) before Minority Interest	792,583	97,854	-	(31,252)	(9,880)	849,305
Total Assets	7,538,184	1,319,645	-	209,866	498,087	9,565,782
Total Liabilities	(4,680,123)	(220,490)	-	(8,216)	(497,340)	(5,406,169)



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Arable and Horticulture year to date third party sales includes SAR 17.3 million of wheat harvested which is guaranteed to be sold to the Government and is recorded at cost. Delivery and recognition of profit is expected to take place during the fourth quarter of 2010.

The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 30 September 2010, 31 December 2009 and 30 September 2009 and for the periods then ended, categorized by these geographic segments are as follows:

	July - September 2010 (Unaudited) SAR '000	July - September 2009 (Unaudited) SAR '000	YTD 30 September 2010 (Unaudited) SAR '000	YTD 30 September 2009 (Unaudited) SAR '000
<b>Sales</b>				
Saudi Arabia	1,329,454	1,078,706	3,654,276	2,980,340
Other GCC Countries	490,635	452,194	1,432,208	1,293,462
Other Countries	13,646	16,540	45,609	46,836
Total	<u>1,833,735</u>	<u>1,547,440</u>	<u>5,132,093</u>	<u>4,320,638</u>
		30 September 2010 (Unaudited) SAR '000	31 December 2009 (Audited) SAR '000	30 September 2009 (Unaudited) SAR '000
<b>Non-current Assets</b>				
Saudi Arabia		9,281,273	8,239,294	6,873,375
Other GCC Countries		123,403	103,888	90,126
Other Countries		496,927	462,080	644,942
Total		<u>9,901,603</u>	<u>8,805,262</u>	<u>7,608,443</u>

Analysis of sales is given by product group as shown below.

	July - September 2010 (Unaudited) SAR '000	July - September 2009 (Unaudited) SAR '000	YTD 30 September 2010 (Unaudited) SAR '000	YTD 30 September 2009 (Unaudited) SAR '000
<b>By Product Group</b>				
Fresh Dairy	890,557	801,703	2,358,208	2,113,273
Long Life Dairy	153,707	130,228	485,750	408,729
Fruit Juice	209,283	176,337	557,321	464,988
Cheese and Butter	319,943	281,511	955,449	856,926
Bakery	202,101	152,764	596,932	447,568
Poultry	49,870	-	128,068	-
Arable and Horticulture	3,653	-	31,611	10
Other	4,621	4,897	18,754	29,144
Total	<u>1,833,735</u>	<u>1,547,440</u>	<u>5,132,093</u>	<u>4,320,638</u>



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**7. EARNINGS PER SHARE**

Earnings per Share are calculated on the weighted average number of issued shares at 30 September 2010 and 30 September 2009 amounting to 115 million shares and 109 million shares respectively.

**8. DIVIDENDS APPROVED AND PAID**

On 26 Rabi Akher 1431 A.H (11 April 2010) the General Assembly Meeting approved a dividend of SAR 460 million (SAR 4 per share) for the year ended 31 December 2009, which was paid on 12 Jamad Al Awal 1431 (26 April 2010).

**9. SUBSEQUENT EVENTS**

On 25 Shawal 1431 A.H (4 October 2010) the Board of Directors proposed the distribution of one bonus share for each share outstanding. The proposal is subject to regulatory and shareholder approvals.