



Quality You Can Trust

Almarai Company

2009

Annual Report

2009 at a glance

▲ 16.7%

Sales

▲ 20.5%

Net Income

▲ 77.4%

Operating Cash Flow

▲ 48.8%

Shareholders' Equity

▲ 24.3%

Market Capitalisation

▲ 33.7%

No of Employees

SALES

Increased by 16.7% from SAR 5,029.9 million to SAR 5,868.8 million.

NET INCOME

Increased by 20.5% from SAR 910.3 million to SAR 1,096.7 million.

CASH FLOWS FROM OPERATING ACTIVITIES

The Company achieved a Cash flow from Operating Activities of SAR 1,802.2 million, an increase of 77.4% from 2008.

CAPITAL EXPENDITURE

Approval given by the Board of Directors for capital expenditure amounted to SAR 6.5 billion, as part of the company's 5 year plan. 2009 capital expenditure was SAR 1,334.8 million.

SALES AND DISTRIBUTION

Throughout the GCC Almarai has 43,500 customers, Western Bakery has 30,500 customers and HADCO has 2,350 customers, all of which are serviced by our 113 distribution depots.

EMPLOYEES

Almarai employs 16,042 people of whom approximately 2,750 (17.1%) are GCC nationals.

Net Income and Earnings Per Share (EPS)

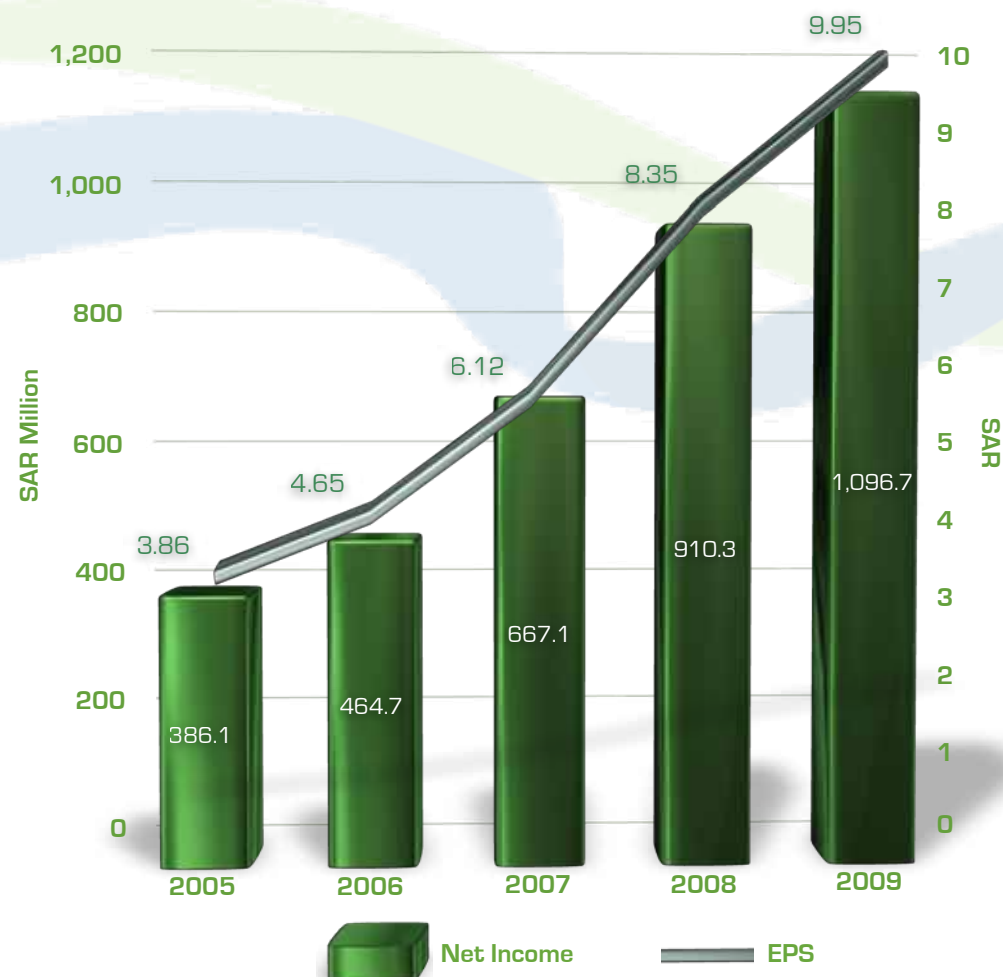




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chairman's statement

With the blessings of Almighty Allah, 2009 was another excellent year for Almarai.

Versus 2008, growth of 16.7% was achieved in Sales, with a Net Income growth of 20.5%. This performance is the result of a combination of many factors, including our continuing investment to ensure that we always have the highest quality products available for consumers in the right place, at the right time. It was achieved in a challenging economic environment, where the global economy lurched into recession and we saw dramatic swings in key commodity prices. The results are a reflection of the spirit and responsibility of the Almarai team and our conviction that we can meet all economic and market challenges head-on and drive the business forward.

In 2009, we continued to build on the strong base created in previous years. The efforts to ensure that the consumer is at the heart of everything we do has driven product and packaging innovation across the entire range of products. Examples include the relaunch of existing products with improved recipes and the launch of new products developed to satisfy consumer demand, details are contained in this report. Initiatives to improve presence at the point of sale have been supported by our investment in depots and distribution, with state-of-the-art systems and highly trained staff. The investment in our existing business will continue, ensuring that Almarai remains the leading dairy, juice and bakery company in the GCC.

In addition to our focus on the existing business, we have identified opportunities to diversify our business into new categories within the GCC and to expand geographically to nearby countries.

In October 2009, we announced that we had acquired 100% ownership of Hail Agricultural Development Company (HADCO). HADCO is a company engaged in

the production of a variety of agricultural products, as well as the manufacture and distribution of poultry products.

During the year we also announced our decision to invest in the development of an Infant Formula manufacturing facility. Construction of the facility has already begun and production will commence in 2011.

Within the context of geographic expansion beyond the GCC, we entered into a joint venture agreement with PepsiCo and created a new company, International Dairy and Juice Limited (IDJ), which will focus on developing opportunities in dairy and juice in the Middle East (excluding the GCC), Africa and South East Asia. IDJ, which is held 48% by Almarai, has already acquired Almarai's 75% interest in Teeba Investment for Developed Food Processing Company (Teeba) in Jordan and our 100% stake in International Company for Agro Industrial Projects (Beyti) in Egypt. IDJ will look to expand beyond these two countries in the years ahead.

Almarai is led by an experienced management team that has proven to deliver above average performance. We have the right strategies and the strengths required to maintain our competitive edge.

As we look to the future, we are confident that we have put in place the resources and systems to ensure that we can address the many challenges and opportunities we face ahead.

The Chairman of the Board

Sultan Bin Mohammed Bin Saud Al Kabeer



an overview of the company

Vision Statement

To be the preferred choice in food products, promoting nutrition, health and well being in the GCC.

Mission Statement

Almarai will constantly exceed consumer expectations by providing the highest quality food products and superior customer service through continuous development and investment in its human and technical resources.

History

The Almarai success story began in 1976, when the Chairman, HH Prince Sultan bin Mohammed bin Saud Al Kabeer recognised the potential to transform traditional dairy farming in Saudi Arabia in order to meet the needs of a burgeoning domestic market. Under his visionary guidance and patronage, numerous agricultural projects were developed towards achieving this objective, and what began with the processing of fresh milk and laban soon expanded into modern dairy farms and state-of-the-art processing plants.

In the early 90s, Almarai entered into a restructuring and reinvestment phase moving away from a decentralised to a centralised structure. The first Central Processing Plant was commissioned replacing 5 decentralised plants. Almarai also established four large dairy farms in the central area replacing ten decentralised small farms. This investment phase created the base for Almarai to become a low cost producer in the region.

Since then, the Company has continued to invest heavily in technologically advanced production facilities and recruiting the right calibre of people. A second and larger Central Processing Plant, incorporating a new cheese plant, was commissioned in late 2005. Two new super farms were commissioned, bringing the total number of farms to seven. Today, Almarai is capable of serving high quality products to more than 43,500 customers within the GCC, on a daily basis.

In 2005, Almarai moved from being a privately owned Company to a publicly listed Company and today has over 70,000 shareholders.

In 2007, with the acquisition of Western Bakeries, based in Jeddah, the product range was expanded to include bakery products. Since the acquisition, we have developed our bakery business by the creation of Modern Food Industries, improved distribution, and product innovation. In addition during 2009, we commenced the construction of a new bakery facility in Al Kharj.

2009 saw the commencement of a new phase in the development of Almarai with initiatives for geographic expansion through the establishment of the joint venture with PepsiCo, International Dairy and Juice (IDJ), and investments in new product categories, Poultry (through the acquisition of HADCO) and Infant Formula.

The success of Almarai is driven by its unique blend of state-of-the-art infrastructure (which includes farms, dairy, juice and bakery processing plants) and its unmatched marketing and distribution expertise, all of which are geared towards delivering a quality product to the consumer.



board of directors' report

During 2009, the Company achieved record Sales of SAR 5,868.8 million and a Net Income of SAR 1,096.7 million, a significant increase of 16.7% and 20.5% respectively over the previous year's figures. These results bear testament to Almarai's brand strength, innovation and in-market execution and were achieved despite a challenging environment, including the world economic recession and H1N1.

Added to this, the Company achieved a Cash flow from Operating Activities of SAR 1,802.2 million which represents 30.7% of Sales, allowing the investment programme of SAR 1.7 billion to be fully financed.

2009: A year of exceptional activity and achievement.

In 2009, the Company achieved significant growth in Turnover across all our product categories: Fresh Dairy grew by 13.9%, Long-Life Dairy by 13.5%, Fruit Juice by 28.0%, Cheese & Butter by 11.2% and Bakery by 20.1%. This growth has come from a combination of consumer insights, superior product quality and excellence in execution across all aspects of the business and the strength of our brands.

In our core business, 2009 saw market shares of laban, milk and zabadi reached record highs in Saudi Arabia. We continue to be the preferred choice for these products in the Gulf Cooperation Council (GCC) countries.

Almarai Fruit Juice celebrated 10 years of consumer engagement in 2009. Through continuing strong sales growth year on year, the Company has become the preferred choice in this category.

The contribution of Bakery products was enhanced by the creation of Modern Food Industries, a joint venture with Vivartia, and the subsequent launch of the "7 DAYS" brand of croissants, layered cakes and swiss rolls.

The Company also reaffirmed its plan to expand geographically. The first move was into Jordan with the acquisition of a 75% share of Teeba Investment for Developed Food Processing Company (Teeba) and was followed later in the year with the acquisition of a

100% share of International Company for Agro Industrial Projects (Beyti) in Egypt. In the meantime, these companies have been transferred to the joint venture with PepsiCo called International Dairy and Juice Limited (IDJ), of which Almarai holds 48%, which was initiated in the first quarter of 2009. IDJ will focus on new business opportunities in Dairy and Juice products in Southeast Asia, Africa and the Middle East excluding the GCC countries.

In the fourth quarter of 2009, the Company entered the Poultry business through the acquisition of Hail Agricultural Development Company (HADCO), a new product category for Almarai. Poultry is a very significant category in this region, with high growth potential. Ambitious expansion plans are being formulated to significantly grow this business.

The initial investment of more than SAR 700 million on the development of an infant formula manufacturing facility, announced in the first quarter of 2009, demonstrates Almarai's commitment to enter new product categories with high growth and profit potential. With this investment, Almarai will become the sole manufacturer of infant formula in the region.

These activities have created a platform for future growth. They also demonstrate our commitment to continue to develop new products and seek new business opportunities by offering a wider range of improved products and services to our customers and consumers with the objective of increasing stakeholder value, in line with our vision.

We take this opportunity to thank our Management Team and our 16,042 employees for their continued support, dedication and commitment to the development of the Company.

The Board of Directors
20th January 2010



board of directors



HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman of the Board

Holds a bachelor degree in Economics and Political Science from King Saud University, Saudi Arabia. He is also Chairman of the Board of Arabian Union for Cement Industries, Arabian Shield Insurance Company EC, Gulf Investment Company and Al Tayar Group. He is the Managing Director of Yamama Cement Company. A member of the Council of Trustees of King Abdulaziz of Men Foundation for Supporting the Talents, Board of Equestrian Club and the Board of Graduates Committee for Maahad Al Asima Al Namouzaji Institute. Founding member of the Saudi-Yemeni Cement Company. Honorary member President of Saudi Chest Medicine and Surgery Association, Saudi Physio-therapy Association, Saudi Cardiology Association and Saudi Association for Victims of Hypertension.



Ibrahim bin Mohammed Al Issa
Director

Holds a degree in Business Administration from Chapman University, California, USA. Chairman and Managing Director of Saudi Sodrorbau Company. He is Chairman of the Taiba Holding Company and Knowledge Economic City. A director of the Banque Saudi Fransi, The Savola Group, Yanbu Cement Company, Jeddah Company for Development, Civil Aviation Authority and a member of the Municipal Council of Jeddah.



Dr. Majed bin Abdullah Al Gassabi
Director

Holds a Master's degree in Civil Engineering from Barclay University, USA, a Master's degree and a Ph.D. in Engineering Management from Missouri University, USA. He is a board member of General Ports Authority, Saudi Cable Company, Al-Furouisiya at Holy Makkah Area, The Savola Group, United Sugar Company and a member of Foundation, Board of Directors Jeddah Holding Company.

**Mohammed bin Abdulrahman Al Damer****Director**

Holds a bachelor degree in Political Science from the University of the Pacific in Stockton, California, USA. He worked with the Ministry of Foreign Affairs from 1976 to 1981. He is active in businesses specializing in stocks and real estate. He is the Founder and Chairman of Mirnah Technology Limited, an Information Technology solutions company founded in 1992.

**Mosa bin Omran Mohammed Al Omran****Director**

Holds a Bachelor Degree in Industrial Engineering from King Saud University, Saudi Arabia, Master's degree in Business Administration from St. Edward University, USA in 1994 and Diploma in science and technical bread from Pittsburgh Institute, USA. He is a board member of The Savola Group, United Sugar Company, Banque Saudi Fransi, Chamber of Commerce and Industry in Jeddah, Jeddah Company for Development, Arabian Cement Company and the Jeddah Province. He is an active member of the Young Managers, The Economic and Social Committee Makkah Principality, The Department of the Public Authority for Investment and a member of the Makkah region.

**Engr. Nasser bin Mohammed Al Muttawa****Director**

Holds a bachelor degree in Civil Engineering from Marquette University, USA. He worked in the Government sector from 1973 to 1979 and in the private sector from 1980 to present. He has major business interests in various companies in the Middle East. He is also an active member of charitable organisations such as Saudi Orphans Foundation, The Handicapped Children Foundation, The Patients Friends Foundation, The Taibah Charity Foundation, The Saudi Red Crescent Foundation and the Handicapped Society.

**HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer****Director**

A business administration graduate of King Saud University, Saudi Arabia, is Chairman of Projects and Technical Contracting Company and Ashbal Al Arab Corporation. He is also a member of the board of the Faraby Al Khaleej Petrochemical Company, Zain Company, Kuwaiti-Sudanese Company, Kuwaiti-Chinese Company, Integrated Transport Company and Jassour Company.

**Dr. Sami bin Mohsen Baroom****Director**

Holds a Ph.D. and Master's degree in Business Administration from Pennsylvania University, USA. He is currently Managing Director of The Savola Group and a board member of the Knowledge Economic City, Afia International Company and Arabian Cement Company.

**Abdulrahman bin Abdulaziz Al Muhanna****Managing Director**

Joined Almarai in 1979 on graduating from King Saud University, Saudi Arabia with a degree in Agricultural Economics. He was appointed Managing Director in 1997. He is a board member of the Saudi Fisheries Company, Arcapita Bank of Bahrain, Arabian Agricultural Services Company (ARASCO), and the Al Jazeera Press, Printing and Publication Company. He is also a member of the National Committee for Biodiversity.



2009 key milestones







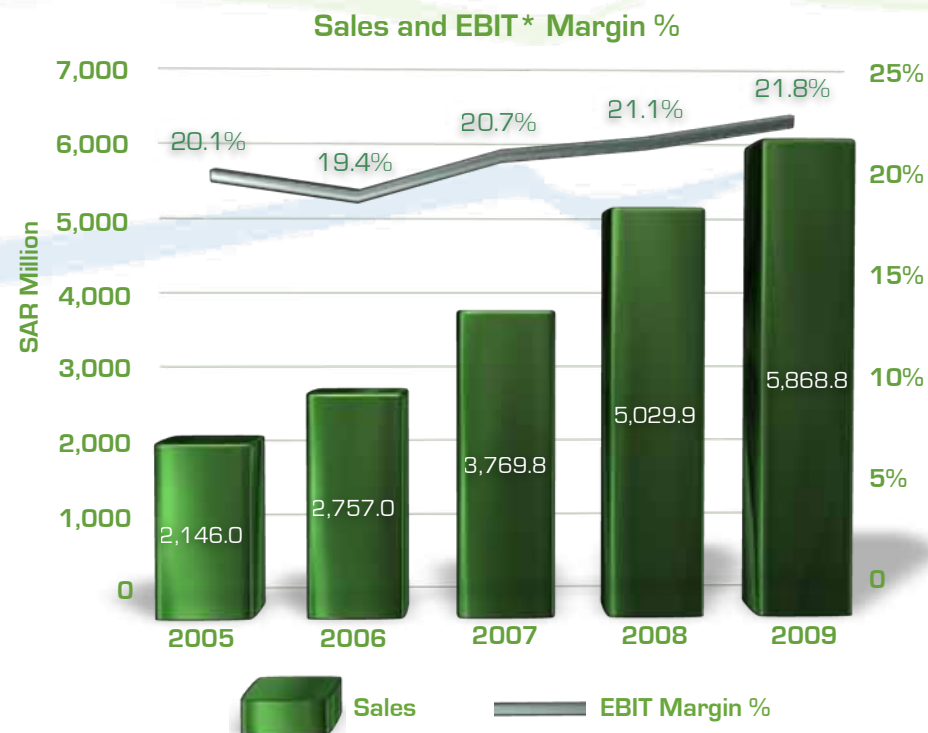
management discussion and analysis

Our Sales and Net Income for 2009 amounted to SAR 5,868.8 million and SAR 1,096.7 million, which represents an increase of 16.7% and 20.5% respectively on the previous year.

Year 2009 was another excellent year in the history of Almarai. The year on year growth is mainly attributed to the strength of the Almarai brand, the quality of our products, the initiatives launched and improved marketing and distribution strategies. In addition, the acquisition of HADCO has contributed to the quarter four results.

A breakdown of our Sales by Product Group can be seen in the table below:

Sales by Product Group (SAR Million)	Year ended 31 December		% Change
	2009	2008	
Fresh Dairy	2,817.6	2,474.6	13.9%
Long-Life Dairy	562.6	495.7	13.5%
Fruit Juice	620.2	484.5	28.0%
Cheese and Butter	1,143.0	1,028.2	11.2%
Bakery	618.1	514.8	20.1%
Other Sales	34.4	32.1	7.1%
Sub-Total	5,795.9	5,029.9	15.2%
Poultry (HADCO)	44.5	-	n/a
Other Sales (HADCO)	28.4	-	n/a
Total Sales	5,868.8	5,029.9	16.7%



* Earnings before bank charges and Zakat

Fresh Dairy

The flagship product group, Fresh Dairy includes short-life products, fresh laban, milk, natural and fruit yoghurts, cream and dairy desserts, made with locally produced fresh raw milk.

Sales of our Fresh Dairy products, the largest product category, amounted to SAR 2,817.6 million, which represents an increase of 13.9% on the prior year.

This performance is excellent relative to the market and consequently, 2009 saw market shares of laban, milk and zabadi reached record highs in Saudi Arabia. We continue to be the preferred choice for these products in the GCC.

Zabadi and "Trim", a fortified laban product mainly targeting the health and weight conscious, both underwent new packaging design.

Long-life Dairy

Long-Life Dairy made from locally produced raw milk, includes UHT milk and whipping cream, evaporated milk and sterilized cream.

Sales for Long-Life Dairy amounted to SAR 562.6 million, which represents an increase of 13.5% on the prior year and is a reflection of the increased focus on this category.

Flavoured UHT Milk for children underwent a packaging change to a more convenient pack. Increased marketing activity helped strong year on year growth.

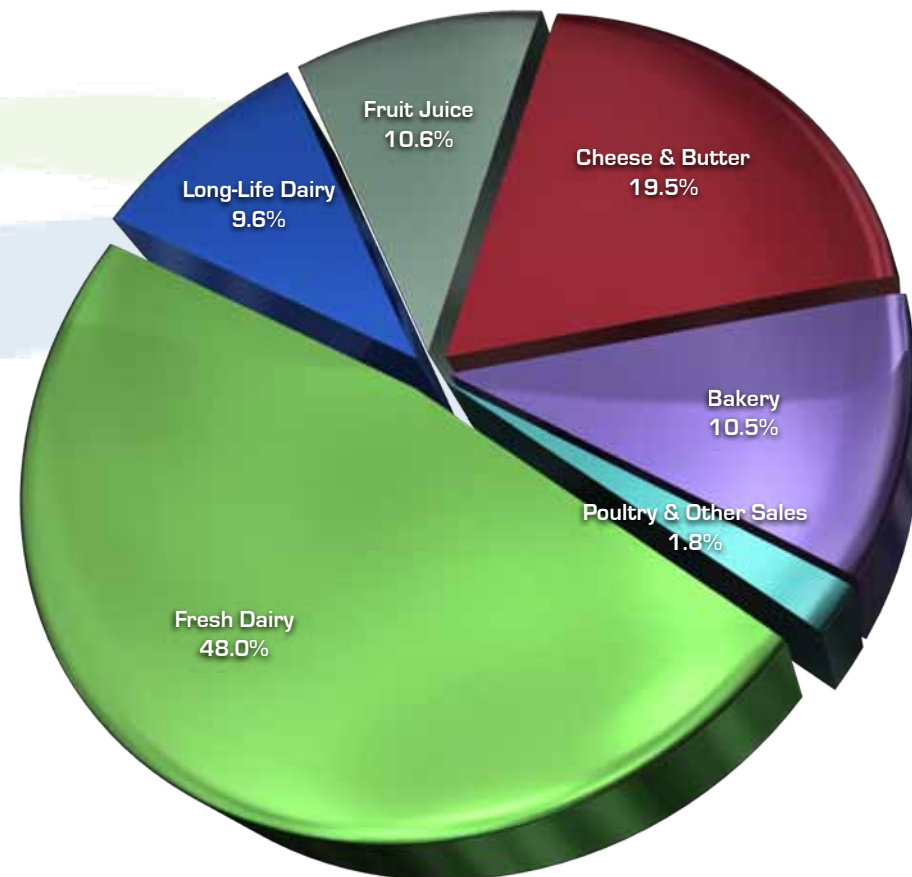
Fruit Juice

Our Fruit Juice celebrated 10 years of consumer engagement in 2009, with sales amounting to SAR 620.2 million. This remarkable performance represents an increase of 28.0% on the prior year.

Consumers have continued to reward Almarai Fruit Juice with increasing sales and strengthened market leadership position.

Continued innovation in this category saw the launch of two new flavours – lemon with mint and fruit cocktail.

Sales by Product Group



Cheese and Butter

This product group includes cheese jars, triangles, slices, tins, square portions, blocks, halloumi, feta, mozzarella, butter and butter ghee.

Being the preferred choice of consumers, sales in this category remained strong, amounting to SAR 1,143.0 million, which represents an increase of 11.2% on the prior year.

As part of our continuous product improvement programme to increase our competitive advantage and market share, a number of products were updated with improved recipes (including gold jar, triangles, and square portions) and redesigned packaging.

Bakery

Sales of Bakery products, including pastry, cakes, biscuits and bread, have continued the pattern of strong growth since the acquisition of Western Bakeries in 2007 and amounted to SAR 618.1 million, which represents an increase of 20.1% on the prior year.

Under the “L’Usine” brand, chocolate, date and kleija flavoured waffles and biscuits were launched and sambosa leaves were re-launched.

2009 also saw the launch of the “7 DAYS” brand, with a range of croissants, layered cakes and swiss rolls from the Modern Food Industries joint venture.

Poultry

The Poultry product range consists of fresh whole birds and value added products.

Sales of Poultry Products for the period 15th October 2009 (the date of acquisition of HADCO) to 31st December 2009 amounted to SAR 44.5 million.

Other Sales

As a result of the acquisition of HADCO, Other Sales include dates, olive oil, onions and potatoes.



OPERATING COSTS

The Direct Material Costs increase of 11.7% reflects a combination of Sales volume increase (15.6%), commodity price increases in the second half of 2009, offset by procurement strategy.

Procurement strategy ensured that the Company took the benefit of reduced world commodity prices for all raw materials in late 2008, early in 2009. A number of key ingredients prices, particularly dairy commodities, increased significantly in the second half of 2009; again procurement strategy has partly offset these increases. Packaging cost 2009, initially at substantially lower levels than 2008, increased during the course of 2009 as a result of changes in petrochemical prices. Animal feed prices 2009, net of subsidies, were in line with our 2008 costs. Direct government subsidies amounted to SAR 93.8 million.

Operating Costs (SAR Million)	Year ended 31 December				
	2009	% of Sales	2008	% of Sales	Change in %
Direct Material Costs	2,486.4	42.4%	2,225.1	44.2%	11.7%
Other Cost of Sales	1,016.6	17.3%	805.8	16.0%	26.2%
Selling and Distribution Expenses	887.1	15.1%	750.9	14.9%	18.1%
General and Administration Expenses	199.7	3.4%	187.1	3.7%	6.8%
Total Operating Costs	4,589.8	78.2%	3,968.9	78.8%	15.6%

DEPRECIATION AND AMORTISATION

With the acquisition of HADCO, our Biological Assets now include Poultry and Plantations of Dates, Grapes and Olives as well as our Dairy Herd. Net Biological Asset appreciation represents the growth in our Biological Assets which is capitalised as a fixed asset in accordance with our accounting policy for Biological Assets, which is in line with SOCPA accounting standards. The accounting policy is outlined in our Financial Statements.

Depreciation of Property, Plant and Equipment increased by SAR 126.2 million due to the ongoing investment in our farming, production and distribution facilities.

Operating Costs may also be viewed by the nature of the expenditure incurred:

Operating Costs (SAR Million)	Year ended 31 December				
	2009	% of Sales	2008	% of Sales	Change in %
Direct Material Costs	2,486.4	42.4%	2,225.1	44.2%	11.7%
Employee Costs	884.5	15.0%	746.7	14.8%	18.5%
Operating Overheads	535.8	9.1%	459.0	9.1%	16.7%
Marketing Expenses	297.4	5.1%	247.3	4.9%	20.3%
Insurance	22.5	0.4%	20.9	0.4%	7.6%
Depreciation and Amortisation	363.2	6.2%	269.9	5.4%	34.6%
Total Operating Costs	4,589.8	78.2%	3,968.9	78.8%	15.6%

SHARE OF RESULTS OF ASSOCIATES

Share of Results of Associates includes the share in Net Income from IDJ, our joint venture with PepsiCo, and Pure Breed Company, acquired as part of the HADCO transaction.

The results from IDJ reflect the start up costs of the joint venture, including significant research investment and the results of Teeba for the second half of 2009.

PAYMENTS TO GOVERNMENT AGENCIES

During the year the following payments were made to Government Agencies:

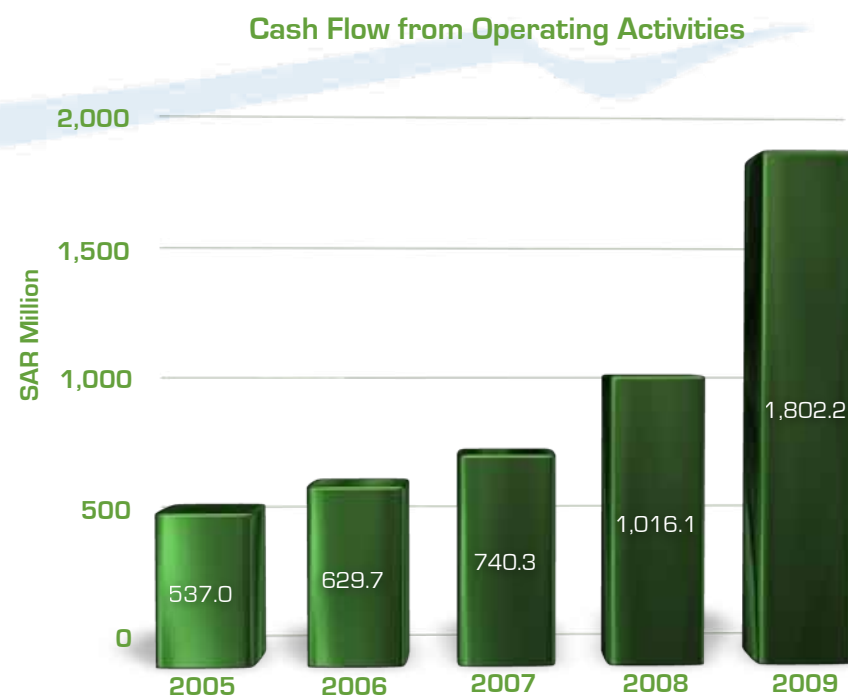
Payments to Government Agencies (SAR Million)	Year ended 31 December	
	2009	2008
Customs duty	89.3	68.2
Zakat	17.6	19.9
G.O.S.I.	20.7	18.7
Ministry Costs	23.2	21.8
Others	2.0	1.6
Total Payments	152.8	130.2

NET INCOME

Net Income increased from SAR 910.3 million in 2008 to SAR 1,096.7 million in 2009. Net Income as a percentage of Sales increased from 18.1% to 18.7%.

CASH FLOWS

Cash Flow Statement (SAR Million)	Year ended 31 December	
	2009	2008
From Operating Activities	1,802.2	1,016.1
Used in Investing Activities	(1,711.0)	(1,572.1)
From Financing Activities	169.9	664.6
Increase / (Decrease) in Cash	261.1	108.6
Cash at Beginning of Period	246.6	138.0
Cash at End of Period	507.7	246.6



The Company achieved a Cash Flow from Operating Activities of SAR 1,802.2 million, an increase of 77.4% from 2008. This Cash Flow result represents 30.7% of Sales and allows Almarai's investment programme of SAR 1.7 billion to be fully financed. Operating Cash Flows are primarily utilised in maintaining and developing the asset base, servicing debt, investment in associated companies and paying Shareholder dividends.

We continue to invest heavily in order to be able to serve future market demand and finance growth in new categories. The level of investment required will continue to remain high to enable us to meet this growth in demand for our products and to continue to be the market leader in the GCC.

Initiatives surrounding inventory and payables have contributed to the reduction of working capital.

The continuing high level of investment reflects the ongoing capital expenditure in our core business, new products such as Poultry and Infant Formula and investment in geographic expansion through IDJ.

Cash Flows from Operating Activities (SAR Million)	Year ended 31 December	
	2009	2008
Net Income	1,096.7	910.3
Depreciation and Amortisation	363.2	269.9
Bank Charges	147.5	125.5
Share of Results of Associates	2.0	-
Change in Employees' Termination Benefits	26.2	23.1
Share of Minority Interest in Net Income of a Consolidated Subsidiary	3.4	0.6
Net Changes in Working Capital	163.2	(313.3)
Net Operating Cash Flows	1,802.2	1,016.1

Investing Cash Flows (SAR Million)	Year ended 31 December	
	2009	2008
Capital Expenditure	(1,334.8)	(1,655.6)
Proceeds from Disposals	107.4	83.5
Investment in Associates	(457.9)	-
Acquisition of Subsidiaries, Net of Cash Acquired	(25.7)	-
Net Investing Cash Flows	(1,711.0)	(1,572.1)

Capital expenditure (SAR Million)	2009						2008
	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Total	Total
Replacement	(124.1)	(12.3)	-	-	-	(136.4)	(131.5)
New Capex	(645.7)	(326.0)	(25.3)	(112.7)	(88.7)	(1,198.4)	(1,524.1)
Total	(769.8)	(338.3)	(25.3)	(112.7)	(88.7)	(1,334.8)	(1,655.6)
Capital Commitment	(677.6)	(370.8)	(6.3)	(43.8)	(457.1)	(1,555.6)	(702.5)

ACQUISITION, GEOGRAPHIC AND MARKET EXPANSION

On 14 February 2009, the Company announced the creation of a joint venture with PepsiCo to explore new business opportunities in dairy and juice products. The new joint venture, called International Dairy and Juice Limited (IDJ), of which Almarai holds 48% (through its subsidiary Almarai Investment Holding W.L.L.), has been incorporated with an initial paid up capital of USD 7.0 million and will focus on opportunities in Southeast Asia, Africa and the Middle East excluding the GCC countries, which are outside the scope of IDJ.

On 29 January 2009, the Company, through its subsidiary Almarai Holding Company W.L.L. completed the acquisition of 75% of Teeba Investment for Developed Food Processing Company (Teeba) in Jordan. An amount of JOD 54.8 million (SAR 271 million) was paid to the founding shareholders. At the same time, Teeba increased its share capital from JOD 12.2 million to JOD 32.2 million. On 3 June 2009, Almarai transferred its 75% investment in Teeba to IDJ for equity and cash.

On 7 June 2009, a new subsidiary, Almarai International Holding W.L.L. was incorporated as a holding Company for the acquisition of the International Company for Agro Industrial Projects (Beyti) in Egypt. The transaction was completed on 30 September 2009 and the Company paid cash consideration of USD 127.1 million (SAR 477.7 million). On 30 December 2009, the Company transferred 100% of Beyti to IDJ for equity and cash.

On 15 October 2009, the Company acquired 100% of the outstanding share capital of HADCO in exchange for 6 million new shares issued by Almarai in the ratio of one new Almarai share for every five HADCO shares and a payment of SAR 0.50 per HADCO share. The net cash consideration amounted to SAR 15.0 million. The total acquisition cost of HADCO including acquisition expenses amounts to SAR 1,081.7 million based on an issued share price of SAR 174.75 at close of market on 14 October 2009.



DIVIDENDS

For 2008, the General Assembly approved, on 23 March 2009, the distribution of a dividend of SAR 3.50 per share amounting to SAR 381.5 million.

For 2009, the Board of Directors is proposing the distribution of a dividend of SAR 4.00 per share amounting to SAR 460.0 million.

Cash Flows used in Financing Activities (SAR Million)	Year ended 31 December	
	2009	2008
Dividends Paid	(380.0)	(270.2)
Distribution to Minority Interest	(0.7)	(0.5)
Borrowings from state financial Institutions		
Repayments	(70.4)	(62.5)
Receipts	132.6	67.0
Borrowings from Islamic banking facilities (Murabaha)		
Repayments	(233.6)	(119.9)
Receipts	861.0	1,167.7
Net Movement on Commercial Borrowings		
Bank Charges	(147.5)	(125.5)
Deferred Charges	8.5	(5.5)
Minority Interest share in Modern Food Industries	-	14.0
Net Financing Cash Flows	169.9	664.6

Our ambitious level of investment developed as part of our Five Year Plan, may limit our ability to pay a high dividend to our Shareholders. Going forward, we will consider alternative dividend policy options, which are in the best interest of the Company and its Shareholders.

As long as our investment levels remain high, Almarai will target a dividend pay out ratio of 30% to 40%.

ZAKAT

Zakat is charged at the higher of Net Adjusted Income or Zakat base as required by the Saudi Arabian Zakat Regulations. In the current year, the Zakat charge is based on the Net Income method.

The Company has filed its Zakat returns for all the years up to 2008 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the Department of Zakat and Income Tax (DZIT) for all the years up to 2006 while the 2007 and 2008 Zakat returns are still under review by the DZIT.

HADCO has filed its Zakat returns for all years up to 31 December 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all years up to 31 December 2002.



BORROWINGS

We have obtained financing in respect of our major investment programs from Government financial institutions in Saudi Arabia, namely the Saudi Industrial Development Fund (SIDF) and the Agricultural Development Fund (ADF). This financing is not commission-bearing and, in the case of SIDF, carries an initial evaluation cost and ongoing follow-up costs. The effective cost of borrowings from SIDF is typically lower than borrowings from commercial banks and is not subject to commission rate risk.

Recognising the need for further finance to fund our future plans, the Company secured an additional SAR 790 million of commercial loan (Murabaha) facilities and an additional SAR 360.7 million of SIDF facilities with a maturity of between three to five years.

The commission rate of more than 50% of these borrowings is on a fixed rate basis.

As at 31st December 2009, SAR 2,515.3 million and SAR 481.8 million of commercial loan facilities and SIDF facilities respectively were unutilised and available for drawdown. Bank charges increased from SAR 125.5 million to SAR 147.5 million mainly due to the increased level of borrowings.





BOARD MEETINGS

During the year we held five board meetings the majority of which were fully attended.

Directors Name and other Public Company Directorships	Independent or Not Independent	No of attendance
HH Prince Sultan bin Mohammed bin Saud Al Kabeer (Chairman of the Board of Almarai) Yamama Cement Company, Arabian Shield Insurance Company	Not Independent	4
Dr. Sami Mohsen Baroom The Savola Group and Arabian Cement Company	Not Independent	4
Abdulrahman bin Abdulaziz Al Muhanna (Managing Director of Almarai) Saudi Fisheries Company	Not Independent	5
Mohammed Abdulrahman Al Damer	Independent	4
Engr. Nasser Mohammed Al Muttawa Arabian Shield Insurance Company	Independent	4
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer Zain KSA	Not Independent	5
Dr. Majed Abdullah Al Gassabi Red Sea Company	Independent	5
Ibrahim Mohammed Al Issa Banque Saudi Fransi, The Savola Group, Taibah for Investments, Yanbu Cement Company	Not Independent	4
Mosa Omran Mohammed Al Omran The Savola Group, Arabian Cement Company, Banque Saudi Fransi	Not Independent	4



The Company's By-Laws stipulate that the appointment of Board members is by a majority vote at the General Assembly Meeting.

Movement in the shareholdings of the Board of Directors	No of Shares held at 31.12.2008	Changes during the year	No of Shares held at 31.12.2009	% of issued share capital
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	33,000,000	-	33,000,000	28.696%
Ibrahim Mohammed Al Issa	1,000	-	1,000	0.001%
Dr. Majed Abdullah Al Gassabi	1,210	(35)	1,175	0.001%
Mohammed Abdulrahman Al Damer	1,000	-	1,000	0.001%
Mosa Omran Mohammed Al Omran	1,157,563	(9,309)	1,148,254	0.998%
Engr. Nasser Mohammed Al Muttawa	143,330	-	143,330	0.125%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	1,000,000	-	1,000,000	0.870%
Dr. Sami Mohsen Baroom	140	-	140	0.000%
Abdulrahman bin Abdulaziz Al Muhanna	850,000	8,000	858,000	0.746%
Total Number of Shares	36,154,243		36,152,899	31.438%

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 2009 and 31 December 2008 along with their balances:

Related Party Relationship (SAR Million)	Nature of Transaction	Amount	Balance at 31 December
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2009

Common Shareholders / Owners	Sales	(257.2)	67.5
Common Shareholders / Owners	Purchases	190.9	(42.4)

2008

Common Shareholders / Owners	Sales	(155.1)	31.4
Common Shareholders / Owners	Purchases	186.0	(46.4)

Entity	Relationship
Savola Group	Common Ownership
Arabian Shield Cooperative Insurance Company	Common Ownership
ARASCO Feed Mills	Common Ownership
Managed Arable Farms	Common Ownership
International Dairy and Juice Limited	Investment in Associate
Pure Breed Company	Investment in Associate

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



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 brands L'Usine and "7 DAYS", poultry products under the HADCO brand, as well as the investment in infant formula and other activities. Selected financial information for the years ended 31 December 2009 and 2008, categorised by segments are as follows:

SAR Million	Dairy & Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Almarai Consolidated
2009						
Sales	5,204.6	646.4	44.5	158.9	-	6,054.4
Third Party Sales	5,177.7	618.1	44.5	28.5	-	5,868.8
Depreciation	(206.6)	(56.5)	(2.7)	(22.2)	-	(288.0)
Share of Results of Associates	(3.4)	-	1.4	-	-	(2.0)
Income before Minority Interest	972.4	139.8	8.4	(7.9)	(12.5)	1,100.2
Share of Net Assets in Associates	455.1	-	29.0	-	-	484.1
Additions to Non-Current Assets	1,537.7	338.3	383.4	847.9	88.7	3,196.0
Non-Current Assets	5,664.0	1,280.6	377.9	922.2	560.6	8,805.3
Total Assets	7,298.0	1,467.1	454.2	1,203.1	564.6	10,987.0
Total Liabilities	(4,666.3)	(218.4)	(70.2)	(131.7)	(500.7)	(5,587.3)
Return on Net Operating Assets	19.8%	23.1%	n/a	n/a	n/a	18.7%
Return on Net Assets	19.0%	12.5%	n/a	n/a	n/a	15.8%
2008						
Sales	4,535.8	537.3	-	-	-	5,073.1
Third Party Sales	4,515.1	514.8	-	-	-	5,029.9
Depreciation	(169.0)	(44.8)	-	-	-	(213.8)
Income before Minority Interest	818.0	106.4	-	-	(13.6)	910.8
Additions to Non-Current Assets	1,717.8	209.4	-	-	-	1,927.2
Non-Current Assets	4,923.8	1,008.5	-	-	489.3	6,421.6
Total Assets	6,556.3	1,135.7	-	-	489.3	8,181.3
Total Liabilities	(3,904.2)	(158.1)	-	-	(487.5)	(4,549.8)
Return on Net Operating Assets	19.4%	25.0%	n/a	n/a	n/a	19.7%
Return on Net Assets	19.3%	11.3%	n/a	n/a	n/a	16.5%

The business activities and operating assets of the Group are mainly concentrated in the GCC countries, and selected financial information as at 31 December 2009 and 2008, categorised by these geographic segments are as follows:

SAR Million	Sales		Non - Current Assets	
	2009	2008	2009	2008
Saudi Arabia	4,061.9	3,453.6	8,246.3	6,332.8
Other GCC Countries	1,744.2	1,510.5	103.9	88.8
Other Countries	62.7	65.8	455.1	-
Total	5,868.8	5,029.9	8,805.3	6,421.6

SUBSIDIARIES

Name of Subsidiary	Country of Incorporation	Business Activity	Direct and Beneficial Ownership Interest		Shares	
			2009	2008	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	Holding Company	100%	-	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	100%	-	SAR 5,000,000	500,000
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	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%	-	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

RISK MANAGEMENT

Risk taking is an integral part of doing business. Risks are managed in our operational processes where risks are identified, probability of occurrence assessed and potential consequences estimated. Actions are then taken to reduce or mitigate the risk exposures and limit potential unfavourable consequences.

We broadly categorise risks into operational risks and financial risks. Our approach to risk management leverages the scale and diversity of our business activities and balances central co-ordination with well defined risk management responsibilities within each operational unit.

Risk Management tools such as reviews, policies, procedures and reports are in place on all major categories of risk including, but not limited to, overall business risk in the Company's operations, treasury risk (including currency and borrowing risks), procurement, insurance and litigation.

Further details on financial risk management can be seen in note 22 of the Consolidated Financial Statements.





CORPORATE GOVERNANCE

Almarai is dedicated to maintaining the highest standards of quality and performance in all of its activities. This applies equally to the area of Corporate Governance, where the Company is committed to best practice principles in all of its dealings. The Company has a comprehensive Corporate Governance policy setting out rules for directors and officers to adhere to, in order to protect and further the interests of the Company and its stakeholders. The Board of Directors, with the assistance of sub-committees like the Audit & Risk Committee, continually support strong corporate governance practices and regularly review the Company's governance and control practices.

Audit & Risk Committee

The Audit & Risk committee is a vital part of Almarai's commitment to strong Corporate Governance. The committee is comprised of three experienced non-executives and reports to the Almarai Board of Directors, and met four times during 2009.

The committee members are:

- a) Dr. Ibrahim Al Madhoun, Chairman
- b) HH Prince Naif bin Sultan Al Kabeer
- c) Hesham Tashkandi

The committee maintains a close oversight of financial, governance and risk related matters in the Company, and monitors audit activities in order to gain sufficient comfort in the adequacy of internal control systems, the safeguards over the assets of the Company and the integrity of the Company's financial statements.

Nomination & Remuneration Committee

In accordance with Capital Market Authority (CMA) requirements, Almarai has constituted a Nomination & Remuneration Committee, in line with the recommendations of the Board of Directors and the approval of the General Assembly. This committee met twice during the year 2009.

The committee members are:

- a) HH Prince Sultan bin Mohammed bin Saud Al Kabeer, Chairman
- b) Abdulrahman bin Abdulaziz Al Muhanna
- c) Mosa Omran Mohammed Al-Omran
- d) Abdulrahman Al Fadley



GENERAL ASSEMBLY MEETING

The Nomination & Remuneration Committee looks at the appointment, composition, capacity and remuneration of the Board of Directors and the senior management of the Company. The purpose of the committee is to ensure that the directors of the Company are able to oversee the affairs of the Company in the interests of all shareholders and that the remuneration paid to directors and senior management is appropriate for the roles performed.

The remuneration of the Chairman, Managing Director and members of the Board in 2009 was SAR 6.3 million. The remuneration paid to the top ten executives in 2009 was SAR 10.2 million.

The Board of Directors will advise the Shareholders of the date of the General Assembly Meeting in due course.

CERTIFICATION

We certify that the internal controls are working effectively, that appropriate accounting records and related documents are maintained and that there are no going concern issues.

The Board of Directors
20th January 2010



success factors

Our Brands and Consumers

Our consumers continue to be at the core of everything we do. We utilise a range of consumer and retail research methodologies and best practices which help us monitor market and consumer trends. This enables us in keeping our efforts continually aligned to what the consumer wants. Their loyalty to both our brands and products, was a fundamental factor in our continued success over the past 12 months.

Milk and Laban is core to the success of Almarai. The growth of these products continues to be strong and market shares in KSA reached record highs in 2009. We continue to be the preferred choice for these products in the GCC. With the launch of the 'Get ready for life' campaign for fresh milk during the last quarter of 2009, we continue to strengthen the bond with our consumer at an emotive level, with the assurance of a "better and healthier life" with Almarai. 2009 also witnessed the re-launch of Almarai Trim in its new packaging, targeted at the weight-conscious consumer. The 'Trim' proposition re-emphasises our efforts towards continually aligning our products to meet the evolving needs of consumer segments.

Zabadi continued its growth in popularity, going from strength to strength within our key market of KSA. As an important product in the Yoghurts & Desserts category, it also achieved a record high market share in KSA. In order to strengthen consumer loyalty, Zabadi packaging was revamped to give it a modern look and feel. We continue to be the preferred choice in Zabadi, Labneh and Gishte categories. We re-energised Almarai Custards which are becoming another high-growth category.

Our Fruit Juice celebrated 10 years of consumer engagement in 2009. Continued innovation in this category saw the launch of two new flavours – lemon with mint and fruit cocktail. Consumers have continued to reward Almarai Fruit Juice with leadership sales and stronger market share position. With thirteen flavours in the market, we remain committed in providing unmatched quality products and innovations.

Almarai Blue Jars continued its leadership in the Jar cheese category. The new irresistible taste of the Gold Jar cheese was well received by consumers taking the market share to newer heights. The Cheddar Block Cheese range got a facelift with the new packaging communicating the superior cheddar taste and raising consumers' value perception. Renewed focus was given to consumers looking for great taste, optimum nutrition and convenient formats easily consumed at all snack times. Products such as Cheese Slices, Halloumi and Cheese Square Portions all continued to deliver from both a value and health perspective.

Our emphasis on cooking ingredients continued in 2009. Tin Cheese, Butter, Butter Ghee, Feta, Mozzarella and Whipping cream all received increased focus to ensure that exciting new product opportunities are available to our consumers.

Young consumers remain one of our key focus areas in 2009. In this critical period, young consumers start to build-up their brand awareness and preference, hence meeting their requirements is a priority for Almarai. Within this category, Cheese Triangles received support from both a product and packaging perspective. Flavoured UHT milk (Maher) consumer activation and engagement programs won huge applause, as did the change to a more convenient pack. Consistent focus on the Zady brand also helped us maintain our lead in this consumer segment.

The Bakery category consolidated its presence in the market in 2009 through enhanced merchandising and distribution strategies, thus increasing the overall share of mind and market share for L'Usine. To meet the increasing expectations of the consumer, a number of initiatives were undertaken. This included the revamp of the Sambosa recipe. In addition, the Waffle category was given a major boost with the launch of additional flavours – Chocolate, Date and Kleija and biscuits were added to the category through the introduction of the 'Cookies' line.

March 2009 witnessed the launch of the 7 DAYS brand from Modern Food Industries, the joint venture with Vivartia, with Chocolate and Strawberry Croissants. Vanilla and Strawberry layered cake were launched in August 2009 followed by Swiss Rolls in October. The 7 DAYS product became an instant success among consumers due to its intrinsic product characteristics - freshness, taste, attractive packaging and value.

In the last quarter of 2009, we entered the Poultry segment through the acquisition of HADCO. The range consists of fresh whole birds and value added products sold under the HADCO brand.

Our People

Almarai believes that our employees are the most valuable asset to the business and that the Company's success over the past few years would not have been achieved without their dedication, commitment and hard work.

To sustain our position as the largest integrated food company in the GCC, we employed 16,042 people, an increase of 33.7% from last year, and this number will continue to grow in line with our business requirements. The momentous growth of business in the past few years has created many human resource challenges. However, by recruiting and retaining the right people, by maintaining a positive work environment, and by developing a winning culture, Almarai's success will continue.

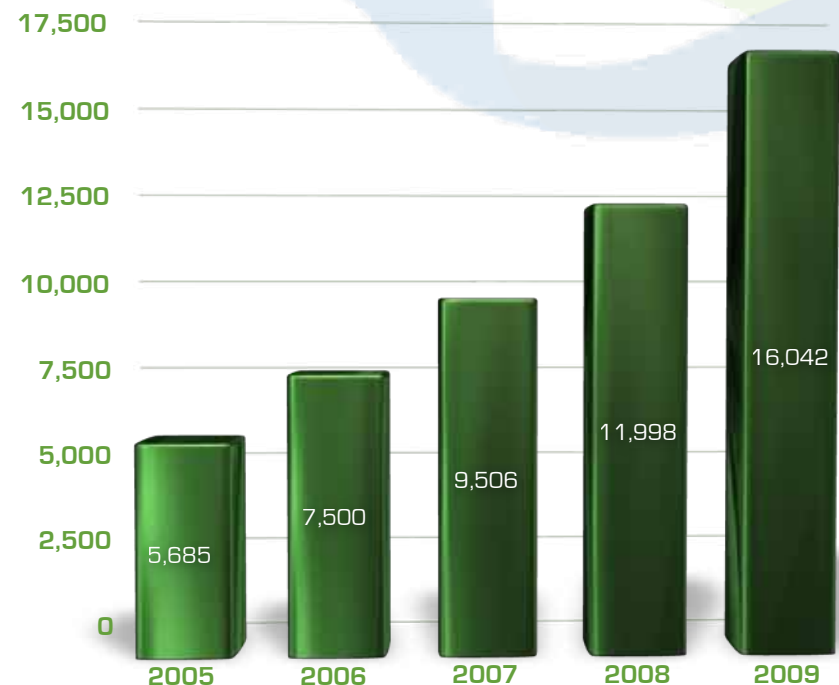
The acquisition of HADCO presented the challenge of integrating their people, processes and culture with our own. Almarai is effectively managing the change for the people of the acquired business and providing the necessary infrastructure to build a positive and healthy environment.

Almarai believes that investing in employees is pivotal to maintaining its competitive advantage. We believe in creating a learning organisation where employees are provided with an opportunity to enhance their competencies required to perform their jobs efficiently and effectively.

Almarai has a strong focus on employing and retaining local nationals and is working with government authorities such as Saudi Human Resource Development Fund and

Technical Vocational Training Corporation to attract, recruit and train young talents for various positions throughout the company. We have commenced the creation of a Polytechnic to develop students to meet the future requirements of the company.

Number of Employees



Quality You Can Trust

An Almarai branded product is a promise to our consumers that our product meets our high standards and their expectations every time. “Quality You Can Trust” remains central to everything that we do; it ensures we exceed our consumer’s expectations every time, it ensures compliance with regulations, it ensures we maintain our competitive advantage and ultimately, it protects our brand that we have developed over 3 decades.

We recognise that to achieve this requires a strong quality culture throughout our organisation and particularly so with our new acquisitions. A quality culture is a commitment to continually raising standards to be the best. Focus on developing our quality culture has continued throughout 2009 through the continued development of internationally recognised integrated quality management systems and certification to world recognised food safety standards.

New Product Development

Almarai Innovation Management (AIM) celebrated its first anniversary at the end of 2009. Its introduction has allowed us to focus on efficiently delivering innovative products that exceed consumer expectations and achieve maximum value. It was further developed to achieve international packaging development standards and processes across the entire group.

In 2009, the focus has been largely on renovation excellence to further strengthen our core products and their corresponding market share, whilst ensuring improved margin delivery. This has been supported by the inauguration of a fully equipped sensory centre, trained sensory panels, in-house consumer panels and specialised development resources.



Infrastructures and Resources

Sales

Despite 2009 being a year of worldwide economic difficulties Almarai was able to continue its trend of strong performance with 15.6% volume growth, gaining market share in almost all categories across the GCC. A significant contributing factor to this performance was the benefit from the investment in depot facilities. This was particularly evident where new depots have been recently commissioned - Baljurashi, Buraidah and Riyadh - all showing well above average performance.

Another important contributor has been our attention to in-store presentation. The implementation of computer aided plano-gram designs has allowed us to increase sales and reduce wastage. Shop fridge placement has also progressed with improved designs being developed capable of both maintaining the cold-chain integrity, whilst attractively presenting our products. Three out of every four shops now have an Almarai branded fridge.

In order to handle these ever growing volumes, a further 252 new routes were added during the year taking Almarai to a total of 1,402 by the end of 2009.

A co-ordinated and comprehensive focus on product availability has resulted in improvements through all channels; not only increasing the availability of Almarai products to consumers, but reducing wastage caused by overstocking. Our information technology system now provides clear guidance as to exactly what is required every day in each outlet. This along with other supply chain enhancements has allowed Almarai to better serve its customers than ever before.

The consolidation of the retail trade has continued as expected with several small and medium sized customers closing their businesses as they became uncompetitive. This is indicative of the tough economic climate in which we all currently operate.



Operations

In 2009 Almarai has made further investment in its manufacturing and distribution infrastructure, expanding capacity in its core products, bottle manufacture and warehousing expansion in order to meet demand.

Our Long Haul Fleet travelled some 94 million kilometres in 2009, dispatching more than 76 million crates of refrigerated products and some 33 million cases of long life products throughout the GCC to Almarai distribution centres.

Our peak daily production again exceeded all expectations by reaching more than 2.8 million litres processed in 24 hours.

Farming

Several expansion projects were completed during 2009, ensuring that Almarai's future milk requirement will be met.

Additional livestock accommodation was built to provide housing for the existing dairy herd of 62,000 milking cows, currently producing a rolling herd average (RHA) of 12,800 litres per cow. Only cows that are healthy and comfortable are able to produce these large volumes of high quality milk. Animal welfare and cow health is a priority as high production and efficiency can only be achieved if high standards in feeding, cow comfort and preventative health are present.

Consequently facilities are designed, built and maintained to maximise cow comfort by providing a temperature controlled environment, soft dry bedding and a constant supply of clean drinking water and fresh food.

In addition to the 26,328 hectares owned by HADCO, an extra 14,000 hectares of arable land was secured and planted to produce alfalfa and maize forage to feed the dairy herd.





Bakeries

With the growing demand for our bakery products, including several line extensions, further investments were made in manufacturing infrastructure. Future growth will be catered from a state-of-the-art bakery plant currently being built in Al Kharj.

The commissioning of the Modern Food Industries plant in Jeddah brought the “7 DAYS” brand into the market.

In-store display was improved through the distribution of branded merchandising stands. This resulted in a higher level of brand recognition as a result of enhanced visibility in all outlets.

Poultry

With the acquisition of HADCO in October 2009, Almarai has established a separate Poultry Division in its management structure. As part of our integration plans, we are implementing Almarai’s sales and distribution systems and processes into the division. Leveraging off the integral parts that makes Almarai successful, was and will continue to be a key focus for HADCO. Ambitious expansion plans are being formulated to significantly grow this business, which will include the construction of chicken breeding and broiler houses, and a new state-of-the-art chicken processing factory.



Corporate Social Responsibility

Almarai has been a positive contributor to society which stems from its belief in the importance of social responsibility. Almarai's vision is based on its direct commitment towards the family in the Middle East and consequently towards society. The Company has been proactively engaged in the community through direct charitable donations and vital sponsorships of events supporting social causes.

Some of the welfare societies that Almarai supports include: Orphan Welfare Society (Ensan), Down Syndrome Charitable Association, Saudi Autism Organization, the Saudi Breast Cancer Society (Zahra) and the Saudi Blindness Welfare.

Almarai supports benevolent societies including the Bin Baz Charitable Project to Assist Young People in Marriage which facilitated the largest group marriage that ever took place in Saudi Arabia. The event helped in increasing access to marriage for men with limited means.

In support of further education, in partnership with the King Abdulaziz City for Science and Technology, Almarai launched the Award for Scientific Creativity to encourage scientific research which will benefit society as a whole.

In conjunction with the Arab Bureau for Education at the Gulf Cooperation Council, Almarai sponsored a Scholastic Excellence Award for publicly educated students. The award was presented in the Kingdom of Bahrain where Almarai recognised 42 students from all levels of public education in the Gulf region.

The Company also organises an annual children's painting award to encourage and develop creativity.

These are just few examples of the Company's social and benevolent activities. Almarai believes that by giving something back to the community in which we operate, we all will benefit in the longer term.

key financial highlights

Key Financial Highlights (SAR Million)	Year Ended 31 December				
	2009	2008	2007	2006	2005
Operational Performance					
Total Sales	5,869	5,030	3,770	2,757	2,146
Cost of Sales	(3,503)	(3,031)	(2,276)	(1,682)	(1,299)
Gross Profit	2,366	1,999	1,494	1,075	847
Selling and Distribution Expenses	(887)	(751)	(570)	(423)	(322)
General and Administration Expenses	(200)	(187)	(143)	(117)	(93)
Share of Results of Associates	(2)	-	-	-	-
Financing Cost and Bank Charges	(148)	(125)	(95)	(56)	(36)
Income before Zakat	1,129	936	686	479	396
Zakat	(29)	(25)	(18)	(14)	(10)
Minority Interest	(3)	(1)	(1)	(0)	-
Net Income	1,097	910	667	465	386
Balance Sheet					
Net Operating Working Capital	711	837	561	249	168
Property, Plant and Equipment	6,282	4,704	3,553	2,719	2,120
Biological Assets	735	639	488	327	276
Net Operating Assets	7,728	6,180	4,602	3,295	2,564
Intangible Assets - Goodwill	793	549	549	-	-
Investment and Financial Assets	995	529	471	-	-
Net Assets	9,517	7,258	5,622	3,295	2,564
Net Debt	3,951	3,499	2,463	1,315	1,069
Employee Termination Benefits	166	128	105	82	66
Shareholders' Equity	5,383	3,617	3,054	1,898	1,429
Minority Interest	17	14	0	-	-
Net Capital Employed	9,517	7,258	5,622	3,295	2,564
Cash Flow					
Cash Flow from Operating Activities	1,802	1,016	740	630	537
Cash Flow used in Investing Activities	1,711	1,572	1,488	824	614
Dividend Paid	380	270	199	-	250
Key Indicators					
Return on Sales	18.7%	18.1%	17.7%	16.9%	18.0%
Return on Equity*	25.6%	27.3%	23.6%	27.9%	28.4%
Return on Net Operating Assets*	18.7%	19.7%	19.8%	18.3%	18.7%
Return on Net Assets*	15.8%	16.5%	17.5%	18.3%	18.7%
Net Debt to Equity Ratio	73.4%	96.7%	80.7%	69.3%	74.8%
Current Ratio	151.5%	136.5%	161.6%	141.2%	118.6%
Revenue Growth Rate	16.7%	33.4%	36.7%	28.5%	13.8%
Dividends Payout Ratio**	41.9%	41.7%	40.5%	42.9%	-
Shares Issued (in millions)	115	109	109	100	100
Earnings per Share (SAR)	9.95	8.35	6.12	4.65	3.86
Dividend Proposed	460	-	-	-	-

* 2009 calculated on quarterly average. All other years based on average of opening and closing balances.

** Calculated on previous year's net income and for 2009 based on the proposed dividend.

AUDITORS' REPORT TO THE SHAREHOLDERS
OF ALMARAI COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT:

We have audited the accompanying consolidated balance sheet of Almarai Company, a Saudi Joint Stock Company (the Company), and its subsidiaries (the Group) as of 31 December 2009 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. 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 statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

UNQUALIFIED OPINION:

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

- i) present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2009 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young



Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277
Riyadh: 5 Safar 1431H
[20 January 2010]



consolidated balance sheet

Consolidated Balance Sheet	Notes	2009 SAR '000	2008 SAR '000
ASSETS			
<u>Current Assets</u>			
Cash and Cash Equivalents	5	507,666	246,585
Derivative Financial Instruments	23	-	6,648
Receivables and Prepayments	6	455,492	409,777
Inventories	7	1,218,575	1,096,723
Total Current Assets		2,181,733	1,759,733
<u>Non Current Assets</u>			
Investments and Financial Assets	8	963,131	489,337
Property, Plant and Equipment	9	6,282,208	4,704,573
Biological Assets	10	734,689	638,735
Intangible Assets - Goodwill	11	793,468	548,636
Deferred Charges		31,766	40,270
Total Non Current Assets		8,805,262	6,421,551
TOTAL ASSETS		10,986,995	8,181,284
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
Short Term Loans	12	395,534	511,165
Payables and Accruals	13	962,585	669,558
Derivative Financial Instruments	23	82,153	108,072
Total Current Liabilities		1,440,272	1,288,795
<u>Non Current Liabilities</u>			
Long Term Loans	12	3,981,193	3,132,956
Employees' Termination Benefits		165,814	128,041
Total Non Current Liabilities		4,147,007	3,260,997
<u>Shareholders' Equity</u>			
Share Capital	14	1,150,000	1,090,000
Share Premium		1,600,500	612,000
Statutory Reserve		526,361	416,689
Other Reserves		(81,390)	(83,161)
Retained Earnings		2,187,164	1,581,614
Total Shareholders' Equity		5,382,635	3,617,142
Minority Interest		17,081	14,350
TOTAL LIABILITIES AND EQUITY		10,986,995	8,181,284

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

consolidated statement of income

Consolidated Statement of Income	Notes	2009 SAR '000	2008 SAR '000
Sales	15	5,868,805	5,029,904
Cost of Sales	16	(3,503,013)	(3,030,947)
Gross Profit		2,365,792	1,998,957
Selling and Distribution Expenses	17	(887,147)	(750,878)
General and Administration Expenses	18	(199,735)	(187,108)
Income before Bank Charges, Zakat and Minority Interest		1,278,910	1,060,971
Share of Results of Associates	8	(2,003)	-
Bank Charges		(147,518)	(125,489)
Income from Main and Continuing Operations		1,129,389	935,482
Zakat	19	(29,229)	(24,662)
Income before Minority Interest		1,100,160	910,820
Minority Interest		(3,438)	(558)
Net Income for the Year		1,096,722	910,262
Earnings Per Share (SAR)	20		
Attributable to Income from Main and Continuing Operations		10.24	8.58
Attributable to Net Income for the Year		9.95	8.35

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

consolidated statement of cash flows

Consolidated Statement of Cash Flows	Notes	2009 SAR '000	2008 SAR '000
OPERATING ACTIVITIES			
Net Income for the Year		1,096,722	910,262
Adjustments for:			
Depreciation of Property, Plant and Equipment	21	505,201	378,968
Net Appreciation of Biological Assets	21	(217,175)	(165,142)
Profit on Sale of Property, Plant and Equipment	21	(3,636)	(1,093)
Loss on Sale of Biological Assets	21	78,819	57,179
Bank Charges		147,518	125,489
Share of Results of Associates		2,003	-
Change in Employees' Termination Benefits		26,202	23,138
Share of Minority Interest in Net Income of Consolidated Subsidiaries		3,438	558
Changes in:			
Receivables and Prepayments		26,086	(41,967)
Inventories		(32,779)	(363,150)
Payables and Accruals		169,757	91,894
Cash Flows from Operating Activities		1,802,156	1,016,136
INVESTING ACTIVITIES			
Additions to Property, Plant and Equipment	9	(1,334,987)	(1,533,517)
Additions / (Purchase Price Rebates) to Biological Assets	10	183	(122,102)
Proceeds from the Sale of Property, Plant and Equipment	21	16,216	3,964
Proceeds from the Sale of Biological Assets	21	91,180	79,567
Investments in Associates	8	(457,864)	-
Acquisition of Subsidiaries, Net of Cash Acquired		(25,730)	-
Cash Flows used in Investing Activities		(1,711,002)	(1,572,088)
FINANCING ACTIVITIES			
Increase in Loans		689,625	1,052,345
Dividends Paid		(379,977)	(270,173)
Distribution to Minority Interests		(707)	(543)
Bank Charges		(147,518)	(125,489)
Change in Deferred Charges		8,504	(5,578)
Minority Interest Share in Modern Food Industries		-	14,000
Cash Flows from Financing Activities		169,927	664,562
Increase in Cash and Cash Equivalents		261,081	108,610
Cash and Cash Equivalents at 1 January		246,585	137,975
Cash and Cash Equivalents at 31 December	5	507,666	246,585

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

consolidated statement of changes in equity

Consolidated Statement of Changes in Equity	Attributable to equity holders of the parent						Minority Interest	Total Equity
	Share Capital	Share Premium	Statutory Reserve	Other Reserves	Retained Earnings	Total Shareholders' Equity		
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance at 1 January 2008	1,090,000	612,000	325,663	(9,095)	1,034,878	3,053,446	335	3,053,781
Net Income for the Year	-	-	-	-	910,262	910,262	558	910,820
Transfers from Retained Earnings	-	-	91,026	-	(91,026)	-	-	-
Net Movement on Financial Investments	-	-	-	18,263	-	18,263	-	18,263
Distribution to Minority Interests	-	-	-	-	-	-	(543)	(543)
Dividends Approved	-	-	-	-	(272,500)	(272,500)	-	(272,500)
Net Movement on Cash Flow Hedges	-	-	-	(92,329)	-	(92,329)	-	(92,329)
Minority Interest Share in Modern Food Industries	-	-	-	-	-	-	14,000	14,000
Balance at 31 December 2008	1,090,000	612,000	416,689	(83,161)	1,581,614	3,617,142	14,350	3,631,492
Net Income for the Year	-	-	-	-	1,096,722	1,096,722	3,438	1,100,160
Transfers from Retained Earnings	-	-	109,672	-	(109,672)	-	-	-
Net Movement on Financial Investments	-	-	-	(17,500)	-	(17,500)	-	(17,500)
Distribution to Minority Interests	-	-	-	-	-	-	(707)	(707)
Dividends Approved	-	-	-	-	(381,500)	(381,500)	-	(381,500)
Net Movement on Cash Flow Hedges	-	-	-	19,271	-	19,271	-	19,271
Share Capital Issued	60,000	988,500	-	-	-	1,048,500	-	1,048,500
Balance at 31 December 2009	1,150,000	1,600,500	526,361	(81,390)	2,187,164	5,382,635	17,081	5,399,716

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

notes to the consolidated financial statements

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 Dī' Hijjah 1411 A.H. [1 July 1991] and 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 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 United Arab Emirates (UAE). Final consumer products are distributed from the 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 Ltd.
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 2 Safar 1430 AH [28 January 2009], a new subsidiary, Almarai Investment Holding W.L.L. was incorporated as a holding company for the joint venture with PepsiCo.

On 19 Safar 1430 AH [14 February 2009], the Company announced the creation of a joint venture with PepsiCo to explore new business opportunities in dairy and juice products. The new joint venture, called International Dairy and Juice Limited (IDJ), held 52% by PepsiCo and 48% by Almarai (through its subsidiary Almarai Investment Holding W.L.L.), has been incorporated with an initial paid up capital of USD 7 million and will focus on opportunities in Southeast Asia, Africa and the Middle East excluding the Gulf Cooperation Council Countries.

On 3 Safar 1430 A.H. [29 January 2009], the Company completed the acquisition of 75% of Teeba Investment for Developed Food Processing Company ("Teeba") in Jordan. An amount of JOD 54.8 million [SAR 271 million] was paid to the founding shareholders. At the same time, the Company increased its share capital from JOD 12.2 million to JOD 32.2 million. On 10 Jumada II 1430 A.H. [3 June 2009] the Company transferred its 75% investment in Teeba to IDJ for equity and cash. IDJ paid up capital has been increased from USD 7.0 million to USD 108.4 million.

On 20 Dhul-Qa'da 1430 A.H. [8 November 2009] IDJ increased its paid up capital from USD 108.4 million to USD 127.0 million.

On 14 Jumada II 1430 A.H. [7 June 2009], a new subsidiary, Almarai International Holding W.L.L. was incorporated as a holding company for the acquisition of the International

Company for Agro Industrial Projects (Beyti) in Egypt. The transaction was completed on 11 Shawwal 1430 A.H. (30 September 2009) and the Company paid cash consideration of USD 127.1 million (SAR 477.7 million). On 13 Muharam 1431 A.H. (30 December 2009), the company transferred 100% of Beyti to IDJ for equity and cash. As a consequence the paid in capital of IDJ increased from USD 127.0 million to USD 254.0 million.

On 26 Shawwal 1430 A.H. (15 October 2009) the Company acquired 100% of the outstanding share capital of HADCO in exchange for 6 million new shares issued by Almarai in the ratio of one new Almarai share for every five HADCO shares and a payment of SAR 0.50 per HADCO share. The total acquisition cost of HADCO including acquisition expenses amounts to SAR 1,081.7 million based on an issued share price of SAR 174.75 at close of market on 25 Shawwal 1430 A.H. (14 October 2009).

On 25 Rajab 1430 A.H. (18 July 2009) Almarai Baby Food Company Limited was incorporated (which is 100% owned by the Group) with the objective of manufacturing and trading baby food products.

Details of the subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Direct and Beneficial Ownership Interest		Shares	
			2009	2008	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	Holding Company	100%	-	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	100%	-	SAR 5,000,000	500,000
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	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%	-	BHD 250,000	2,500
Almarai Investment Holding W.L.L.	Bahrain	Holding Company	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

2. Basis of Accounting, Preparation, Consolidation and Presentation of Consolidated Financial Statements

- (a) The 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 year comparatives have been regrouped or adjusted on a basis consistent with current year classification. Any adjustments are considered immaterial in the context of these consolidated financial statements.
- (c) These 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, 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 consolidated financial statements are prepared on the basis of the individual financial statements of the company and the audited 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 consolidated statement of income and within equity in the consolidated balance sheet.
- (d) 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 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. 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

C. Cash and Cash Equivalents

For the purposes of the 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.

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 or more than three months due. Bad debts are written off as incurred.

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. 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.

G. 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.

H. 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 and Equipment	5% - 33%
Motor Vehicles	15% - 25%
Land is not depreciated	

I. 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 based on commercial production periods ranging from 36 weeks to 50 years. Biological assets are depreciated 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%

J. 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 consolidated statement of income.

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 consolidated statement of income.

K. 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 statement of income as appropriate.

The functional currencies of Bahrain operations for Almarai Company Bahrain S.P.C, Almarai Investment Holding Company W.L.L., Almarai International Holding W.L.L. is 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 (SAR) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year.

L. 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 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 respective GCC countries.

M. 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.

N. 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.

O. Management Fees

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

P. 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.

Q. Operating Leases

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

R. Investments in Securities

Investments in securities are measured and carried in the 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 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 investments.

S. Investments in Associates

The investments in associates are accounted for under the equity method of accounting when the Company exercises significant influence over the entity and where the entity is neither a subsidiary nor a joint venture. Investments in associates are carried in the balance sheet at cost, plus postacquisition changes in the Company's share of net assets of the associates, less any impairment in value. The income statement reflects the Company's share of the results of its associates. Unrealised 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.

T. 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 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 consolidated statement of income, or the underlying asset purchased that was subject to the hedge.

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

U. 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.

V. Segmental Reporting

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

4. Business Combination

Acquisition of Hail Agricultural Development Company (HADCO)

On 26 Shawwal 1430 A.H. (15 October 2009), the Company acquired 100% of the share capital of HADCO, a company engaged in the production of a variety of agricultural products as well as the manufacture and distribution of poultry products for a purchase consideration of SAR 1,081.7 million. These consolidated financial statements include the results of HADCO for the period from 15 October 2009 as the Company effectively obtained control of HADCO from that date.

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

Fair Value Recognised on Acquisition	SAR '000
Assets	
Investments	35,433
Fixed Assets	809,390
Inventories	89,073
Receivables and Prepayments	71,800
Bank Balances and Cash	7,511
	<u>1,013,207</u>
Liabilities	
Payables and Accruals	121,747
Short Term Loans	37,230
Long Term Loans	5,750
Employees' Termination Benefits	11,571
	<u>176,298</u>
Total Identifiable Net Assets at Fair Value	836,909
Goodwill Arising on Acquisition	<u>244,832</u>
Purchase Consideration Transferred	<u>1,081,741</u>

The total acquisition cost of SAR 1,081.7 million comprised an issue of shares, cash and costs directly attributable to the combination. The Company issued 6 million ordinary shares with a fair value of SAR 174.75 each, being the published price of the shares of the Company at the date of exchange.

	SAR '000
Total Acquisition Cost	
Shares Issued, at Fair Value	1,048,500
Cash Consideration	15,000
Costs Associated with the Acquisition	18,241
Total	1,081,741
Cash Outflow on Acquisition	
Net Cash Acquired with the Subsidiaries	7,511
Cash Paid	(33,241)
Net Cash Outflow	(25,730)

The goodwill is attributable to the position of the poultry and agricultural businesses in their respective markets and their projected cash flows expected to arise after acquisition by the Company.

The fair valuation adjustments to HADCO's assets and liabilities are as follows:

- A. Land
Land has been fair valued based on a combination of third party valuation and recent local land sales.
- B. Inventories have been fair valued as follows:
- finished goods at selling prices less the cost of disposal and a reasonable profit allowance for the selling effort of the acquirer based on profit for similar finished goods;
 - work in progress at the selling prices of finished goods less the sum of (1) costs to complete, (2) costs of disposal and (3) a reasonable profit allowance for the completing and selling effort based on profit for similar finished goods; and
 - raw materials at current replacement costs less any provision made for obsolescence.

C. Receivables and Prepayments

The fair value of receivables and prepayments amounts to SAR 71.8 million. The gross amount of receivables and prepayments amounts to SAR 113.2 million and a provision for doubtful amounts has been made in accordance with the Company's accounting policies.

From the date of acquisition, HADCO has contributed SAR 72.9 million of revenue and SAR 3.1 million to the net income of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been SAR 223.4 million and the profit from continuing operations for the Group would have been SAR 19.3 million.

	2009 SAR '000	2008 SAR '000
5. Cash and Cash Equivalents		
Cash at Bank	437,823	191,272
Cash in Hand	69,843	55,313
Total	507,666	246,585

Cash at bank includes SAR 248.9 million received on 31 December 2009 for the sale of Beyti to IDJ.

6. Receivables and Prepayments

Trade Accounts Receivable:		
- Third Parties	376,945	309,422
- Related Parties (Refer to note 26)	67,464	31,357
	444,409	340,779
Less: Provision for Impairment of Trade Receivables	(56,728)	(11,726)
Less: Provision for Sales Returns	(11,331)	(10,039)
Net Accounts Receivable	376,350	319,014
Prepayments	79,142	90,763
Total	455,492	409,777

A. The Group's policy is to provide 100% impairment provision for all trade receivables due over three months. As at 31 December 2009, trade receivables more than three months due and impaired were SAR 56.7 million (2008: SAR 11.7 million). Except for the provision of SAR 41.4 million relating to HADCO trade receivables acquired 15 October 2009 the movement in the group provision for impairment was not significant.

	2009 SAR '000	2008 SAR '000
Trade Accounts Receivable		
Up to 3 months	387,681	329,053
More than 3 months	56,728	11,726
Total	444,409	340,779

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

C. Provision for sales returns is calculated based on the forecasted return of expired products in line with the Group's product return policy.

7. Inventories

	2009 SAR '000	2008 SAR '000
Raw Materials	874,765	839,688
Finished Goods	201,455	163,077
Spares	102,883	57,497
Work in Progress	39,472	36,461
Total	1,218,575	1,096,723

8. Investments and Financial Assets

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

		2009 SAR '000	2008 SAR '000
International Dairy and Juice Limited (IDJ Limited)	48.0%	455,080	-
Pure Breed Company (PB Company)	21.5%	29,050	-
Zain Equity Investment	2.5%	355,250	372,750
Zain Subordinated Founding Shareholders' Loan	-	109,587	109,587
Jannat for Agricultural Investment Company	10.0%	7,000	7,000
National Seeds and Agricultural Services Company	7.0%	2,064	-
United Dairy Farms Company	8.3%	600	-
National Company for Tourism	1.1%	4,500	-
Total		963,131	489,337

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

	IDJ Limited SAR '000	PB Company SAR '000	Total SAR '000
Balance at 1 January 2009	-	-	-
Add : Capital Introduced	458,451	28,269	486,720
Less : Distributions	-	(587)	(587)
: Share of Results for the Year	(3,371)	1,368	(2,003)
Balance at 31 December 2009	455,080	29,050	484,130

Pure Breed Company is an associate company of HADCO. The capital introduced represents the fair value of the investment at the date of acquisition of HADCO by the Group.

(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 31 December 2009 of SAR 10.15. This has

resulted in an unrealised gain of SAR 0.8 million which is included 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 27th July 2012 in order to enable ZAIN KSA to refinance its existing debts.

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

9. Property, Plant and Equipment

	Land and Buildings (a)	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Total 2009	Total 2008
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost						
At the beginning of the year	1,845,431	2,971,227	609,186	1,139,150	6,564,994	5,127,308
Acquisition of Subsidiaries	915,798	457,390	45,588	25,667	1,444,443	-
Additions during the year	14,544	78,262	41,676	1,200,505	1,334,987	1,533,517
Transfers during the year	630,101	782,702	174,291	(1,587,094)	-	-
Disposals during the year	(2,981)	(61,384)	(37,848)	-	(102,213)	(95,831)
At the end the year	3,402,893	4,228,197	832,893	778,228	9,242,211	6,564,994
Accumulated Depreciation						
At the beginning of the year	342,724	1,235,775	281,922	-	1,860,421	1,574,413
Acquisition of Subsidiaries	232,962	419,602	31,450	-	684,014	-
Depreciation for the year	77,238	328,328	99,635	-	505,201	378,968
Disposals during the year	(1,697)	(53,469)	(34,467)	-	(89,633)	(92,960)
At the end of the year	651,227	1,930,236	378,540	-	2,960,003	1,860,421
Net Book Value						
At 31 December 2009	2,751,666	2,297,961	454,353	778,228	6,282,208	
At 31 December 2008	1,502,707	1,735,452	327,264	1,139,150		4,704,573

(a) Land and Buildings include land granted to a subsidiary of the company at a historic fairvalue of SAR 61.0 million

10. Biological Assets

	Mature Dairy	Immature Dairy	Mature Poultry	Immature Poultry	Mature Plantations	Immature Plantations	Total 2009	Total 2008
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost								
At the beginning of the year	518,817	302,400	-	-	-	-	821,217	611,283
Acquisition of Subsidiaries	-	-	9,176	4,195	11,531	33,400	58,302	-
Additions / (Purchase Price Rebates) during the year	(465)	-	-	-	-	282	(183)	122,102
Appreciation	-	309,488	-	3,576	-	-	313,064	271,589
Transfers during the year	253,706	(253,706)	3,756	(3,756)	4,045	(4,045)	-	-
Disposals during the year	(152,259)	(76,504)	-	-	-	(1,071)	(229,834)	(183,757)
At the end the year	619,799	281,678	12,932	4,015	15,576	28,566	962,566	821,217
Accumulated Depreciation								
At the beginning of the year	182,482	-	-	-	-	-	182,482	123,046
Acquisition of Subsidiaries	-	-	5,292	-	4,049	-	9,341	-
Depreciation for the year	93,042	-	2,789	-	58	-	95,889	106,447
Disposals during the year	(59,835)	-	-	-	-	-	(59,835)	(47,011)
At the end of the year	215,689	-	8,081	-	4,107	-	227,877	182,482
Net Book Value								
At 31 December 2009	404,110	281,678	4,851	4,015	11,469	28,566	734,689	
At 31 December 2008	336,335	302,400	-	-	-	-		638,735

11. Intangible Assets - Goodwill

	2009 SAR '000	2008 SAR '000
Western Bakeries and International Baking Services	548,636	548,636
HADCO	244,832	-
Total	793,468	548,636

The goodwill noted above arose from the acquisition of Western Bakeries Limited and International Baking Services Limited in 2007 and HADCO in 2009 ("the Subsidiaries").

Goodwill is subject to impairment testing. Western Bakeries and International Baking Services Limited form part of the Bakery Products reporting segment, while HADCO represents part of both the Dairy and the Poultry reporting segments.

Assets are tested for impairment by comparing the residual carrying amount of each cash-generating unit to the recoverable amount. For Western Bakeries Limited and International Baking Services Limited the recoverable amount 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 income of the final year in the forecast period. The recoverable amount for HADCO has been determined based on a fair value less costs to sell calculation.

Key Assumptions Used in Value in Use Calculations

Management determined forecast sales growth and gross margin based on past performance and its expectations of market development. The discount rates reflect management's estimate of the specific risks relating to the segment. Estimates for raw material price inflation have been made based on the publicly available information in 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 cost of sales inflation used to extrapolate cash flows beyond the budget period.

Sensitivity to Changes in Assumptions – Western Bakeries

With regard to the assessment of the value in use, management believes that no reasonable 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 in 2009 is 22% and in the forecast period has been estimated to be a compound annual growth of 29%. All other assumptions kept the same; a reduction of this growth rate to 17% would give a value in use equal to the current carrying amount.

(b) Cost of Sales Inflation

The current cost of sales in 2009 is 37% and in the forecast period has been estimated at an average of 39%. All other assumptions kept the same; an increase in the rate to an average of 60% would give a value in use equal to the current carrying amount.

Key Assumptions Used in Fair Value Calculations

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

The recent best evidence of HADCO's fair value less costs to sell is the arm's length price paid to acquire HADCO adjusted for disposal costs. The cost of disposal has been determined to be insignificant, therefore, fair value less cost to sell is the same as the purchase price paid by the Group.

12. Term Loans

	2009 SAR '000	2008 SAR '000
Islamic Banking Facilities (Murabaha)	3,756,739	3,078,796
Saudi Industrial Development Fund	612,270	554,890
Agricultural Development Fund	7,718	10,435
Total	4,376,727	3,644,121

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

B. The borrowings from the Saudi Industrial Development Fund (SIDF) are secured as follows:

- (i) in respect of borrowings amounting to SAR 612.3 million for 31 December 2009 (2008: SAR 554.9 million) by a mortgage on specific assets;
- (ii) in respect of uncollateralised borrowings, no payment guarantee was given for both the years ended 31 December 2009 and 2008.

C. The borrowings from Agricultural Development Fund are secured by a bank payment guarantee.

D. Maturity of Financial Liabilities:

	Facilities available at 31 December 2009 SAR '000	2009 SAR '000	2008 SAR '000
Less than one year	440,600	395,534	511,165
One to two years	3,231,845	1,452,227	1,617,148
Two to five years	3,329,413	2,527,966	1,500,488
Greater than five years	371,980	1,000	15,320
Total	7,373,838	4,376,727	3,644,121

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

During 2009 the group secured an additional SAR 790 million of commercial loan facilities with maturities between three to five years (2008: SAR 1,700.0 million).

As at 31 December 2009 SAR 2,515.3 million Islamic Banking Facilities (Murabaha) were unutilized and available for drawdown (2008: SAR 1,729.8 million).

As at 31 December 2009 the Group had SAR 481.8 million of unutilized SIDF facilities available for draw down with maturities predominantly greater than five years (2008: SAR 581.4 million).

13. Payables and Accruals

	2009 SAR '000	2008 SAR '000
Trade Accounts Payable - Third Parties	427,854	350,098
- Related Parties (Refer note 26)	42,425	46,360
Other Payables	431,790	250,318
Zakat Provision (Refer note 19)	60,516	22,782
Total	962,585	669,558

14. Share Capital

On 26 Shawwal 1430 A.H. (15 October 2009), the Company issued 6 million shares to the owners of the Hail Agricultural Development Company, on acquisition of the same (Note 4), and as a result the share capital of the Company increased from 109 million fully paid and issued shares of SAR 10 each to 115 million fully paid and issued shares of SAR 10 each.

The Company's share capital at 31 December 2009 and 31 December 2008 amounted to SAR 1,150 million and SAR 1,090 million respectively, consisting of 115 million and 109 million fully paid and issued shares of SAR 10 each.

15. Segmental Reporting

The Group's principal business activities involve manufacturing and trading of dairy and juices products under the Almarai brand, bakery products under the brands L'Usine and 7 DAYS, poultry products under the HADCO brand, arable and horticultural products as well as other activities. Other activities include our investment in Zain and infant formula. Selected financial information as of 31 December 2009 and 2008 and for the years then ended categorised by these business segments, are as follows:

SAR '000	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Almarai Consolidated
31 December 2009						
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	(206,632)	(56,468)	(2,696)	(22,230)	-	(288,026)
Share of Results of Associates	(3,371)	-	1,368	-	-	(2,003)
Income before Minority Interest	972,450	139,770	8,395	(7,910)	(12,545)	1,100,160
Share of Net Assets in Associates	455,080	-	29,050	-	-	484,130
Additions to Non-Current Assets	1,537,741	338,253	383,365	847,917	88,706	3,195,982
Non-Current Assets	5,663,992	1,280,632	377,916	922,179	560,543	8,805,262
Total Assets	7,298,020	1,467,132	454,201	1,203,056	564,586	10,986,995
Total Liabilities	(4,666,296)	(218,375)	(70,241)	(131,717)	(500,650)	(5,587,279)
31 December 2008						
Sales	4,535,833	537,335	-	-	-	5,073,168
Third Party Sales	4,515,097	514,807	-	-	-	5,029,904
Depreciation	(168,977)	(44,849)	-	-	-	(213,826)
Income before Minority Interest	818,019	106,361	-	-	(13,560)	910,820
Additions to Non-Current Assets	1,717,839	209,369	-	-	-	1,927,208
Non-Current Assets	4,923,741	1,008,473	-	-	489,337	6,421,551
Total Assets	6,556,270	1,135,677	-	-	489,337	8,181,284
Total Liabilities	(3,904,200)	(158,132)	-	-	(487,460)	(4,549,792)

The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 31 December 2009 and 2008 and for the years then ended, categorised by these geographic segments are as follows:

	Sales SAR '000	Non-Current Assets SAR '000
2009		
Saudi Arabia	4,061,912	8,246,294
Other GCC Countries	1,744,249	103,888
Other Countries	62,644	455,080
Total	5,868,805	8,805,262
2008		
Saudi Arabia	3,453,558	6,332,772
Other GCC Countries	1,510,552	88,779
Other Countries	65,794	-
Total	5,029,904	6,421,551

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

	2009 SAR '000	2008 SAR '000
Fresh Dairy	2,817,587	2,474,586
Long Life Dairy	562,619	495,710
Fruit Juice	620,162	484,455
Cheese and Butter	1,143,002	1,028,206
Bakery	618,122	514,807
Poultry	44,498	-
Arable and Horticulture	28,445	-
Other	34,370	32,140
Total	5,868,805	5,029,904

	2009 SAR '000	2008 SAR '000
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16. Cost of Sales

Direct Material Costs	2,580,261	2,242,693
Government Grants	(93,812)	(17,618)
Employee Costs	363,440	297,622
Depreciation of Property, Plant and Equipment	390,750	290,537
Depreciation of Biological Assets	95,889	106,447
Biological Asset Appreciation	(313,064)	(271,589)
Loss on Sale of Biological Assets	78,819	57,179
Other Expenses	400,730	325,676
Total	3,503,013	3,030,947

17. Selling and Distribution Expenses

Employee Costs	376,909	327,951
Marketing Expenses	297,442	247,319
Depreciation of Property, Plant and Equipment	96,680	78,982
Other Expenses	116,116	96,626
Total	887,147	750,878

18. General and Administration Expenses

Employee Costs	144,077	121,109
Insurance	22,527	20,936
Depreciation of Property, Plant and Equipment	17,771	9,449
Profit on Sale of Property, Plant and Equipment	(3,636)	(1,093)
Other Expenses	18,996	36,707
Total	199,735	187,108

19. Zakat

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

	2009 SAR '000	2008 SAR '000
Income from Main and Continuing Operations	1,129,389	935,482
Disallowed Expenses:		
Accrual for Employees' Termination Benefits	26,202	23,138
Other Provisions	13,551	10,946
Net Income for Zakat Purposes	1,169,142	969,566
Zakat Charge @ 2.5%	29,229	24,239
Adjustment in respect of prior year provision	-	423
Charged to Consolidated Statement of Income	29,229	24,662

B. Zakat Provisions

Balance at 1 January	22,782	18,028
Acquisition of Subsidiary	26,070	-
Charged to Consolidated Statement of Income	29,229	24,662
Payments	(17,565)	(19,908)
Balance at 31 December	60,516	22,782

C. The Company has filed its Zakat returns for all the years up to 2008 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the Department of Zakat and Income Tax (DZIT) for all the years up to 2006 while 2007 and 2008 Zakat returns are still under review by the Department of Zakat and Income Tax (DZIT).

HADCO has filed its Zakat returns for all years up to 31 December 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all years up to 31 December 2002.

20. Earnings Per Share

Earnings per Share are calculated on the weighted average number of issued shares for the years ended 31 December 2009 and 31 December 2008 amounting to 110.3 million shares and 109 million shares respectively.

21. Depreciation and Disposal of Assets

	2009 SAR '000	2008 SAR '000
A. Depreciation		
Biological Assets		
Depreciation of Biological Assets	95,889	106,447
Biological Assets Appreciation	(313,064)	(271,589)
Net Biological Assets Appreciation	(217,175)	(165,142)
Property, Plant and Equipment		
Depreciation	505,201	378,968
Total	288,026	213,826

B. (Profit)/Loss on the Sale of Assets

Biological Assets		
Proceeds from Sale of Biological Assets	(91,180)	(79,567)
Net Book Value of Biological Assets Sold	169,999	136,746
Loss on the Sale of Biological Assets	78,819	57,179

Property, Plant & Equipment		
Proceeds from the Sale of Property, Plant and Equipment	(16,216)	(3,964)
Net Book Value of Property, Plant and Equipment Sold	12,580	2,871
Profit on the Sale of Property, Plant and Equipment	(3,636)	(1,093)
Total	75,183	56,086

22. Financial Risk Management Objectives and Policies

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

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha) amounting to SAR 3,756.7 million at 31 December 2009 (2008: SAR 3,078.8 million) bear financing commission charges at the prevailing market rates.

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

	Increase / decrease in basis points of commission rates	Effect on income for the year SAR '000
2009		
SAR	+ 30	11,141
SAR	- 30	(11,141)
2008		
SAR	+ 30	9,236
SAR	- 30	(9,236)

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

The outstanding foreign currency forward purchase agreements were as follows:

	2009 SAR '000	2008 SAR '000
Euro	703,642	669,819
Great British Pound	66,409	94,800
Other	30,924	37,428
Total	800,975	802,047

The Group uses forward currency contracts to eliminate significant currency exposures. Management believe that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. It is the Group's policy to enter into forward contracts based on the underlying exposure available from the group's business plan/commitment with the suppliers. The forward purchase agreements are secured by promissory notes given by the Group.

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

	Increase / decrease in Euro rate to SAR	Effect on income for the year SAR '000
2009		
SAR	+ 10%	11,229
SAR	- 10%	(11,229)
2008		
SAR	+ 10%	8,602
SAR	- 10%	(8,602)

Credit Risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group limits its credit risk by trading only with recognized, creditworthy third parties. The Group's policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. Trade and other account receivables are mainly due from local customers and related parties and are stated at their estimated realizable values. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant. The five largest customers account approximately for 19% of outstanding accounts receivable at 31 December 2009 (2008: 25%).

With respect to credit risk arising from other financial assets of the Group comprising of cash and cash equivalents, investments in securities and loan, 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.

Liquidity Risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds and bank facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis. The average days of sales outstanding for 2009 were 24 days (2008: 22 days). Trade payables are typically settled on a terms basis, the average payables outstanding for 2009 were 45 days (2008: 46 days).

23. Financial Instruments

Fair Value

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

Hedging Activities

At 31 December 2009 the Group had 8 commission rate swap agreements in place covering total notional amounts of SAR 100 million and US\$ 210 million. At 31 December 2008 the Group had 8 commission rate swap agreements in place covering total notional amounts of SAR 100 million and US\$ 210 million.

The swaps result in the Group receiving floating 6 month SIBOR/ 3 month US\$ LIBOR rates while paying fixed rates of commission or floating 3 month US\$ LIBOR rates under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

At 31 December 2009 and 2008 the Group had various forward foreign exchange contracts that were designated as hedges to cover purchases and other expenditures in a variety of foreign currencies.

All derivative financial instruments are being used as cash flow hedges and are carried in the consolidated balance sheet at fair value. All cash flow hedges are either against transactions with either firm commitments, or forecast transactions that are highly probable. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 14 months.

All 2009 hedges were considered highly effective and the net loss on cash flow hedges during the year recognised in Other Reserves within equity was SAR 82.2 million (2008: net loss of SAR 101.4 million). During the year net gains reclassified to the income statement were SAR 14.8 million (2008: SAR 14.7 million).

24. Commitments and Contingencies

- A. The contingent liabilities against letters of credit are SAR 170.9 million for 31 December 2009 (2008: SAR 330 million).
- B. The contingent liabilities against letters of guarantee are SAR 83.0 million for 31 December 2009 (2008: SAR 61.1 million).
- C. The Company had capital commitments to SAR 1,555.6 million for 31 December 2009 in respect of ongoing projects (2008: SAR 702.5 million). 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:

	2009 SAR '000	2008 SAR '000
Within one year	63,517	50,723
Two to five years	61,759	48,288
After five years	20,104	96,268
Total	145,380	195,279

Pricing and terms for these transactions are at arms length. The related parties noted above include the following:

Entity	Relationship
Savola Group	Common Ownership
Arabian Shield Cooperative Insurance Company	Common Ownership
ARASCO Feed Mills	Common Ownership
Managed Arable Farms	Common Ownership
International Dairy and Juice Limited	Investment in Associate
Pure Breed Company	Investment in Associate

25. Directors Remuneration

The Directors' remuneration paid to the Board of Directors for year ended 31 December 2009 amounted to SAR 6.3 million (2008: SAR 6.4 million).

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 2009 and 31 December 2008 along with their balances:

Nature of Transaction	Amount SAR '000	Balance at 31 December SAR '000
2009		
Sales	(257,250)	67,464
Purchases	190,935	(42,425)
2008		
Sales	(155,141)	31,357
Purchases	185,986	(46,360)

27. Dividends Approved and Paid

On 26 Rabi Awal 1430 A.H. (23 March 2009), the General Assembly Meeting approved a dividend of SAR 381.5 million (SAR 3.5 per share) for the year ended 31 December 2008, which was paid on 11 Rabi Thani 1430 A.H. (7 April 2009).

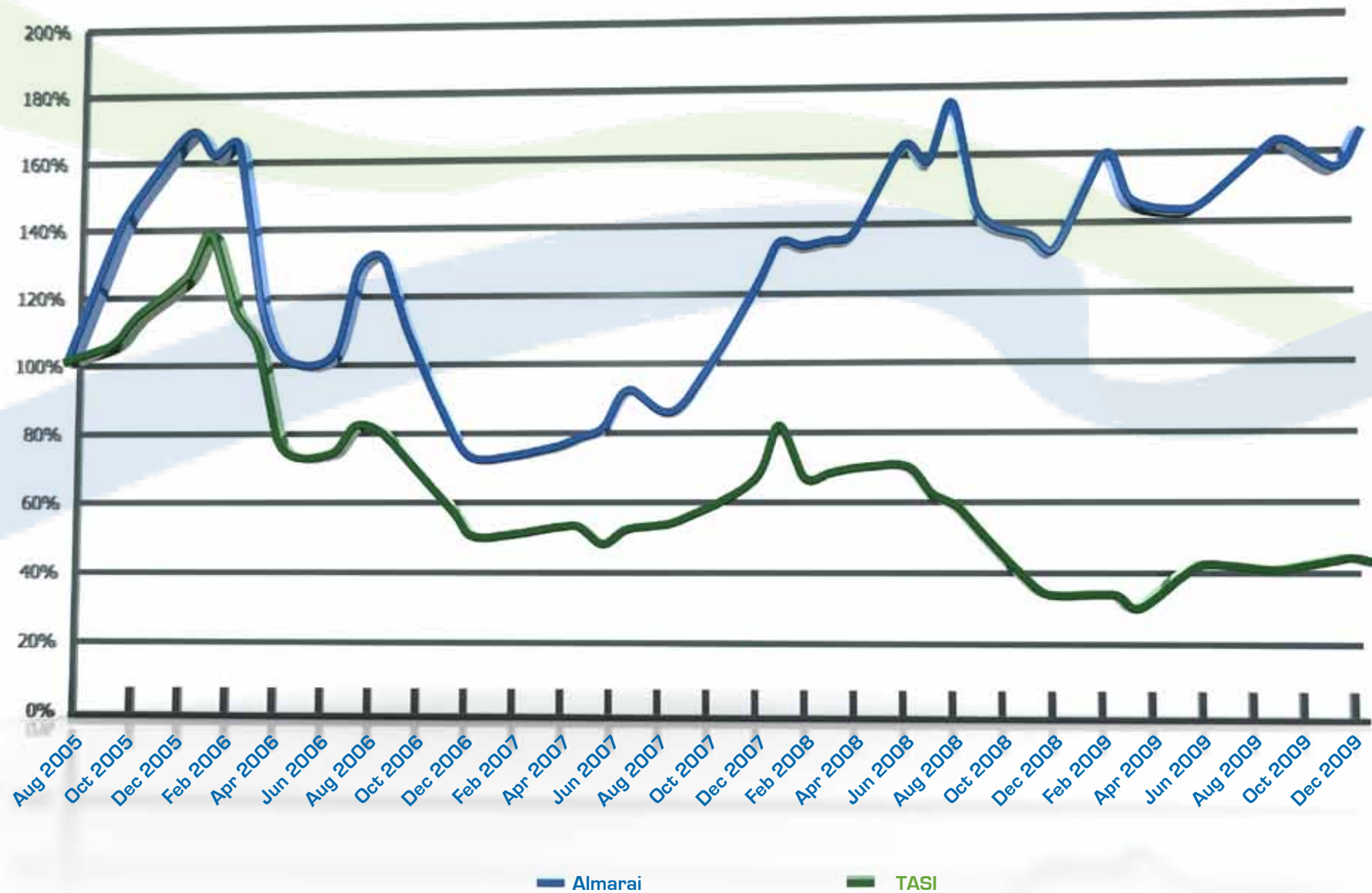
28. Dividends Proposed

The Board of Directors proposes for approval at the General Assembly Meeting a dividend for the year ended 31 December 2009 of SAR 460.0 million (SAR 4.0 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 Group as reflected in these consolidated financial statements.

Almarai / TASI Stock Trend from 2005 to 2009





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