



ALMARAI COMPANY  
A SAUDI JOINT STOCK COMPANY

THE INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS AND LIMITED REVIEW REPORT FOR  
THE THREE MONTHS AND YEAR ENDED  
31 DECEMBER 2011

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

**INDEX**

	<b><u>PAGES</u></b>
LIMITED REVIEW REPORT	1
INTERIM CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011 (UNAUDITED)	2
INTERIM CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS AND YEAR ENDED 31 DECEMBER 2011 (UNAUDITED)	3
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011 (UNAUDITED)	4
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011 (UNAUDITED)	5
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (UNAUDITED)	6 - 20

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

**SCOPE:**

We have reviewed the accompanying interim consolidated balance sheet of Almarai Company - A Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 December 2011, and the related interim consolidated statement of income for the three month period and year ended 31 December 2011 and the interim consolidated statements of cash flows and changes in equity for the year then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION:**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

**EMPHASIS OF MATTERS:**

We draw attention to the following:

- As explained in Note 2 d) to the interim consolidated financial statements, we were not engaged to review the interim consolidated financial statements of the Group for the three month period ended 31 December 2010. Accordingly, we are unable to comment on whether there are any material modifications on the results of its operations for the three month period then ended.
- As explained in Note 5 a) to the interim consolidated financial statements, these interim consolidated financial statements do not reflect any adjustment relating to the impairment of the Group's investment in Mobile Telecommunications Company Saudi Arabia (Zain Saudi Arabia). The fair value of the Zain equity investment is significantly below cost for a prolonged period of time and management now considers the investment to be impaired. Accordingly, management is assessing the quantum of impairment and will recognise the impairment loss in the annual consolidated financial statements for the year ended 31 December 2011, upon completion of the assessment.

For Ernst & Young



Rashid S. Al-Rashoud  
Certified Public Accountant  
Registration No. 366



Riyadh: 23 Safar 1433H  
(17 January 2012)

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

**INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	<b>Notes</b>	<b>31 December 2011 (Unaudited) SAR '000</b>	<b>31 December 2010 (Audited) SAR '000</b>
<b>ASSETS</b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents		271,979	240,750
Derivative Financial Instruments		109	6,529
Receivables and Prepayments		617,431	613,756
Inventories		1,696,785	1,299,337
<b>Total Current Assets</b>		<b>2,586,304</b>	<b>2,160,372</b>
<b><u>Non Current Assets</u></b>			
Investments and Financial Assets	5	852,746	957,683
Property, Plant and Equipment		10,508,107	7,866,639
Biological Assets		817,618	769,505
Intangible Assets - Goodwill		826,576	793,468
Deferred Charges		53,836	23,550
Deferred Tax Asset		8,630	-
<b>Total Non Current Assets</b>		<b>13,067,513</b>	<b>10,410,845</b>
<b>TOTAL ASSETS</b>		<b>15,653,817</b>	<b>12,571,217</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b><u>Current Liabilities</u></b>			
Short Term Loans	6	1,208,501	545,902
Payables and Accruals		1,513,163	1,253,424
Derivative Financial Instruments		96,374	79,120
<b>Total Current Liabilities</b>		<b>2,818,038</b>	<b>1,878,446</b>
<b><u>Non Current Liabilities</u></b>			
Long Term Loans	6	5,716,663	4,301,301
Employees' Termination Benefits		243,481	206,088
Deferred Tax Liability		97,983	-
<b>Total Non Current Liabilities</b>		<b>6,058,127</b>	<b>4,507,389</b>
<b>TOTAL LIABILITIES</b>		<b>8,876,165</b>	<b>6,385,835</b>
<b>EQUITY</b>			
<b><u>Shareholders' Equity</u></b>			
Share Capital		2,300,000	2,300,000
Share Premium		1,600,500	1,600,500
Statutory Reserve		654,903	654,903
Other Reserves		(255,475)	(155,828)
Treasury Shares		(97,757)	-
Retained Earnings		2,516,290	1,734,039
<b>Total Shareholders' Equity</b>		<b>6,718,461</b>	<b>6,133,614</b>
<b>Minority Interest</b>		<b>59,191</b>	<b>51,768</b>
<b>TOTAL EQUITY</b>		<b>6,777,652</b>	<b>6,185,382</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>15,653,817</b>	<b>12,571,217</b>

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

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

**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND YEAR ENDED 31 DECEMBER 2011**

	<u>Notes</u>	<u>October - December 2011 (Unaudited) SAR '000</u>	<u>October - December 2010 (Unaudited) SAR '000</u>	<u>YTD 31 December 2011 (Unaudited) SAR '000</u>	<u>YTD 31 December 2010 (Audited) SAR '000</u>
Sales	7	2,089,287	1,798,817	7,950,989	6,930,910
Cost of Sales		(1,365,443)	(1,130,506)	(4,954,469)	(4,194,989)
<b>Gross Profit</b>		<b>723,844</b>	<b>668,311</b>	<b>2,996,520</b>	<b>2,735,921</b>
Selling and Distribution Expenses		(305,537)	(283,095)	(1,213,232)	(1,045,973)
General and Administration Expenses		(74,929)	(64,830)	(265,678)	(229,241)
<b>Net Operating Income</b>		<b>343,378</b>	<b>320,386</b>	<b>1,517,610</b>	<b>1,460,707</b>
Share of Results of Associates and Joint Ventures	5	(29,432)	(1,655)	(42,298)	(5,913)
Bank Charges		(22,250)	(23,196)	(134,965)	(120,621)
<b>Income from Main and Continuing Operations</b>		<b>291,696</b>	<b>295,535</b>	<b>1,340,347</b>	<b>1,334,173</b>
Zakat & Income Tax		(6,308)	(6,693)	(33,173)	(27,203)
<b>Income before Minority Interest</b>		<b>285,388</b>	<b>288,842</b>	<b>1,307,174</b>	<b>1,306,970</b>
Minority Interest		156	(5,090)	(7,423)	(21,553)
<b>Net Income for the Period / Year</b>		<b>285,544</b>	<b>283,752</b>	<b>1,299,751</b>	<b>1,285,417</b>
<b>Earnings per Share (SAR)</b>	<b>8</b>				
Attributable to Income from Main and Continuing Operations		1.27	1.28	5.83	5.80
Attributable to Net Income for the Period / Year		1.24	1.23	5.65	5.59

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

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

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	<b>YTD</b> <b>31 December</b> <b>2011</b> <b>(Unaudited)</b> SAR '000	<b>YTD</b> <b>31 December</b> <b>2010</b> <b>(Audited)</b> SAR '000
<b>Note</b>		
<b><u>OPERATING ACTIVITIES</u></b>		
Net Income for the year	1,299,751	1,285,417
Adjustments for:		
Depreciation of Property, Plant and Equipment	732,730	635,320
Net Appreciation of Biological Assets	(213,636)	(210,358)
Profit on Sale of Property, Plant and Equipment	(8,471)	(11,251)
Loss on Sale of Biological Assets	62,151	71,248
Bank Charges	134,965	120,621
Share of Results of Associates and Joint Ventures	42,298	5,913
Change in Employees' Termination Benefits	37,393	40,274
Share Based Payment Expense	1,027	-
Share of Minority Interest in Net Income of Consolidated Subsidiaries	7,423	21,553
Changes in:		
Receivables and Prepayments	9,595	(158,264)
Inventories	(386,107)	(80,762)
Payables and Accruals	204,898	245,327
<b>Cash Flows from Operating Activities</b>	<b>1,924,017</b>	<b>1,965,038</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Additions to Property, Plant and Equipment	(3,035,332)	(2,230,332)
Additions to Biological Assets	(19,358)	(6,880)
Proceeds from the Sale of Property, Plant and Equipment	23,528	21,832
Proceeds from the Sale of Biological Assets	123,646	111,174
Acquisition of Investments and Financial Assets	(17,500)	(85,460)
Acquisition of Subsidiaries, Net of Cash Acquired	(315,580)	-
Dividend Received From an Associate	3,139	995
<b>Cash Flows used in Investing Activities</b>	<b>(3,237,457)</b>	<b>(2,188,671)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Increase in Loans	2,077,529	470,476
Dividends Paid	(515,640)	(454,850)
Bank Charges	(89,177)	(80,259)
Purchase of Treasury Shares	(97,757)	-
Change in Deferred Charges	(30,286)	8,216
Minority Interest Share in Modern Food Industries Limited	-	14,000
Distribution to Minority Interests	-	(866)
<b>Cash Flows From / (Used in) Financing Activities</b>	<b>1,344,669</b>	<b>(43,283)</b>
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>31,229</b>	<b>(266,916)</b>
Cash and Cash Equivalents at 1 January	240,750	507,666
<b>Cash and Cash Equivalents at 31 December</b>	<b>271,979</b>	<b>240,750</b>

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

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

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Attributable to equity holders of the parent						Total Shareholders' Equity	Minority Interest	Total Equity
	Share Capital	Share Premium	Statutory Reserve	Other Reserves	Treasury Shares	Retained Earnings			
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>(AUDITED)</b>									
<b>Balance at 1 January 2010</b>	<b>1,150,000</b>	<b>1,600,500</b>	<b>526,361</b>	<b>(81,390)</b>	-	<b>2,187,164</b>	<b>5,382,635</b>	<b>17,081</b>	<b>5,399,716</b>
Net Income for the Year	-	-	-	-	-	1,285,417	<b>1,285,417</b>	21,553	<b>1,306,970</b>
Transfers from Retained Earnings	-	-	128,542	-	-	(128,542)	-	-	-
Net Movement on Financial Investments	-	-	-	(84,000)	-	-	<b>(84,000)</b>	-	<b>(84,000)</b>
Distribution to Minority Interests	-	-	-	-	-	-	-	(866)	<b>(866)</b>
Dividends Approved	-	-	-	-	-	(460,000)	<b>(460,000)</b>	-	<b>(460,000)</b>
Net Movement on Cash Flow Hedges	-	-	-	9,562	-	-	<b>9,562</b>	-	<b>9,562</b>
Minority interest share in Modern Food Industries Limited	-	-	-	-	-	-	-	14,000	<b>14,000</b>
Bonus Share Issue	1,150,000	-	-	-	-	(1,150,000)	-	-	-
<b>Balance at 31 December 2010</b>	<b>2,300,000</b>	<b>1,600,500</b>	<b>654,903</b>	<b>(155,828)</b>	-	<b>1,734,039</b>	<b>6,133,614</b>	<b>51,768</b>	<b>6,185,382</b>
<b>(UNAUDITED)</b>									
Net Income for the Year	-	-	-	-	-	1,299,751	<b>1,299,751</b>	7,423	<b>1,307,174</b>
Purchase of Treasury Shares	-	-	-	-	(97,757)	-	<b>(97,757)</b>	-	<b>(97,757)</b>
Share Based Payment Transactions	-	-	-	1,027	-	-	<b>1,027</b>	-	<b>1,027</b>
Net Movement on Financial Investments	-	-	-	(77,000)	-	-	<b>(77,000)</b>	-	<b>(77,000)</b>
Distribution to Minority Interests	-	-	-	-	-	-	-	-	-
Dividends Approved	-	-	-	-	-	(517,500)	<b>(517,500)</b>	-	<b>(517,500)</b>
Net Movement on Cash Flow Hedges	-	-	-	(23,674)	-	-	<b>(23,674)</b>	-	<b>(23,674)</b>
<b>Balance at 31 December 2011</b>	<b>2,300,000</b>	<b>1,600,500</b>	<b>654,903</b>	<b>(255,475)</b>	<b>(97,757)</b>	<b>2,516,290</b>	<b>6,718,461</b>	<b>59,191</b>	<b>6,777,652</b>

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

---

**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 Di' Hijjah 1411 A.H. (1 July 1991) and operates under Commercial Registration No. 1010084223. Prior to the consolidation of activities in 1991, the core business traded between 1976 and 1991 under the Almarai brand name.

The Company and its subsidiaries (together, the "Group") are a major integrated consumer food and beverage 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 operates 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 has ceased trading. 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 Alyoum brand. HADCO is a closed joint stock company registered in Saudi Arabia and based in Hail.

The distribution centres in the GCC countries (except for Bahrain and Oman) are managed by the Group and operate within Distributor Agency Agreements as follows:

Kuwait	- Al Kharafi Brothers Dairy Products Company Limited
Qatar	- Khalid for Foodstuff and Trading Company
United Arab Emirates	- Bustan Al Khaleej Establishment

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

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

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

On 23 Muharram 1433 A.H. (19 December 2011) the company, through its subsidiary Almarai Investment Holding Company W.L.L., acquired 100% of the outstanding share capital of Blue Yulan S.A. and its five subsidiaries for a cash consideration of SAR 312 million (USD 83 million). Blue Yulan S.A. operates under the name of Fondomonte and owns and operates three farms in Argentina which consist of 12,306 hectares dedicated to the production of corn and soybean.



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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Direct and Beneficial Ownership Interest		Shares	
			2011	2010	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	Holding Company	100%	100%	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	100%	100%	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	100%	100%	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	100%	100%	SAR 200,000,000	200,000
International Baking Services Company Limited	Saudi Arabia	Holding Company	100%	100%	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Bakery Company	60%	60%	SAR 70,000,000	70,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	52%	52%	SAR 25,000,000	250
Fondomonte El Descanso S.A.	Argentina	Agricultural Company	100%	-	ARG 27,475,914	27,475,914
Fondomonte Inversiones Argentina S.A.	Argentina	Agricultural Company	100%	-	ARG 17,849,997	17,849,997
Fondomonte Sandoval S.A.	Argentina	Agricultural Company	100%	-	ARG 4,383,432	4,383,432
Agro Terra S.A.	Argentina	Dormant	100%	-	ARG 475,875	475,875
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 Company W.L.L.	Bahrain	Holding Company	99%	99%	BHD 250,000	2,500

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

Name of Subsidiary	Country of Incorporation	Business Activity	Direct and Beneficial		Shares	
			2011	2010	Capital	Issued
Markley Holdings Limited	Jersey	Dormant	100%	100%	-	-
Blue Yulan S.A.	Luxembourg	Holding Company	100%	-	USD 55,190,353	55,190,353
Arabian Planets for Trade and Marketing L.L.C.	Oman	Sales Company	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Sales Company	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	Holding Company	100%	-	EUR 10,970,317	10,970,317

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

- (a) The interim consolidated financial statements have been prepared on the accrual basis under the historical cost convention (except for derivative financial instruments and investments that have been measured at fair value) and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).
- (b) When necessary, prior period comparatives have been regrouped or adjusted on a basis consistent with current period classification.
- (c) These interim consolidated financial statements include assets, liabilities and the results of the operations of Almarai Company ("the Company") and its subsidiaries ("the Group") as set out in note (1) above. A subsidiary company is that in which the Company has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases. The interim consolidated financial statements are prepared on the basis of the individual financial statements of the Company and the financial statements of its subsidiaries, as adjusted by the elimination of all significant inter group balances and transactions. The Company and its Subsidiaries have identical reporting periods except for Blue Yulan S.A. and Fondomonte Inversiones S.L. which have reporting periods ending 30 June. Subsidiaries that have different reporting periods are adjusted for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. Minority interests represent the portion of profit or loss and net assets not controlled by the Group and are presented separately in the interim consolidated statement of income and within equity in the interim consolidated balance sheet.
- (d) The Group did not prepare interim consolidated financial statements for the three month period ended 31 December 2010, as annual financial statements for the year ended 31 December 2010 were prepared and submitted to the regulator before 21 January 2011.
- (e) The figures in these interim consolidated financial statements are rounded to the nearest thousand.
- (f) The operating results reported in the interim consolidated statement of income, present a true picture of the past performance of the Group, but are not necessarily indicative of future results.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

---

**3. SIGNIFICANT ACCOUNTING POLICIES**

**A. Use of Estimates**

The preparation of interim consolidated financial statements, in conformity with accounting standards generally accepted in Saudi Arabia, requires the use of estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the balance sheet date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

**B. Cash and Cash Equivalents**

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

**C. Accounts Receivable**

Accounts receivable are carried at the original invoiced amount less any provision made for doubtful debts. Provision is made for all debts for which the collection is considered doubtful or more than three months due. Bad debts are written off as incurred.

**D. Inventory Valuation**

Inventory is stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure based on the normal level of activity. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

**E. Investments in Securities**

Investments in securities are measured and carried in the interim consolidated balance sheet at fair value with unrealised gains or losses recognised directly in equity. When the investment is disposed of or impaired the cumulative gain or loss previously recorded in equity is recognised in the interim consolidated statement of income as per management evaluation. 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.

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

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

---

**G. Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and depreciated on a straight line basis according to the following useful economic lives:

Buildings	5 – 33 years
Plant, Machinery & Equipment	1 – 20 years
Motor Vehicles	6 – 8 years
Land and Capital Work in Progress are not depreciated	

**H. Biological Assets**

Biological assets are stated at cost of purchase or at the cost of rearing or growing to the point of commercial production, less accumulated depreciation. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Biological assets are depreciated on a straight line basis to their estimated residual value based on commercial production periods ranging from 36 weeks to 50 years summarized below:

Dairy Herd	4 years
Plantations	12 – 50 years
Poultry Flock	36 weeks

**I. Impairment**

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

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

**J. Intangibles-Goodwill**

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

**K. Accounts payable and accruals**

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

**L. Zakat and Income Tax**

Zakat is provided for in the consolidated financial statements on the basis of an estimated Zakat assessment carried out in accordance with Saudi Department of Zakat and Income Tax (DZIT) regulations. Income tax for foreign entities is provided for in the interim consolidated financial statements on the basis of an estimated income tax assessment carried out in accordance with the relevant income tax regulations of the countries in which they operate. Adjustments arising from final Zakat and income tax assessments are recorded in the period in which such assessments are made.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

---

**M. Deferred Tax**

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

**N. Derivative Financial Instruments and Hedging**

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

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

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

All hedges are expected to be in the range of 80 – 125% effective and are assessed on an ongoing basis. All hedges are treated as cash flow hedges and gains / losses at market valuation are recorded as derivative financial instruments in the interim consolidated balance sheet and taken to other reserves in Shareholders' Equity. When the hedging instrument matures or expires any associated gain or loss in Other Reserves is reclassified to the consolidated statement of income, or the underlying asset purchased that was subjected to the hedge.

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

**O. 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.

**P. 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.

**Q. Treasury Shares**

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options, as contemplated in the following paragraph that were exercised during the reporting period, were satisfied with treasury shares.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

---

**R. Share Based Payment Transactions**

During the period, the Group adopted the following accounting policy in respect of share based payment transactions.

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

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

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

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

**S. Conversion of Foreign Currency Transactions**

During the financial period foreign currency transactions are converted and booked in Saudi Riyals at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange variances are charged or credited to the interim consolidated statement of income as appropriate.

The functional currency of Bahrain operations for Almarai Company Bahrain S.P.C., Almarai Investment Holding Company W.L.L. and Almarai International Holding W.L.L. is the Bahraini Dinar. The functional currency of Oman operations for Arabian Planets for Trade and Marketing L.L.C. and Alyoum for Food Products Company L.L.C. is the Omani Riyal. The functional currency of Argentina operations for Fondomonte Inversiones Argentina S.A., Fondomonte El Descanso S.A. and Fondomonte Sandoval S.A. is the Argentine Peso. 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 period.

**T. 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.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

---

**U. 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.

**V. 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.

**W. Management Fees**

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

**X. Operating Leases**

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

**Y. Segmental Reporting**

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

**4. BUSINESS COMBINATION**

On 23 Muharram 1433 A.H. (19 December 2011) the company, through its subsidiary Almarai Investment Holding Company W.L.L., acquired 100% of the outstanding share capital of Blue Yulan S.A. for a cash consideration of SAR 312 million (USD 83 million). Blue Yulan S.A. operates under the name of Fondomonte and owns and operates three farms in Argentina which consist of 12,306 hectares dedicated to the production of corn and soybean.

The assets and liabilities of Blue Yulan S.A. as at acquisition date are consolidated by the Group. The post acquisition operating results for Blue Yulan S.A. are immaterial and have therefore not been accounted for in these interim consolidated financial statements. If the combination had taken place at the beginning of the period, the net operating income would have been higher by SAR 0.9 million and the consolidated net income of the Group would have been higher by SAR 0.3 million.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

Due to the proximity of the acquisition to the year end, the Group is currently in the process of allocating the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. However, the Group has provisionally accounted for the transaction based on the carrying values of the assets and liabilities (with the exception of land) as of the acquisition date which is summarised below:

	<b>Fair Value Recognized on Acquisition</b> SAR '000
<u>Assets</u>	
Land and Buildings (refer note below)	352,518
Other Property Plant and Equipment	1,405
Biological Assets	916
Deferred Tax Asset	8,630
Inventories	11,341
Receivables and Prepayments	13,270
Bank Balances and Cash	5,913
	393,993
<u>Liabilities</u>	
Payables and Accruals	7,193
Short Term Loans	432
Deferred Tax Liability	97,983
	105,608
 Total Identifiable Net Assets at Fair Value	 288,385
 Goodwill Arising on Acquisition	 33,108
 Purchase Consideration Transferred	 321,493
<u>Total Acquisition Cost:</u>	
Cash Consideration	312,080
Costs Associated with the Acquisition	9,413
Total	321,493
<u>Cash Outflow on Acquisition:</u>	
Net Cash Acquired with the Subsidiaries	5,913
Cash Paid	(321,493)
Net Cash Outflow	(315,580)

The only fair value adjustment to Blue Yulan's assets and liabilities was in respect of Land and Buildings which was fair valued based on third party valuations.



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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

**5. INVESTMENTS AND FINANCIAL ASSETS**

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

		<b>31 December 2011 (Unaudited)</b>	<b>31 December 2010 (Audited)</b>
		SAR '000	SAR '000
<b><u>Investments in Associates and Joint Ventures</u></b>			
International Dairy & Juice Limited	48.0%	489,500	513,485
Pure Breed Company	21.5%	34,723	32,764
International Pediatric Nutrition Company	50.0%	10,318	16,229
Almarai Company W.L.L.	50.0%	204	204
		534,745	562,682
<b><u>Investments in Securities</u></b>			
Zain Equity Investment	2.5%	194,250	271,250
Zain Subordinated Founding Shareholders' Loan	-	109,587	109,587
Jannat for Agricultural Investment Company	10.0%	7,000	7,000
National Company for Tourism	1.1%	4,500	4,500
National Seeds and Agriculture Services Company	7.0%	2,064	2,064
United Dairy Farms Company	8.3%	600	600
		318,001	395,001
		<b>852,746</b>	<b>957,683</b>

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

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

	<b>31 December 2011 (Unaudited) SAR '000</b>	<b>31 December 2010 (Audited) SAR '000</b>
<b><u>International Dairy &amp; Juice Limited</u></b>		
Opening Balance	513,485	455,080
Add : Capital Introduced	-	64,756
Less : Share of Results for the period	(23,985)	(6,351)
Closing Balance	<u>489,500</u>	<u>513,485</u>
<b><u>Pure Breed Company</u></b>		
Opening Balance	32,764	29,050
Add : Share of Results for the period	5,098	4,709
Less : Distributions	(3,139)	(995)
Closing Balance	<u>34,723</u>	<u>32,764</u>
<b><u>International Pediatric Nutrition Company</u></b>		
Opening Balance	16,229	-
Add : Capital Introduced	17,500	20,500
Less : Share of Results for the period	(23,411)	(4,271)
Closing Balance	<u>10,318</u>	<u>16,229</u>
<b><u>Almarai Company W.L.L.</u></b>		
Opening Balance	204	-
Add : Capital Introduced	-	204
Closing Balance	<u>204</u>	<u>204</u>

- (a) 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 2011 of SAR 5.55. This has resulted in an unrealised loss of SAR 160.2 million which is shown within other reserves in Shareholders' Equity. The founding shareholders have extended the repayment date of the shareholders' loans to Zain KSA and have agreed to pledge their Zain shares for and on behalf of the preferred creditors until 27 July 2012 in order to enable Zain KSA to refinance its existing debts.

The fair value of the Zain equity investment has been significantly below cost for a prolonged period of time and management now considers the investment to be impaired. Accordingly, management is assessing the quantum of impairment and will recognise the impairment loss in its annual consolidated financial statements for the year ended 31 December 2011.

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

**6. TERM LOANS**

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b><u>(Unaudited)</u></b>	<b><u>(Audited)</u></b>
	SAR '000	SAR '000
Islamic Banking Facilities (Murabaha)	5,980,116	4,248,815
Saudi Industrial Development Fund	941,048	593,388
Agricultural Development Fund	4,000	5,000
	<b><u>6,925,164</u></b>	<b><u>4,847,203</u></b>

- A. The borrowings from Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group.
- B. The borrowings of the Group from the Saudi Industrial Development Fund are secured by a mortgage on specific assets amounting to SAR 941.0 million as at 31 December 2011 (SAR 593.4 million as at 31 December 2010).
- C. The borrowings from Agricultural Development Fund are secured by a bank payment guarantee.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

**7. SEGMENT INFORMATION**

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 Alyoum brand, arable and horticultural products as well as other activities. Other activities include our investment in Zain and infant nutrition. Selected financial information as of 31 December 2011 and 2010 and for the years then ended categorized by these business segments, are as follows:

	<b>Dairy and Juice</b>	<b>Bakery</b>	<b>Poultry</b>	<b>Arable and Horticulture</b>	<b>Other Activities</b>	<b>Total</b>
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b><u>31 December 2011 (Unaudited)</u></b>						
Sales	6,606,206	1,037,019	319,210	321,531	-	8,283,966
Third Party Sales	6,592,805	966,374	319,210	72,600	-	7,950,989
(Depreciation) / Appreciation	(331,114)	(90,278)	(39,006)	(58,696)	-	(519,094)
Income / (loss) before Minority Interest	1,204,680	118,032	(33,478)	52,658	(34,718)	1,307,174
Total Assets	9,064,765	1,920,117	1,937,961	1,696,964	1,034,010	15,653,817
Total Liabilities	(7,676,394)	(281,452)	(187,144)	(202,708)	(528,467)	(8,876,165)
<b><u>31 December 2010 (Audited)</u></b>						
Sales	5,910,086	873,045	176,135	245,274	-	7,204,540
Third Party Sales	5,885,867	821,211	176,135	47,697	-	6,930,910
(Depreciation) / Appreciation	(278,916)	(76,488)	(23,708)	(45,850)	-	(424,962)
Income / (loss) before Minority Interest	1,198,658	116,912	(10,530)	17,279	(15,349)	1,306,970
Total Assets	8,070,426	1,787,018	688,706	1,204,056	821,011	12,571,217
Total Liabilities	(5,395,390)	(273,440)	(69,604)	(121,740)	(525,661)	(6,385,835)

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

**7. SEGMENT INFORMATION (continued)**

The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 31 December 2011 and 31 December 2010 and for the periods then ended, categorized by these geographic segments are as follows:

	<b>October - December 2011 (Unaudited) SAR '000</b>	<b>October - December 2010 (Unaudited) SAR '000</b>	<b>YTD 31 December 2011 (Unaudited) SAR '000</b>	<b>YTD 31 December 2010 (Audited) SAR '000</b>
<b>Sales</b>				
Saudi Arabia	1,457,635	1,280,982	5,656,415	4,935,258
Other GCC Countries	587,984	499,746	2,198,470	1,931,954
Other Countries	43,668	18,089	96,104	63,698
<b>Total</b>	<b>2,089,287</b>	<b>1,798,817</b>	<b>7,950,989</b>	<b>6,930,910</b>
			<b>31 December 2011 (Unaudited) SAR '000</b>	<b>31 December 2010 (Audited) SAR '000</b>
<b>Non-current Assets</b>				
Saudi Arabia			12,003,293	9,763,889
Other GCC Countries			169,940	126,471
Other Countries			894,280	520,485
<b>Total</b>			<b>13,067,513</b>	<b>10,410,845</b>

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

	<b>October - December 2011 (Unaudited) SAR '000</b>	<b>October - December 2010 (Unaudited) SAR '000</b>	<b>YTD 31 December 2011 (Unaudited) SAR '000</b>	<b>YTD 31 December 2010 (Audited) SAR '000</b>
Fresh Dairy	874,231	810,501	3,475,719	3,168,709
Long Life Dairy	213,216	173,161	761,135	658,911
Fruit Juice	224,904	187,822	888,110	745,143
Cheese and Butter	371,934	326,974	1,446,635	1,282,423
Bakery	277,493	224,279	966,374	821,211
Poultry	99,047	48,067	319,210	176,135
Arable and Horticulture	24,306	16,086	72,600	47,697
Other	4,156	11,927	21,206	30,681
<b>Total</b>	<b>2,089,287</b>	<b>1,798,817</b>	<b>7,950,989</b>	<b>6,930,910</b>

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2011**

---

**8. EARNINGS PER SHARE**

Earnings per Share are calculated on the weighted average number of issued shares at 31 December 2011 and 31 December 2010 amounting to 230 million shares.

**9. DIVIDENDS APPROVED AND PAID**

On 29 Rabi Thani 1432 A.H. (3 April 2011) the General Assembly Meeting approved a dividend of SAR 517.5 million (SAR 2.25 per share) for the year ended 31 December 2010 which was paid on 7 Jumad Awal 1432 A.H. (11 April 2011).

**10. DIVIDENDS PROPOSED**

The Board of Directors proposes for approval at the General Assembly Meeting a dividend for the year ended 31 December 2011 of SAR 517.5 million (SAR 2.25 per share based on 230 million shares).