



ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AND LIMITED REVIEW REPORT FOR THE THREE MONTHS
ENDED 31 MARCH 2012

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

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

SCOPE:

We have reviewed the accompanying interim consolidated balance sheet of Almarai Company - A Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 March 2012, and the related interim consolidated statements of income, cash flows and changes in equity for the three month period then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

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

For Ernst & Young



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




Riyadh: 15 Jamad Awal 1433H
(7 April 2012)

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2012

	31 March 2012 (Unaudited)	31 December 2011 (Audited) (Restated) (Note 4)	31 March 2011 (Unaudited)
Notes	SAR '000	SAR '000	SAR '000
ASSETS			
Current Assets			
Cash and Cash Equivalents	287,859	271,979	135,044
Derivative Financial Instruments	15,016	109	45,863
Receivables and Prepayments	870,520	623,756	731,522
Inventories	1,825,417	1,696,998	1,365,818
Total Current Assets	2,998,812	2,592,842	2,278,247
Non Current Assets			
Investments and Financial Assets	5 546,672	852,746	920,010
Property, Plant and Equipment	11,853,786	10,508,181	8,406,751
Biological Assets	854,584	817,618	782,297
Intangible Assets - Goodwill	1,382,978	821,263	793,468
Deferred Charges	49,351	53,836	45,199
Deferred Tax Asset	16,094	9,940	-
Total Non Current Assets	14,703,465	13,063,584	10,947,725
TOTAL ASSETS	17,702,277	15,656,426	13,225,972
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Short Term Loans	6 1,186,329	1,208,501	626,556
Payables and Accruals	1,658,613	1,515,772	1,300,378
Derivative Financial Instruments	88,622	96,374	61,515
Total Current Liabilities	2,933,564	2,820,647	1,988,449
Non Current Liabilities			
Long Term Loans	6 6,477,712	5,716,663	4,569,635
Employees' Termination Benefits	253,927	243,481	216,922
Deferred Tax Liability	145,794	97,983	-
Total Non Current Liabilities	6,877,433	6,058,127	4,786,557
TOTAL LIABILITIES	9,810,997	8,878,774	6,775,006
EQUITY			
Shareholders' Equity			
Share Capital	2,300,000	2,300,000	2,300,000
Share Premium	1,600,500	1,600,500	1,600,500
Statutory Reserve	768,854	768,854	654,903
Other Reserves	121,790	(95,238)	(128,639)
Treasury Shares	(97,757)	(97,757)	-
Retained Earnings	2,484,221	2,242,102	1,969,287
Total Shareholders' Equity	7,177,608	6,718,461	6,396,051
Minority Interest	713,672	59,191	54,915
TOTAL EQUITY	7,891,280	6,777,652	6,450,966
TOTAL LIABILITIES AND EQUITY	17,702,277	15,656,426	13,225,972


Paul Gay
Chief Financial Officer


Abdulrahman Al Fadley
Chief Executive Officer

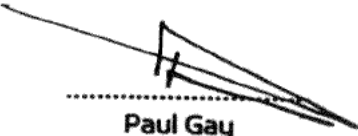

Abdulrahman Al Muhanna
Managing Director

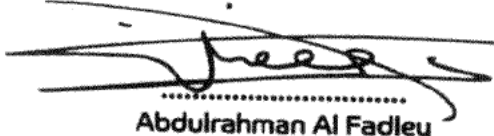
The accompanying notes form an integral part of these interim consolidated financial statements.

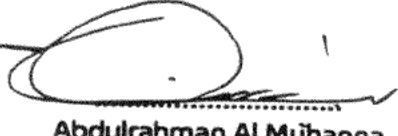
ALMARAI COMPANY
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INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2012

	<u>Notes</u>	YTD 31 March 2012 (Unaudited) SAR '000	YTD 31 March 2011 (Unaudited) SAR '000
Sales	7	2,040,349	1,743,568
Cost of Sales		(1,333,045)	(1,109,416)
Gross Profit		707,304	634,152
Selling and Distribution Expenses		(344,710)	(278,323)
General and Administration Expenses		(70,138)	(64,361)
Net Operating Income		292,456	291,468
Share of Results of Associates and Joint Ventures		(12,314)	(6,923)
Finance Charges		(27,384)	(39,762)
Income from Main Operations		252,758	244,783
Zakat and Income Tax		(7,886)	(6,388)
Income before Minority Interest		244,872	238,395
Minority Interest		(2,753)	(3,147)
Net Income for the Period		242,119	235,248
Earnings per Share (SAR)	8		
Attributable to Income from Main Operations		1.10	1.06
Attributable to Net Income for the Period		1.05	1.02


Paul Gay
Chief Financial Officer


Abdulrahman Al Fadley
Chief Executive Officer



Abdulrahman Al Mūhanna
Managing Director

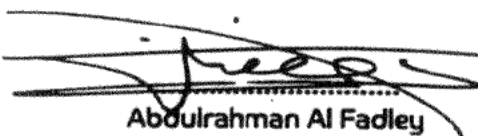
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ALMARAI COMPANY
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2012

	YTD 31 March 2012 <u>(Unaudited)</u> SAR '000	YTD 31 March 2011 <u>(Unaudited)</u> SAR '000
OPERATING ACTIVITIES		
Net Income for the Period	242,119	235,248
Adjustments for:		
Depreciation of Property, Plant and Equipment	205,379	162,732
Net Appreciation of Biological Assets	(50,305)	(53,123)
Profit on Sale of Property, Plant and Equipment	(4,576)	(3,836)
Loss on Sale of Biological Assets	9,547	16,351
Finance Charges Accrued	27,384	39,762
Share of Results of Associates and Joint Ventures	12,314	6,923
Change in Employees' Termination Benefits	10,446	10,834
Share Based Payment Expense	1,540	-
Share of Minority Interest in Net Income of Consolidated Subsidiaries	2,753	3,147
Changes in:		
Receivables and Prepayments	(110,458)	(117,766)
Inventories	(19,131)	(66,481)
Deferred Tax Asset	(2,697)	-
Payables and Accruals	59,118	32,262
Cash Flows from Operating Activities	<u>383,433</u>	<u>266,053</u>
INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(883,781)	(700,547)
Additions to Biological Assets	(6,450)	(4,547)
Proceeds from the Sale of Property, Plant and Equipment	7,589	6,506
Proceeds from the Sale of Biological Assets	33,183	28,527
Dividend Received from an Associate	-	1,000
Acquisition of Subsidiaries, Net of Cash Acquired	17,008	-
Cash Flows used in Investing Activities	<u>(832,451)</u>	<u>(669,061)</u>
FINANCING ACTIVITIES		
Increase in Loans	513,350	348,988
Finance Charges Paid	(52,153)	(30,037)
Change in Deferred Charges	4,485	(21,649)
Distribution to Minority Interests	(784)	-
Cash Flows from Financing Activities	<u>464,898</u>	<u>297,302</u>
Increase / (Decrease) in Cash and Cash Equivalents	15,880	(105,706)
Cash and Cash Equivalents at 1 January	271,979	240,750
Cash and Cash Equivalents at 31 March	<u>287,859</u>	<u>135,044</u>


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Chief Financial Officer


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Chief Executive Officer



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Managing Director

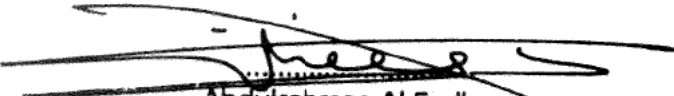
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ALMARAI COMPANY
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2012

	Attributable to equity holders of the parent								
	Share Capital (Unaudited) SAR '000	Share Premium (Unaudited) SAR '000	Statutory Reserve (Unaudited) SAR '000	Other Reserves (Unaudited) SAR '000	Treasury Shares (Unaudited) SAR '000	Retained Earnings (Unaudited) SAR '000	Total Shareholders' Equity (Unaudited) SAR '000	Minority Interest (Unaudited) SAR '000	Total Equity (Unaudited) SAR '000
	Balance at 1 January 2011	2,300,000	1,600,500	654,903	(155,828)	-	1,734,039	6,133,614	51,768
Net Income for the Period	-	-	-	-	-	235,248	235,248	3,147	238,395
Net Movement on Financial Investments	-	-	-	(29,750)	-	-	(29,750)	-	(29,750)
Net Movement on Cash Flow Hedges	-	-	-	56,939	-	-	56,939	-	56,939
Balance at 31 March 2011	2,300,000	1,600,500	654,903	(128,639)	-	1,969,287	6,396,051	54,915	6,450,966
Balance at 1 January 2012	2,300,000	1,600,500	768,854	(95,238)	(97,757)	2,242,102	6,718,461	59,191	6,777,652
Net Income for the Period	-	-	-	-	-	242,119	242,119	2,753	244,872
Acquisition of Subsidiaries	-	-	-	-	-	-	-	652,512	652,512
Distribution to Minority Interests	-	-	-	-	-	-	-	(784)	(784)
Share Based Payment Transactions	-	-	-	1,540	-	-	1,540	-	1,540
Net Movement on Financial Investments	-	-	-	189,000	-	-	189,000	-	189,000
Net Movement on Cash Flow Hedges	-	-	-	26,488	-	-	26,488	-	26,488
Balance at 31 March 2012	2,300,000	1,600,500	768,854	121,790	(97,757)	2,484,221	7,177,608	713,672	7,891,280


Paul Gay
Chief Financial Officer


Abdulrahman Al Fadley
Chief Executive Officer


Abdulrahman Al Muhanna
Managing Director

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 THREE MONTHS
ENDED 31 MARCH 2012

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 group in the Middle East with leading market shares in Saudi Arabia and the neighbouring Gulf Cooperation Council (GCC) countries.

The dairy, fruit juices and related food business is operated under the Almarai, Beyti and Teeba brand names. 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 10 Safar 1433 A.H. (4 January 2012) Almarai Emirates Company L.L.C (UAE) was incorporated (which is 100% owned by the Group) for the purpose of trading in UAE.

On 5 Jamada Awwal 1433 A.H. (28 March 2012) the Company, through its subsidiary Almarai Investment Holding Company Limited W.L.L., increased its shareholding in International Dairy and Juice Limited (IDJ) from 48% to 52% through an equity contribution of USD 22.4 million (SAR 83.8 million). IDJ was incorporated on 14 February 2009 between the Company and PepsiCo, focusing on new business opportunities in dairy and juice products in the Middle East, Africa and Southeast Asia excluding the GCC countries. IDJ's main businesses are the dairy and juice activities of the IDJ operating companies in Egypt and Jordan, as well as exporting Almarai products into the IDJ designated territories.

ALMARAI COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Direct and Beneficial Ownership Interest		Shares	
				2012	2011	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	Holding Company	SAR	100%	100%	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	SAR	100%	100%	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	SAR	100%	100%	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	SAR	100%	100%	SAR 200,000,000	200,000
International Baking Services Company Limited	Saudi Arabia	Holding Company	SAR	100%	100%	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Bakery Company	SAR	60%	60%	SAR 70,000,000	70,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	SAR	52%	52%	SAR 25,000,000	250
Fondomonte El Descanso S.A.	Argentina	Agricultural Company	ARG	100%	100%	ARG 27,475,914	27,475,914
Fondomonte Inversiones Argentina S.A.	Argentina	Agricultural Company	ARG	100%	100%	ARG 17,849,997	17,849,997
Fondomonte Sandoval S.A.	Argentina	Agricultural Company	ARG	100%	100%	ARG 4,383,432	4,383,432
Agro Terra S.A.	Argentina	Dormant	ARG	100%	100%	ARG 475,875	475,875
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company	BHD	100%	100%	BHD 100,000	1,000
Almarai International Holding W.L.L.	Bahrain	Holding Company	BHD	100%	100%	BHD 250,000	2,500
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	BHD	99%	99%	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	BHD	52%	48%	BHD 250,000	2,500
International Dairy and Juice Limited	Bermuda	Holding Company	USD	52%	48%	USD 7,000,000	7,000,000

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Direct and Beneficial Ownership Interest		Shares	
				2012	2011	Capital	Issued
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	EGP	52%	48%	EGP 50,000,000	5,000,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Agricultural Company	EGP	52%	48%	EGP 317,159,000	31,715,900
Markley Holdings Limited	Jersey	Dormant	GBP	100%	100%	-	-
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	JOD	39%	36%	JOD 49,675,352	49,675,352
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	JOD	39%	36%	JOD 500,000	500,000
Al Muthedoon for Dairy Production	Jordan	Manufacturing Company	JOD	39%	36%	JOD 500,000	500,000
Al Atheer Agricultural Company	Jordan	Agricultural Company	JOD	39%	36%	JOD 750,000	750,000
Al Namouthjya for Plastic Production	Jordan	Manufacturing Company	JOD	39%	36%	JOD 250,000	250,000
Blue Yulan S.A.	Luxembourg	Holding Company	EUR	100%	100%	USD 55,190,353	55,190,353
Arabian Planets for Trade and Marketing L.L.C.	Oman	Sales Company	OMR	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Sales Company	OMR	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	Holding Company	EUR	100%	100%	EUR 10,970,317	10,970,317
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	AED	52%	48%	USD 22,042,183	22,042,183
Almarai Emirates Company L.L.C.	United Arab Emirates	Trading Company	AED	100%	-	AED 300,000 (Unpaid)	300

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2012

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. The Group has finalised the purchase price allocation of its Blue Yulan S.A. acquisition based on unaudited management accounts. This has resulted in a restatement of assets and liabilities recognised in Note 4.
- (c) These interim consolidated financial statements include assets, liabilities and the results of the operations of Almarai Company ("the Company") and its subsidiaries ("the Group") as set out in note (1) above. A subsidiary company is that in which the Company has, directly or indirectly, a long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases. The interim consolidated financial statements are prepared on the basis of the individual financial statements of the Company and the financial statements of its subsidiaries, as adjusted by the elimination of all significant inter group balances and transactions. 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 interim 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 figures in these interim consolidated financial statements are rounded to the nearest thousand.
- (e) The operating results reported in the interim consolidated statement of income, present a fair picture of the past performance of the Group, but are not necessarily indicative of future results.

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.

ALMARAI COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2012

C. Accounts Receivable

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

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

ALMARAI COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2012

I. Impairment

The carrying values of property, plant and equipment, biological assets and investments and financial 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.

For property, plant and equipment and biological assets, 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.

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 interim 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.

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.

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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 the 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.

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.

R. 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).

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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 currencies of foreign subsidiaries are listed in note 1. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the functional and presentation currency of the Group, Saudi Riyal (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. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded as a separate component of shareholders' equity.

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.

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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 and Administration Expenses

Selling, Distribution, General and 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

Acquisition of Blue Yulan S.A.

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 313.8 million (USD 83.5 million).

The assets and liabilities of Blue Yulan S.A. as at acquisition date are consolidated by the Group. The net assets recognised in the 31 December 2011 financial statements were based on a provisional assessment and after the final purchase price allocation carried out by management the balances have been restated. The final purchase price allocation was based on unaudited management accounts and is subject to change once the audited financial statements are available. The Group has restated and 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. There is no change to the prior year net income.

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	Fair Value Recognized on Acquisition (Restated) SAR '000	Fair Value Recognized on Acquisition (Provisional) SAR '000
<u>Assets</u>		
Land and Buildings	352,592	352,518
Other Property, Plant and Equipment	1,405	1,405
Biological Assets	916	916
Deferred Tax Asset	9,940	8,630
Inventories	11,554	11,341
Receivables and Prepayments	10,182	13,270
Bank Balances and Cash	5,913	5,913
	392,502	393,993
<u>Liabilities</u>		
Payables and Accruals	8,057	7,193
Short Term Loans	432	432
Deferred Tax Liability	97,983	97,983
	106,472	105,608
Total Identifiable Net Assets at Fair Value	286,030	288,385
Goodwill Arising on Acquisition	27,795	33,108
Purchase Consideration Transferred	313,825	321,493
<u>Total Acquisition Cost:</u>		
Cash Consideration	313,825	312,080
Costs Associated with the Acquisition	-	9,413
Total	313,825	321,493
<u>Cash Outflow on Acquisition:</u>		
Net Cash Acquired with the Subsidiaries	5,913	5,913
Cash Paid	(313,825)	(321,493)
Net Cash Outflow	(307,912)	(315,580)

Step Acquisition of International Dairy and Juice Limited ("IDJ")

On 5 Jamada Awwal 1433 A.H. (28 March 2012) the Company, through its subsidiary Almarai Investment Holding Company Limited W.L.L., increased its shareholding in IDJ from 48% to 52% through an equity contribution of USD 22.4 million (SAR 83.8 million). IDJ was incorporated on 14 February 2009 between the Company and PepsiCo, focusing on new business opportunities in dairy and juice products in the Middle East, Africa and Southeast Asia excluding the GCC countries. IDJ's main businesses are the dairy and juice activities of the IDJ operating companies in Egypt and Jordan, as well as exporting Almarai products into the IDJ designated territories.

The assets and liabilities of IDJ are consolidated by the Group. The post acquisition operating results for IDJ 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 lower by SAR 6.4 million and the net income of the Group would have been lower by SAR 0.3 million.

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Due to the proximity of the step acquisition to the quarter 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 the previously held equity investment) as of the acquisition date which are summarized below:

	Fair Value Recognized on Acquisition (Provisional)
	SAR '000
<u>Assets</u>	
Property, Plant & Equipment	659,757
Biological Assets	22,941
Intangible Assets - Goodwill	517,355
Deferred Tax Asset	3,457
Inventories	109,288
Receivables and Prepayments	136,306
Bank Balances and Cash	100,821
	1,549,925
<u>Liabilities</u>	
Short Term Loans	225,527
Payables and Accruals	98,033
Derivative Financial Instruments	3,829
Deferred Tax Liability	47,811
	375,200
Non Controlling Interest of Teeba	(129,522)
Total Identifiable Net Assets at Fair Value	1,045,203
Non Controlling Interest of IDJ	(522,990)
Goodwill Arising on Acquisition	44,360
Purchase Consideration Transferred	566,573
<u>Total Acquisition Cost:</u>	
Cash Consideration	83,813
Fair Value of Previously Held Equity Interest	482,760
Total	566,573
<u>Cash Outflow on Acquisition:</u>	
Net Cash Acquired with the Subsidiaries	100,821
Cash Paid	(83,813)
Net Cash Inflow	17,008

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5. INVESTMENTS AND FINANCIAL ASSETS

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

		31 March 2012 (Unaudited) SAR '000	31 December 2011 (Audited) SAR '000	31 March 2011 (Unaudited) SAR '000
<u>Investments in Associates and Joint Ventures</u>				
International Dairy and Juice Limited	48.0%	-	489,500	507,642
Pure Breed Company	21.5%	34,826	34,723	33,487
International Pediatric Nutrition Company	50.0%	4,641	10,318	13,426
Almarai Company W.L.L.	50.0%	204	204	204
		<u>39,671</u>	<u>534,745</u>	<u>554,759</u>
<u>Investments in Securities</u>				
Zain Equity Investment	2.5%	383,250	194,250	241,500
Zain Subordinated Founding Shareholders' Loan	-	109,587	109,587	109,587
Jannat for Agricultural Investment Company	10.0%	7,000	7,000	7,000
National Company for Tourism	1.1%	4,500	4,500	4,500
National Seeds and Agricultural Services Company	7.0%	2,064	2,064	2,064
United Dairy Farms Company	8.3%	600	600	600
		<u>507,001</u>	<u>318,001</u>	<u>365,251</u>
		<u>546,672</u>	<u>852,746</u>	<u>920,010</u>

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

	31 March 2012 (Unaudited) SAR '000	31 December 2011 (Audited) SAR '000	31 March 2011 (Unaudited) SAR '000
<u>International Dairy & Juice Limited (IDJ)</u>			
Opening Balance	489,500	513,485	513,485
Less : Share of Results for the period	(6,740)	(23,985)	(5,843)
Less : Transfer to Consolidated Subsidiary (refer note 4)	(482,760)	-	-
Closing Balance	<u>-</u>	<u>489,500</u>	<u>507,642</u>
<u>Pure Breed Company</u>			
Opening Balance	34,723	32,764	32,764
Add : Share of Results for the period	103	5,098	1,723
Less : Distributions	-	(3,139)	(1,000)
Closing Balance	<u>34,826</u>	<u>34,723</u>	<u>33,487</u>
<u>International Pediatric Nutrition Company</u>			
Opening Balance	10,318	16,229	16,229
Add : Capital Introduced	-	17,500	-
Less : Share of Results for the period	(5,677)	(23,411)	(2,803)
Closing Balance	<u>4,641</u>	<u>10,318</u>	<u>13,426</u>
<u>Almarai Company W.L.L.</u>			
Opening Balance	<u>204</u>	<u>204</u>	<u>204</u>
Closing Balance	<u>204</u>	<u>204</u>	<u>204</u>

- (b) On 5 Jamada Awwal 1433 A.H. (28 March 2012) the Company increased its shareholding in IDJ from 48% to 52% through an equity contribution of USD 22.4 million (SAR 83.8 million). This step acquisition results in the Group fully consolidating IDJ's financial statements as a subsidiary instead of equity accounting its investment in an associate. The carrying value of the associate must be revalued to fair value with any variance being recognised in the consolidated statement of income. Accordingly, the Group has recognised a revaluation gain of SAR 21.4 million which has been included in Share of Results of Associates and Joint Ventures.
- (c) 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 28 March 2012 of SAR 10.95. This has resulted in an unrealised gain of SAR 189.0 million which is shown within other reserves in Shareholders' Equity. The founding shareholders have extended the repayment date of the shareholders' loans to ZAIN KSA and have agreed to pledge their ZAIN shares for and on behalf of the preferred creditors until 27 July 2012 in order to enable ZAIN KSA to refinance its existing debts.
- (d) All other investments in securities are stated at cost less impairment.

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6. TERM LOANS

	31 March 2012 (Unaudited) SAR '000	31 December 2011 (Audited) SAR '000	31 March 2011 (Unaudited) SAR '000
Islamic Banking Facilities (Murabaha)	5,564,863	5,980,116	4,497,421
Saudi Industrial Development Fund	869,960	941,048	694,770
Other Banking Facilities	226,218	-	-
Agricultural Development Fund	3,000	4,000	4,000
	<u>6,664,041</u>	<u>6,925,164</u>	<u>5,196,191</u>
Sukuk	<u>1,000,000</u>	<u>-</u>	<u>-</u>
	<u><u>7,664,041</u></u>	<u><u>6,925,164</u></u>	<u><u>5,196,191</u></u>

- (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 870.0 million as at 31 March 2012 (SAR 941.0 million as at 31 December 2011 and SAR 694.8 million as at 31 March 2011).
- (c) The other banking facilities represent borrowings of foreign subsidiaries from foreign banking institutions.
- (d) On 14 Rabi Thani 1433 A.H. (7 March 2012), the Company issued its first Sukuk amounting to SAR 1 billion at a par value of SAR 1,000,000 each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk is due for maturity at par on its expiry date of 30 Jumad Thani 1440 (7 March 2019).

As per the terms of the arrangement, the Company is entitled to commingle its own assets with the Sukuk Assets. Sukuk Assets comprise the sukukholders share in the Mudaraba Assets and the sukukholders interest in the Murabaha Transactions, together with any amounts standing to the credit of the Sukuk Account and the Reserve retained by the Company from the Sukuk Account.

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7. SEGMENT INFORMATION

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai, Beyti and Teeba brands, 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 the investment in Zain and infant nutrition. Selected financial information as of 31 March 2012, 31 December 2011 and 31 March 2011 and for the years then ended categorized by these business segments, are as follows:

	Dairy and Juices	Bakery Products	Poultry	Arable and Horticulture	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 March 2012 (Unaudited)						
Sales	1,638,965	293,539	95,399	24,467	-	2,052,370
Third Party Sales	1,635,677	293,539	95,399	15,734	-	2,040,349
(Depreciation) / Appreciation	(102,213)	(26,108)	(10,110)	(16,643)	-	(155,074)
Income / (loss) before Minority Interest	270,869	35,210	(31,981)	(20,065)	(9,161)	244,872
Total Assets	10,363,328	1,965,294	2,471,505	1,650,391	1,251,759	17,702,277
Total Liabilities	(8,546,601)	(269,172)	(256,482)	(208,719)	(530,023)	(9,810,997)
31 December 2011 (Audited) (Restated)						
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	(194,955)	1,146,937
Total Assets	9,064,765	1,920,117	1,937,961	1,699,573	1,034,010	15,656,426
Total Liabilities	(7,676,394)	(281,452)	(187,144)	(205,317)	(528,467)	(8,878,774)
31 March 2011 (Unaudited)						
Sales	1,472,381	231,788	63,469	1,511	-	1,769,149
Third Party Sales	1,467,836	211,387	63,469	876	-	1,743,568
(Depreciation) / Appreciation	(68,996)	(21,673)	(6,013)	(12,927)	-	(109,609)
Income / (loss) before Minority Interest	251,480	21,964	772	(30,439)	(5,382)	238,395
Total Assets	8,473,994	1,809,293	894,352	1,161,149	887,184	13,225,972
Total Liabilities	(5,810,963)	(236,254)	(124,521)	(51,907)	(551,361)	(6,775,006)

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The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 31 March 2012, 31 December 2011 and 31 March 2011 and for the periods then ended, categorized by these geographic segments are as follows:

	Sales	Non-Current Assets
	<u>SAR '000</u>	<u>SAR '000</u>
<u>31 March 2012 (Unaudited)</u>		
Saudi Arabia	1,441,238	12,858,909
Other GCC Countries	569,471	194,289
Other Countries	29,640	1,650,267
Total	<u>2,040,349</u>	<u>14,703,465</u>
<u>31 December 2011 (Audited) (Restated)</u>		
Saudi Arabia	5,656,415	12,003,293
Other GCC Countries	2,198,470	169,940
Other Countries	96,104	890,351
Total	<u>7,950,989</u>	<u>13,063,584</u>
<u>31 March 2011 (Unaudited)</u>		
Saudi Arabia	1,232,386	10,302,431
Other GCC Countries	493,314	130,652
Other Countries	17,868	514,642
Total	<u>1,743,568</u>	<u>10,947,725</u>

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

	YTD	YTD
	31 March	31 March
	2012	2011
	(Unaudited)	(Unaudited)
	<u>SAR '000</u>	<u>SAR '000</u>
Fresh Dairy	808,243	739,282
Long Life Dairy	213,454	186,799
Fruit Juice	207,253	166,214
Cheese and Butter	394,935	367,782
Bakery	293,539	211,387
Poultry	95,399	63,469
Arable and Horticulture	15,734	876
Other Dairy	11,792	7,759
Total	<u>2,040,349</u>	<u>1,743,568</u>

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8. EARNINGS PER SHARE

Earnings per Share are calculated on the weighted average number of issued shares at 31 March 2012 and 31 March 2011 amounting to 230 million shares.

9. DIVIDENDS APPROVED

On 10 Jumad Awal 1433 A.H. (2 April 2012) the Extraordinary General Assembly Meeting approved a dividend of SAR 517.5 million (SAR 2.25 per share) for the year ended 31 December 2011 which will be paid on 19 Jumad Awal 1433 A.H. (11 April 2012).

10. SUBSEQUENT EVENTS

On 10 Jumad Awal 1433 A.H. (2 April 2012) the Extraordinary General Assembly Meeting approved an increase in the share capital from SAR 2,300.0 million to SAR 4,000.0 million through the distribution of 1 bonus share for each 1.3529 outstanding shares for existing shareholders at the end of the trading on the same day. This will be funded from share premium and retained earnings.