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ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT FOR THE NINE PERIODS
ENDED 29 SEPTEMBER 2004

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH – SAUDI ARABIA

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Owners of
Almarai Company Limited
A Limited Liability Company
Riyadh - Saudi Arabia

We have reviewed the accompanying interim consolidated balance sheet of Almarai Company Limited (the "Company") as of 29 September 2004, the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the nine periods ended 29 September 2004, including the related notes. These interim consolidated financial statements are the responsibility of the company's management.

We conducted our review in accordance with the standards established by the Saudi Organization 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 Company 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, 28 Shawal 1425 A.H.
Corresponding to 11 December 2004 A.D.

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 29 SEPTEMBER 2004 (UNAUDITED)

	YTD September 2004
	<u>SAR '000</u>
<u>Current Assets</u>	
Cash and Bank Balances	42,313
Receivables and Prepayments	213,621
Inventories	223,085
Total Current Assets	<u>479,019</u>
<u>Current Liabilities</u>	
Payables and Accruals	191,972
Short Term Loans	65,726
Total Current Liabilities	<u>257,698</u>
NET CURRENT ASSETS	<u>221,321</u>
<u>Non Current Assets</u>	
Intangible Assets - Goodwill	14,841
Fixed Assets	1,806,106
Total Non Current Assets	<u>1,820,947</u>
<u>Non Current Liabilities</u>	
Long Term Loans	791,930
Employees' Termination Benefits	52,212
Total Non Current Liabilities	<u>844,142</u>
NET ASSETS	<u>1,198,126</u>
SHAREHOLDER'S EQUITY	
Share Capital	750,000
Statutory Reserve	136,830
Retained Earnings	311,296
TOTAL SHAREHOLDER'S EQUITY	<u>1,198,126</u>

"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT"

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE PERIODS ENDED 29 SEPTEMBER 2004 (UNAUDITED)

	July - September 2004	YTD September 2004
	<u>SAR '000</u>	<u>SAR '000</u>
Sales	473,602	1,380,627
Cost of Sales	(273,009)	(816,823)
Gross Profit	200,593	563,804
Selling & Distribution Expenses	(69,725)	(205,521)
General & Administration Expenses	(19,249)	(61,230)
Net Income before Bank Charges & Zakat	111,619	297,053
Bank Charges	(7,656)	(13,692)
Net Income before Zakat	103,963	283,361
Zakat	(3,128)	(7,590)
Net Income	100,835	275,771

"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT"

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE PERIODS ENDED 29 SEPTEMBER 2004 (UNAUDITED)

	YTD September 2004 <hr/> SAR '000
<u>Cash Flow from Operating Activities</u>	
Net Income	275,771
Depreciation & Amortisation	97,756
Bank Charges	13,692
Change in Employees' Termination Benefits	(2,223)
	<hr/>
Operating Cash Flow Before Changes in Working Capital	384,996
Changes in:	
Receivables & Prepayments	(34,673)
Inventories	(29,948)
Payables & Accruals	(32,128)
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Cash Flow used by Changes in Working Capital	(96,749)
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Cash Flow from Operating Activities	288,247
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<u>Cash Flow used in Investing Activities</u>	
Additions to Fixed Assets	(364,633)
Proceeds from the Sale of Fixed Assets	32,333
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Cash Flow used in Investing Activities	(332,300)
	<hr/>
<u>Cash Flow from Financing Activities</u>	
Increase in Loans	351,296
Dividends Paid during the Period	(300,000)
Bank Charges	(13,692)
	<hr/>
Cash Flow from Financing Activities	37,604
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Decrease in Cash and Bank Balances	(6,449)
Cash and Bank Balances at 1 January	48,762
	<hr/>
Cash and Bank Balances at End of Period	42,313
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"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT"

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE PERIODS ENDED 29 SEPTEMBER 2004 (UNAUDITED)

	YTD September 2004 <hr/> SAR '000
<u>Share Capital</u>	
Balance at 1 January	500,000
Transfer from Retained Earnings	250,000
Balance at End of Period	<u>750,000</u>
<u>Statutory Reserve</u>	
Balance at 1 January	136,830
Balance at End of Period	<u>136,830</u>
<u>Retained Earnings</u>	
Balance at 1 January	585,525
Net Income	275,771
Transfer to Share Capital	(250,000)
Dividends Paid	(300,000)
Balance at End of Period	<u>311,296</u>

"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT"

ALMARAI COMPANY LIMITED
A LIMITED LIABILITY COMPANY
RIYADH - SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. THE COMPANY AND ITS BUSINESS DESCRIPTION

Almarai Company Limited (the "Company") is a Limited Liability Company and was established on 19 Dī' Hijjah 1411 A.H. corresponding to 1 July 1991 and operates under Commercial Registration No. 1010084223.

The Company is a major integrated consumer food company in the Middle East with leadership positions in 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. Final consumer products are distributed from the manufacturing facilities in Saudi Arabia to local distribution centres by the Company's long haul distribution fleet.

The distribution centres in the GCC countries (except for Bahrain) 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
Oman	- Far East Agency

The Company operates in Bahrain through a 100% owned subsidiary, Almarai Company Bahrain W.L.L.

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

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) 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.
- (d) The figures in these interim consolidated financial statements are rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

The preparation of interim consolidated financial statements, in conformity with 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 company 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 capitalised on the interim consolidated balance sheet and amortised to the interim consolidated statement of income in equal annual instalments over its expected useful life, not exceeding twenty years. The carrying value of goodwill is reviewed annually and adjustments are made for any permanent diminution in value.

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	

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 statement of income as appropriate. Gains and losses on derivative financial instruments used to hedge foreign currency exposures are recognised in the interim consolidated Statement of Income 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 statement of income over the terms of the leases.