



-

()

()

()

()

-

()

- -

/

() -


()



()

/	/
/	/
/	/
_____	_____
/	/
_____	_____

/	/
/	/
/	/
_____	_____
/	/
_____	_____

()

---	/
/ /	/ /
_____	_____
/ /	/ /
_____	_____

()

-

/ /	/ /
/	/
_____	_____
/ /	/ /
_____	_____
/ /	/ /
_____	_____

()

/ /	/ /
---	/
/	/
/	/
_____	_____
/ /	/ /
_____	_____

()

()

()

, () () ()

, () () () () ()

, () () ()

, () () ()

, () () () ()

* ()

*

«

»

()

,	,
,	,
,	,
,	,
<hr/>	

,	,
<hr/>	

:

(,)	(,)
(,)	(,)
,	(,)
<hr/>	

(,)	(,)
<hr/>	

,	,
<hr/>	

(,)	(,)
,	,

---	,	()
<hr/>		
(,)	(,)	
<hr/>		

(,)	(,)
<hr/>	

,	,
<hr/>	

,	(,)	()
<hr/>		

,	,
<hr/>	

,	,
<hr/>	

«

»

()

 ' '

()

=====
 ' '
=====

()

 '

 '

 '
 '

(,)

()

 '

-

)

.

///

(

)

///

(

(

)

:

⋮

:

-

-

:

-

-

(

)

%

(

)

(

)

-

(

(

(

(د

(هـ

-

(

(

(

(

(هـ

(

(

% -

*
*
*

% -
% -
% -

:

(

-

(

(

(

(

(

-

,

,

,

,

,

,

()

,

,

'	---	'
'	(,)	'
'	(,)	'
'	---	'
<hr/>	<hr/>	<hr/>
'	(,)	'
'		'
'	---	'
'	---	'
'	---	'
'	---	'
<hr/>	<hr/>	<hr/>
'	---	'
<hr/>	<hr/>	<hr/>
'	(,)	'
		<hr/>
		<hr/>

'
'
<hr/>
<hr/>
'
(,)
<hr/>
'
<hr/>

-

)
)

.(

(
)

-

-

.



ALMARAI COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH - SAUDI ARABIA

THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT FOR THE THREE MONTHS
ENDED 31 MARCH 2007

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH – SAUDI ARABIA

INDEX

	<u>PAGES</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
INTERIM CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007 (UNAUDITED)	2
INTERIM CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2007 (UNAUDITED)	3
INTERIM CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2007 (UNAUDITED)	4
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2007 (UNAUDITED)	5
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	6-12

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying interim consolidated balance sheet of Almarai Company a Saudi Joint Stock Company and its subsidiaries (the "Group") as of 31 March 2007, the related interim consolidated statements of income, cash flow and changes in shareholders' equity for the period ended 31 March 2007, including the related notes. These interim consolidated financial statements are the responsibility of the Group's management.

We conducted our review in accordance with the standards established by the Saudi Organisation for Certified Public Accountants. A limited review of interim consolidated financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible in the Group for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the interim consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

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



Abdullah M. Al-Basri
Certified Accountant
Licence No. 171
Aldar Audit Bureau
Abdullah M. Al-Basri & Co.



Riyadh, 22 Rabi I 1428 A.H.
Corresponding to 10 April 2007 A.D.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007 (UNAUDITED)

	Notes	31 March 2007	31 March 2006
		SAR '000	SAR '000
<u>Current Assets</u>			
Cash and Bank Balances		43,440	51,637
Receivables and Prepayments		311,992	258,064
Inventories		475,290	340,502
Total Current Assets		830,722	650,203
<u>Current Liabilities</u>			
Payables and Accruals		600,325	382,868
Short Term Loans	4	110,781	142,261
Total Current Liabilities		711,106	525,129
NET CURRENT ASSETS		119,616	125,074
<u>Non Current Assets</u>			
Intangible Assets - Goodwill	7	548,636	-
Fixed Assets		3,495,012	2,512,184
Total Non Current Assets		4,043,648	2,512,184
<u>Non Current Liabilities</u>			
Long Term Loans	4	1,554,207	1,049,086
Employees' Termination Benefits		90,245	68,824
Total Non Current Liabilities		1,644,452	1,117,910
NET ASSETS		2,518,812	1,519,348
SHAREHOLDER'S EQUITY			
Share Capital	6	1,090,000	1,000,000
Share Premium	7	612,000	-
Statutory Reserve		258,983	212,470
Retained Earnings		557,829	306,878
TOTAL SHAREHOLDER'S EQUITY		2,518,812	1,519,348

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2007 (UNAUDITED)

	Notes	YTD March 2007 SAR '000	YTD March 2006 SAR '000
Sales	5	806,932	621,465
Cost of Sales		(495,241)	(394,770)
Gross Profit		311,691	226,695
Selling and Distribution Expenses		(134,034)	(92,949)
General and Administration Expenses		(33,072)	(26,802)
Net Income before Bank Charges and Zakat		144,585	106,944
Bank Charges		(18,155)	(12,827)
Net Income before Zakat		126,430	94,117
Zakat		(3,507)	(3,528)
Net Income		122,923	90,589
Earnings per Share (SAR)	6	1.13	0.91

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

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2007 (UNAUDITED)

	Notes	YTD March 2007 SAR '000	YTD March 2006 SAR '000
<u>Cash Flows from Operating Activities</u>			
Net Income		122,923	90,589
Depreciation		57,786	41,242
Bank Charges		18,155	12,827
Change in Employees' Termination Benefits		4,852	2,623
Operating Cash Flows Before Changes in Working Capital		203,716	147,281
Changes in:			
Receivables and Prepayments		(53,993)	(40,562)
Inventories		(21,362)	(19,521)
Payables and Accruals		(32,607)	12,477
Cash Flows used by Changes in Working Capital		(107,962)	(47,606)
Cash Flows from Operating Activities		95,754	99,675
<u>Cash Flows used in Investing Activities</u>			
Additions to Fixed Assets		(326,050)	(167,215)
Proceeds from the Sale of Fixed Assets		16,426	10,047
Acquisition of Subsidiaries, Net of Cash Acquired	7	7,580	-
Cash Flows used in Investing Activities		(302,044)	(157,168)
<u>Cash Flows from Financing Activities</u>			
Increase in Loans		200,808	80,282
Bank Charges		(18,155)	(12,827)
Cash Flows from Financing Activities		182,653	67,455
Increase/(Decrease) in Cash and Bank Balances		(23,637)	9,962
Cash and Bank Balances at 1 January		67,077	41,675
Cash and Bank Balances at End of Period		43,440	51,637

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2007 (UNAUDITED)

	Notes	31 March 2007	31 March 2006
		SAR '000	SAR '000
<u>Share Capital</u>			
Balance at 1 January		1,000,000	1,000,000
Shares Issued	7	90,000	-
Balance at End of Period		<u>1,090,000</u>	<u>1,000,000</u>
<u>Share Premium</u>			
Balance at 1 January		-	-
Shares Issued	7	612,000	-
Balance at End of Period		<u>612,000</u>	<u>-</u>
<u>Statutory Reserve</u>			
Balance at 1 January		258,983	212,470
Balance at End of Period		<u>258,983</u>	<u>212,470</u>
<u>Retained Earnings</u>			
Balance at 1 January		634,906	216,289
Net Income		122,923	90,589
Dividends Declared	8	(200,000)	-
Balance at End of Period		<u>557,829</u>	<u>306,878</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. THE COMPANY AND ITS BUSINESS DESCRIPTION

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Di' Hijjah 1411 A.H. (1 July 1991) and still operates under Commercial Registration No. 1010084223.

The Company and its subsidiaries (together, "the Group") are a major integrated consumer food group in the Middle East with leadership positions in the Kingdom of Saudi Arabia and the neighbouring Gulf Cooperative Council (GCC) countries. All raw milk production and related processing along with food manufacturing activities are undertaken in Saudi Arabia and United Arab Emirates (UAE). Final consumer products are distributed from the manufacturing facilities in Saudi Arabia and UAE to local distribution centres by the Company's long haul distribution fleet.

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

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

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

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

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

The Company is part of a consortium lead by the Mobile Telecommunication Company in Kuwait (MTC) which submitted the highest bid for the third licence to provide mobile telecommunication services in the Kingdom of Saudi Arabia. The award is dependant on the decision of the Government Authorities.

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

On 8 Rabi I 1428 A.H. (27 March 2007), the Company issued 9 million shares to the owners of the Western Bakeries Company Limited and its subsidiary International Baking Services Company Limited, on acquisition of the same (Note 7), and as a result the share capital of the Company increased from 100 million fully paid and issued shares of SAR 10 each to 109 million fully paid and issues shares of SAR 10 each.

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

- (a) The interim consolidated financial statements have been prepared on the accrual basis under the historical cost convention and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).
- (b) The statutory records are maintained in Arabic.
- (c) When necessary, prior period comparatives have been regrouped on a basis consistent with current period classification.
- (d) The interim consolidated financial statements reflect all business operations undertaken on behalf of the Company and its subsidiaries and the assets and liabilities beneficially held by the Company.
- (e) The figures in these interim consolidated financial statements are rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

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

B. Revenue Recognition

Products are sold principally on a sale or return basis. Revenue is recognised on delivery of products to customers by the Group or its distributors, at which time risk and title passes, subject to the physical return of unsold products. Adjustment is made in respect of known actual returns.

C. Cash and Bank Balances

Time deposits purchased with original maturities of less than three months are included in Cash at Bank.

D. Accounts Receivable

Accounts receivable are carried at the original invoiced amount less any provision made for doubtful debts. Provision is made for all debts for which the collection is considered doubtful.

E. Inventory Valuation

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

F. Goodwill

Goodwill represents the difference between the cost of businesses acquired and the aggregate of the fair values of their identifiable net assets at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

G. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. There is no open market for dairy livestock in the GCC against which to measure fair value. Accordingly, dairy livestock are treated as fixed assets and included in the accounts at their cost of purchase or at the cost of rearing to the point of first calving, less accumulated depreciation. The cost of dairy youngstock is determined by the cost of rearing to their respective age.

Cows in the dairy herd are depreciated to their estimated residual value, at rates between 10% - 25%, based on their expected continuing useful life. Other fixed assets are depreciated on a straight line basis at the following annual rates:

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

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

H. Conversion of Foreign Currency Transactions

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

I. Employees' Termination Benefits

Employees' termination benefits are payable as a lump sum to all employees employed under the terms and conditions of the Saudi Labour and Workman Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on the employees' final salaries and allowances and their cumulative years of service, in compliance with the conditions stated in the laws of the Kingdom of Saudi Arabia.

J. Selling, Distribution, General & Administration Expenses

Selling, Distribution, General & Administration Expenses include direct and indirect costs not specifically part of Cost of Sales as required under generally accepted accounting principles. Allocations between Cost of Sales and Selling, Distribution, General & Administration Expenses,

when required, are made on a consistent basis. The Company charges payments in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

K. Management Fees

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

L. Zakat

Zakat is provided for in the interim consolidated balance sheet on the basis of an estimated Zakat assessment carried out in accordance with Saudi Department of Zakat and Income Tax (DZIT) regulations. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are made.

M. Operating Leases

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

4. LOANS

	31 March 2007	31 March 2006
	<u>SAR '000</u>	<u>SAR '000</u>
(i) Saudi Industrial Development Fund	449,530	325,878
(ii) Saudi Arabian Agricultural Bank	16,381	20,854
(iii) Islamic Banking Facilities (Murabaha)	<u>1,199,077</u>	<u>844,615</u>
Total	<u><u>1,664,988</u></u>	<u><u>1,191,347</u></u>

5. SEGMENT INFORMATION

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

	YTD March 2007	YTD March 2006
	<u>SAR '000</u>	<u>SAR '000</u>
By Product Group		
Fresh Dairy	395,536	345,572
Long Life Dairy	75,245	69,347
Fruit Juice	55,643	35,111
Cheese and Butter	187,082	166,054
Non-Dairy Foods	4,672	3,997
Bakery Products	87,675	-
Other	1,079	1,384
	<u>806,932</u>	<u>621,465</u>

6. EARNINGS PER SHARE

On 8 Rabi I 1428 A.H. (27 March 2007), the Company issued 9 million shares to the owners of the Western Bakeries Company Limited and its subsidiary International Baking Services Company Limited, on acquisition of the same (Note 7), and as a result the share capital of the Company increased from 100 million fully paid and issued shares of SAR 10 each to 109 million fully paid and issues shares of SAR 10 each.

Earnings per Share is calculated on the total number of issued shares at 31 March 2007 and 31 March 2006 amounting to 109 million shares and 100 million shares respectively, after restating the par value of shares to SAR 10 per share as requested by the Saudi Arabian Capital Markets Authority on 16 Rabi I 1427 A.H. (15 April 2006).

7. BUSINESS COMBINATION

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

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

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

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

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

Total Acquisition Cost:

Shares Issued, at Fair Value	702,000
Costs Associated with the Acquisition	6,017
Total	<u>708,017</u>

Cash Inflow on Acquisition:

Net Cash Acquired with the Subsidiaries	9,275
Cash Paid	(1,695)
Net Cash Inflow	<u>7,580</u>

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

8. DIVIDENDS DECLARED

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

9. SUBSEQUENT EVENTS

In the opinion of the Management, there have been no significant subsequent events since the period end that would have a material impact on the financial position of the Company as reflected in these interim consolidated financial statements.