Board Report

For the year ending 31 December 2011

February 2012

Board of Directors Report

We are pleased to present the Board Report for the year 2011, encompassing a review of Almarai's operating and financial performance. We hope that, with the blessings of Almighty Allah, we will succeed in 2012 and beyond with the continued progression of our growth and expansionary plans.

1- Overview: Record results despite challenging year

Almarai achieved sales of SAR 7,951.0 million in 2011 – a record for the company, representing an increase of 14.7% over the previous year. Net Operating Income also reached record levels at SAR 1,517.6 million. Cash flow from operating activities amounted to SAR 1,924.0 million, representing 24.2% of sales.

Significant sales growth was recorded across all product categories. Fresh dairy grew by 9.7%, long-life dairy by 15.5%, cheese and butter by 12.8%, fruit juice by 19.2% and bakery by 17.7%. Poultry delivered the strongest growth during the 12 months with a near doubling of sales versus 2010.

Almarai's largest product group, fresh and long-life dairy, had another successful year with combined growth of 10.7%. Almarai branded dairy products remain the consumer's preferred choice throughout the GCC.

Almarai fruit juice continued to deliver strong growth with Sales of SAR 888.1 million representing an increase of 19.2% over 2010. Driven by innovation, an unwavering commitment to quality and superior distribution in the marketplace, Almarai's juice portfolio is the market leader in five out of six GCC countries.

2011 bakery sales growth of 17.7% resulted in total Sales of SAR 966.4 million. In 2010, Almarai distributed bakery products in the Kingdom and Kuwait only. Expanded distribution throughout the GCC, coupled with the leveraging of our new production facility in Al Kharj, ensures that Almarai's bakery brands are well positioned for future growth.

The establishment of the Alyoum brand, innovation with the introduction of industry leading packaging and a continual commitment to quality all helped poultry sales grow by 81.2% to SAR 319.2 million. The ongoing focus for Almarai's poultry business will be the delivery of the significant investment announced by the Board in June 2011.

2011 saw many commodities reach record price levels which impacted local and global players in the food and beverage industry. The raw materials price increase across feed, packaging and ingredients requirements negatively affected margins.

The company's commitment to its profitable growth is materialised through its ongoing investment in capital projects which amounted to SAR 3.0 Billion in 2011 in line with its strategic plan. This investment positions Almarai to be able to serve the GCC consumers quality products across an ever increasing diversified product offering. In that respect and in line with its long term strategy, the company is continuously looking into new business opportunities that will complement its product portfolio and geographic span.

Our continued commitment to protection of the environment was evidenced by our use of leading edge technology and processes throughout our supply chain to ensure water conservation. In addition, Almarai imported 100% of the alfalfa feed necessary to produce the dairy products exported outside of the Kingdom, whereas the statutory requirement was 20%.

In light of our commitment to staff the Company has approved an employee stock participation Program for a number of non-executive employees granting the right to purchase shares worth 97.8 million SR.

We would like to express our thanks to Almarai's investors, for placing your trust in the Board of Directors. We would also like to extend our appreciation to Almarai's management team and over 22,000 employees who have demonstrated whole-hearted commitment to the Company's continuing development and exemplary performance. Finally, we should not forget our loyal consumers, who have ensured that, yet again, Almarai remains the most successful food and beverage company in the GCC.

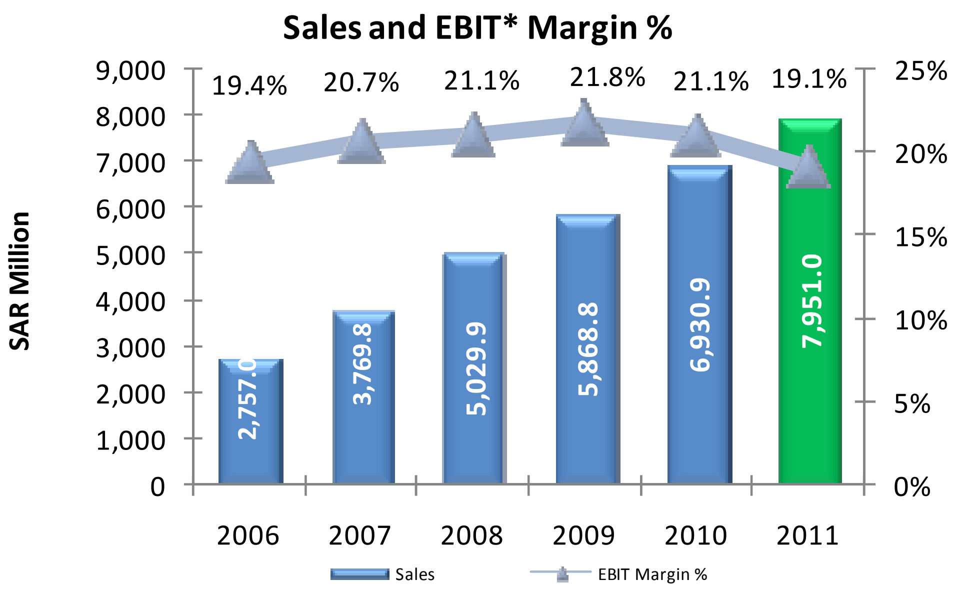
2- Detailed Review of Principal Activities for 2011

Continued growth whilst building our future

A review of the financial performance demonstrates once again our ability to consistently deliver robust growth. The compound annual sales growth rate since 2006 of 23.6% is a reflection of the superior quality of the Company's products supported by our ongoing programme of intensive investment in production infrastructure, distribution capabilities and marketing, as well as entry into new categories and acquisitions. As a result, in 2011, sales and net operating income amounted to SAR 7,951.0 million and SAR 1,517.6 million respectively.

The chart below illustrates the continuous growth in sales and EBIT margin.

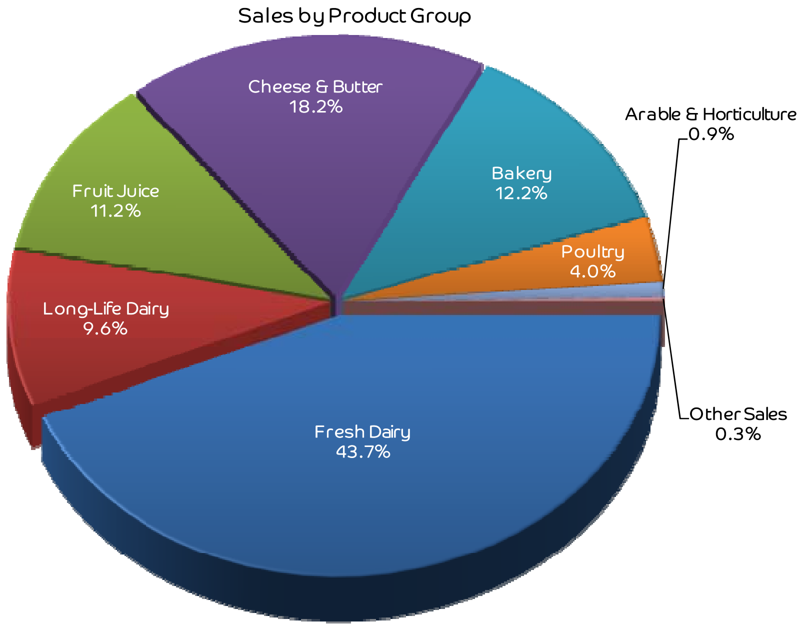
Sales by Product Group(SAR Million)	Year ended 31 December		
	2011	2010	% change
Fresh Dairy	3,475.7	3,168.7	9.7%
Long-Life Dairy	761.1	658.9	15.5%
Fruit Juice	888.1	745.1	19.2%
Cheese & Butter	1,446.6	1,282.4	12.8%
Bakery	966.4	821.2	17.7%
Other Sales	21.2	30.7	(30.9%)
Sub-Total	7,559.2	6,707.1	12.7%
Poultry	319.2	176.1	81.3%
Arable & Horticulture	72.6	47.7	52.2%
Total Sales	7,951.0	6,930.9	14.7%



*Earning before bank charges and Zakat

All major categories delivered robust growth, contributing to the Company's overall Sales growth of 14.7%.

The following chart gives a breakdown of sales by product group:



Fresh Dairy

Almarai's flagship product group includes locally-produced fresh milk and laban, zabadi (plain yoghurt), fruit yoghurts and cream and dairy desserts. Fresh Dairy sales grew by 9.7% year-on-year to reach SAR 3,475.7 million, representing 43.7% of total sales.

Catering to increasing health and wellness demands from the GCC consumer, the Almarai Vetal advanced nutrition offer was extended and now encompasses fresh laban, milk, zabadi and fruit yoghurts. A new offering to the flavoured milk range, mango, was also successfully introduced to the market. The success of these products has surpassed our most optimistic projections and exceeded initial market share targets.

Long-Life Dairy

This category comprises UHT milk, evaporated milk, whipping cream, cooking cream and sterilised cream. The combination of product improvement, marketing and focused distribution strategies resulted in sales growth from 2010 of 15.5% to SAR 761.1 million for 2011.

Fruit Juice

Focussed distribution supported by product innovation, with the introduction of two new flavours (Pomegranate and Kiwi & Lime) to complement the existing 12 flavours across four different pack sizes, resulted in Almarai's juice segment reaching record highs in 2011. An unwavering commitment to product quality was rewarded with annual sales growth of 19.2% to SAR 888.1 million, reinforcing the brand's strong market leadership.

Cheese and Butter

This product group is made up of spreadable cheese in jars, cheese triangles, slices, blocks, tins and squares, halloumi, feta and mozzarella cheese, butter and butter ghee.

Almarai product development in this product group saw the introduction of the Nabatiyah butter range (vegetable oil based butter) and an innovative jar design for Almarai's spreadable cheeses. Robust sales performance was achieved with growth of 12.8% delivering sales of SAR 1,446.6 million.

Bakery

Almarai bakery products are marketed under the L'usine brand (pastry, cakes, biscuits, bread, buns, waffle, maamoul and sambosa leaves) and the 7 Days brand (pastry and cakes). Distribution of both L'usine and 7 Days products was expanded during 2011 and now covers the whole GCC.

This increased distribution and leveraging of the new state of the art bakery in Al Kharj has seen bakery sales grow to SAR 966.4 million, up 17.7% on the previous year.

Poultry

2011 was the second full year of Almarai's presence in the poultry segment since the acquisition of HADCO in October 2009. The poultry range, under the Alyoum brand, comprises fresh whole chickens and portion packs (including wings, drumsticks, whole legs, thighs, mixed parts and breast fillet). The portions portfolio was moved to modern packaging, based on sealed, leak-proof, plastic trays, in July 2011. This was the most significant upgrade in consumer presentation, in the local industry, for several years.

The focus on consistently delivering better product quality, effective communication, attractive packaging and unmatched distribution and sales reach, have combined to see Revenues grow 81.2% to SAR 319.2 million.

Arable & Horticulture

Sales from arable and horticultural operations, including dates, olive oil, grapes and wheat, grew to SAR 72.6 million. In July 2011, under the Almira brand, dates from our farms in the Hail region were launched in the Kingdom.

3- OPERATING COSTS

During 2011, commodity price inflation negatively impacted the ratio of Direct Material Costs to Sales, with an increase from 41.7% in 2010 to 43.2%. This phenomenon impacted all of Almarai's key input categories, including feed costs, packaging, juice concentrates and dairy ingredients.

Selling & Distribution Expenses and General & Administration Expenses, increased by 16.0%. Among the key contributing factors to this increase were: distribution expansion of bakery products throughout the entire GCC; portfolio changes resulting from Almarai's diversification into new categories; enhancing the infrastructure of the organisation to address the increasingly complexity of the business and preparing the foundation for future growth.

Within operating costs, including Other Cost of Sales , and in line with other organisations in the region in 2011, Almarai made significant changes to its remuneration policies in the first half of the year, including the granting of a one-off special bonus to its staff.

4- Depreciation and Disposal of Assets

Biological assets include the dairy herd, poultry flocks and horticultural crops. Net biological asset appreciation represents the growth in such assets, capitalised in accordance with our accounting policy and in line with SOCPA standards. The accounting policy is outlined in the Financial Statements.

Depreciation and disposal of assets increased by SAR 87.8 million due to the ongoing investment in our farming, production and distribution facilities.

Operating Costs (SAR Million)	Year ended 31 December				
	2011	% of Sales	2010	% of Sales	Change in %
Direct Material Costs	3,433.4	43.2%	2,891.3	41.7%	18.7%
Other Cost of Sales	1,521.0	19.1%	1,303.7	18.8%	16.7%
Selling & Distribution Expenses	1,213.2	15.3%	1,046.0	15.1%	16.0%
General & Administration Expenses	265.7	3.3%	229.2	3.3%	15.9%
Total Operating Costs	6,433.4	80.9%	5,470.2	78.9%	17.6%

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

Operating Costs (SAR Million)	Year ended 31 December				
	2011	% of Sales	2010	% of Sales	Change in %
Direct Material Costs	3,433.4	43.2%	2,891.3	41.7%	18.7%
Employee Costs	1,383.4	17.4%	1,078.8	15.6%	28.2%
Operating Overheads	623.8	7.8%	640.1	9.2%	(2.5%)
Marketing Expenses	397.3	5.0%	351.7	5.1%	13.0%
Insurance	22.6	0.3%	23.4	0.3%	(3.6%)
Depreciation & Disposal of Assets	572.8	7.2%	485.0	7.0%	18.1%
Total Operating Costs	6,433.4	80.9%	5,470.2	78.9%	17.6%

5- SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Investments in Associated Companies include International Dairy & Juice (a venture with PepsiCo), International Pediatric Nutrition Company (a venture with Mead Johnson Nutrition) and Pure Breed Company (an Associate Company).

Associates & Joint Ventures (SAR Million)	Opening Balance	Capital Introduced	Share of Results for The Year	Distributions	Closing Balance
International Dairy & Juice Limited	513.5	-	(24.0)	-	489.5
Pure Breed Company	32.8	-	5.1	(3.1)	34.7
International Pediatric Nutrition Company	16.2	17.5	(23.4)	-	10.3
Almarai Company WLL	0.2	-	-	-	0.2
Total	562.7	17.5	(42.3)	(3.1)	534.7

6- IMPAIRMENT LOSS

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. 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 consider the investment impaired. The unrealised loss recognised to date within other reserves in shareholders' equity has been reversed and the difference between the original cost and the current fair value has been recognised as an impairment loss (SAR 160.2 million) in the consolidated statement of income.

7- STATUTORY PAYMENTS

Statutory payments during the year were:

Statutory Payments (SAR Million)	Year ended 31 December	
	2011	2010
Customs duty	92.6	57.6
Zakat and Income Tax	33.2	21.3
G.O.S.I.	25.5	20.9
Ministry Fees	38.7	30.5
Others	3.7	4.2
Total Payments	193.8	134.5

8- Zakat

Zakat is calculated at the higher of net adjusted income or Zakat base as required by the Department of Zakat and Income Tax (DZIT). In 2011, the Zakat charge is based on the net adjusted income method.

The Company has filed its Zakat returns for all the years up to 2010 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all the years up to 2006 while 2007, 2008, 2009 and 2010 Zakat returns are still under review by DZIT.

HADCO has filed its Zakat returns for all years up to 31 December 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all years up to 31 December 2002. From 2009 onwards HADCO is not required to file a return as results are consolidated in to the Almarai Group return.

9- NET INCOME

Net income decreased to SAR 1,139.5 million in 2011 from SAR 1,285.4 million in 2010, representing 14.3% and 18.5% of sales respectively. The impairment loss of SAR 160.2 million plus the rise in Cost of Sales, resulting from commodity price inflation, are the main drivers for the reduction in the Net Income.

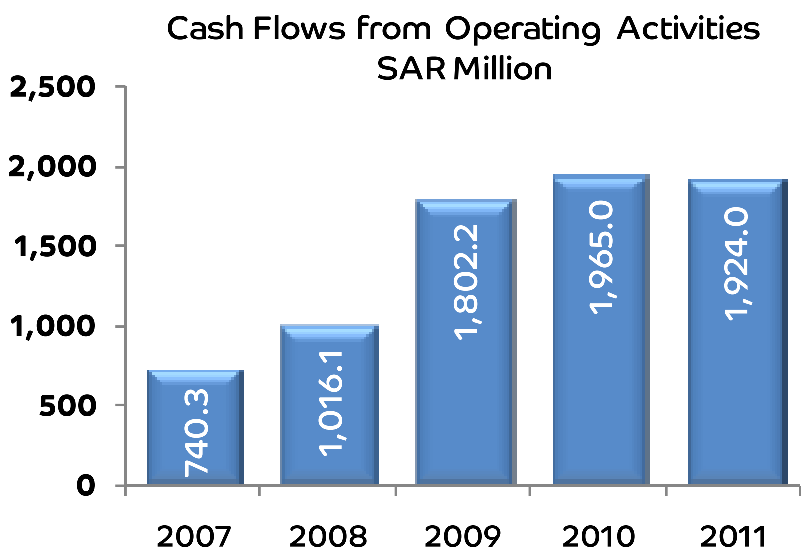
10- CASH FLOWS

Cash flows from operating activities reached SAR 1,924.0 million, compared to SAR 1,965.0 million in 2010 and equating to 24.2% of total sales. Operating cash flow and increased borrowings funded Almarai's SAR 3,237.5 million investment programme for the year, as well as paying shareholder dividends.

Continued heavy investment will enable Almarai to satisfy growth in consumer demand and maintain/grow market share in the GCC, while also financing diversification into new business areas, by product category and geographically.

Improved management of working capital in relation to receivables and payables was offset by increased investment in inventory. The value of inventory increased due to continued sales growth across the business and commodity inflation. As a percentage of sales, operating net working capital grew from 9.5% to 10.1%.

Cash Flow Statement (SAR Million)	Year ended 31 December	
	2011	2010
From Operating Activities	1,924.0	1,965.0
Used in Investing Activities	(3,237.5)	(2,188.7)
From/(Used in) Financing Activities	1,344.7	(43.3)
Increase/(Decrease) in Cash	31.2	(266.9)
Cash at beginning of period	240.8	507.7
Cash at end of period	272.0	240.8



Cash Flows from Operating Activities (SAR Million)	Year ended 31 December	
	2011	2010
Net Income	1,139.5	1,285.4
Depreciation & Disposal of Assets	572.8	485.0
Impairment loss	160.2	-
Bank Charges	135.0	120.6
Share of Results of Associates and Joint Ventures	42.3	5.9
Change in Employees' Termination Benefits	38.4	40.3
Share of Minority Interest in Net Income of a Consolidated Subsidiary	7.4	21.5
Changes in Net Operating Working Capital	(171.6)	6.3
Cash Flows from Operating Activities	1,924.0	1,965.0

Cash Flows Used in Investing Activities (SAR Million)	Year ended 31 December	
	2011	2010
Capital Expenditure	(3,054.7)	(2,237.2)
Proceeds from disposals	147.2	133.0
Investments in Associates and Joint Ventures	(17.5)	(85.5)
Acquisition of Subsidiaries, Net of Cash Acquired	(315.6)	
Dividend received from an Associate	3.1	1.0
Cash Flows Used in Investing Activities	(3,237.5)	(2,188.7)

Capital Expenditure (SAR Million)	2011						2010
	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Total	Total
Replacement	(61.2)	(3.1)	(2.5)	(6.2)	0.0	(73.1)	(121.0)
New Capex	(1,156.9)	(221.0)	(1,215.4)	(92.1)	(296.2)	(2,981.6)	(2,116.2)
Total	(1,218.1)	(224.1)	(1,218.0)	(98.4)	(296.2)	(3,054.7)	(2,237.2)
Capital Commitments	(610.3)	(56.1)	(1,181.9)	(21.5)	(60.7)	(1,930.6)	(1,547.1)

11- BUILDING OUR FUTURE

In 2011, Almarai invested over SAR 3 billion in continuing the process of putting the platforms for future growth in place. This investment is spread across Almarai's diversified operations:

Poultry

- The capital investment is focused on the development of integrated facilities for the production of high-quality poultry.
- These facilities will be commissioned in the second half of 2012.

Infant Nutrition/ IPNC (International Pediatric Nutrition Company, venture with Mead Johnson Nutrition)

- The capital investment in infant nutrition will result in the region's first infant formula facility, located in Al Kharj, Riyadh,
- Commercial production from this plant will commence in 2012.

Farming, Manufacturing and Distribution

- Continued robust growth in our core product groups (dairy, juice, cheese & butter and bakery) requires investment in our supply chain to serve consumer demand.
- Our farming, manufacturing and distribution capabilities were all improved with increased capacity to satisfy this growth.

2012 will be a key year for Almarai's new ventures as the poultry facilities and infant nutrition are commissioned and these new businesses continue to gain momentum.

12- FINANCING

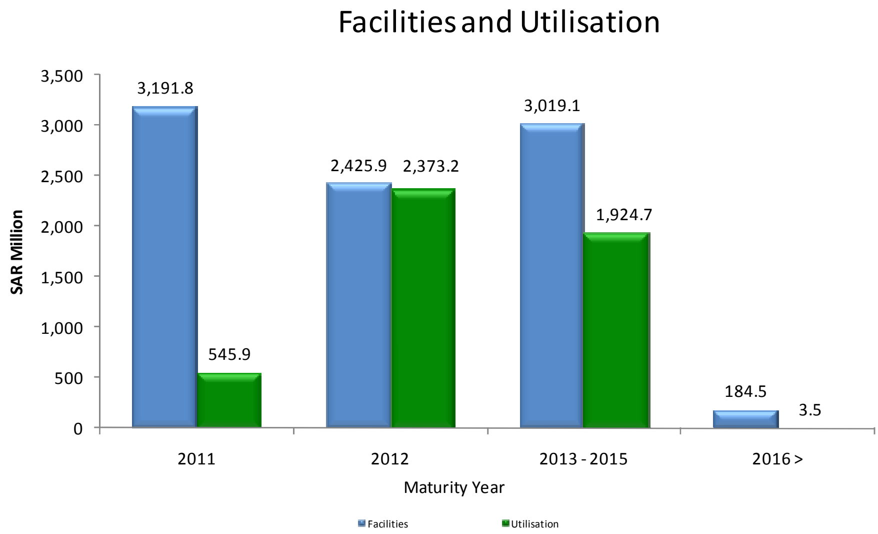
The strong cash flow generating capability of Almarai has enabled the company to obtain additional credit facilities to finance the investments mentioned above.

Cash Flows from Financing Activities (SAR Million)	Year ended 31 December	
	2011	2010
Increase in Loans	2,077.5	470.5
Borrowings from government financial Institutions		
Repayments	*(127.9)*	*(116.1)*
Receipts	*475.6*	*94.5*
Borrowings from Islamic banking facilities (Murabaha)		
Repayments	*(418.0)*	*(433.6)*
Receipts	*2,147.8*	*925.7*
Dividends Paid	(515.6)	(454.9)
Distribution to Minority Interest	-	(0.9)
Bank Charges	(89.2)	(80.3)
Purchase of Treasury Shares	(97.8)	
Deffered Charges	(30.3)	8.2
Minority Interest Share in Modern Food Industries Limited	-	14.0
Cash Flows from Financing Activities	1,344.7	(43.3)

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

Recognising the need for further financing to fund our future plans, the Company secured an additional SAR 1,800.0 million of Islamic banking facilities (Murabaha) with a maturity of three to five years and an additional SAR 238.0 million of SIDF facilities with a maturity of more than five years.

As at 31 December 2011, SAR 2,435.5 million and SAR 398.4 million of Islamic banking facilities and SIDF facilities respectively were unutilised and available for draw down. Bank charges increased from SAR 120.6 million to SAR 135.0 million primarily due to higher loan utilization, offset by an overall favourable movement in financing rates.



The Extraordinary General Assembly Meeting held on November 19th 2011 saw Almarai's shareholders approve the issuance of sukuk as a potential source of future funding. As of December 31st 2011, no sukuk has been issued.

13- DISTRIBUTION POLICY

As per Article 44 of Almarai's by-laws, after deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:
(a) Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals one-half (1/2) of the Company's capital.
(b) These shall be paid to the holders of preferred shares the specified percentage pertaining to such shares.
(c) The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly.
(d) Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of not less than five percent (5%) percent of the paid-up capital.
(e) No more than five percent (5%) of the remaining amount shall be paid as compensation to the members of the Board of Directors.
(f) The balance shall be distributed among the Shareholders as an additional share of the profits or transferred to retained profits account.
The Company may distribute semi-annual and quarterly profits after it has completed the necessary procedures put in place by the competent authorities.

At the General Assembly of 03 April 2011, Almarai shareholders approved a dividend distribution for 2010 of SAR 2.25 per share (based on 230 million shares), amounting to SAR 517.5 million.

For 2011, the Board of Directors proposes a dividend of SAR 2.25 per share (based on 230 million shares), amounting to SAR 517.5 million.

The high level of investment which has underpinned Almarai's performance and is integral to the Company's five-year plan may inhibit the ability to pay high annual dividends to shareholders.

The Board of Directors have also proposed an increase in the share capital of Almarai from SAR 2,300 million to SAR 4,000 million through the distribution of one bonus share for each outstanding 1.3529 shares and financed through the company reserves. An Extraordinary General Assembly Meeting will be convened at which approval of the bonus share will be sought from shareholders. The date of this meeting will be determined after obtaining the formal approval from the related government agencies. Shareholders registered at the end of the day of the Extraordinary General Assembly Meeting for 2012 will be eligible.

14- BOARD MEETINGS AND DIRECTORS DISCLOSURE

During the year we held five board meetings and attendance was as per the table below.

Directors Name and other Public Company Directorships	Classification	First Meeting (25.01.2011)	Second Meeting (03.04.2011)	Third Meeting (21.06.2011)	Fourth Meeting (27.09.2011)	Fifth Meeting (06.12.2011)	Total
HH Prince Sultan bin Mohammed bin Saud Al Kabeer (Chairman of the Board of Almarai Company) Yamama Cement Company, Arabian Shield Insurance Company	Non Executive	√	√	√	√	√	5
Abdulrahman bin Abdulaziz Al Muhanna (Managing Director of Almarai Company)	Executive	√	√	√	√	√	5
Engr. Nasser Mohammed Al Muttawa Arabian Shield Insurance Company	Independent	√	√	-	√	√	4
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Zain KSA	Non Executive	√	√	√	√	√	5
Ibrahim Mohammed Al Issa Banque Saudi Fransi, The Savola Group, Taibah for Investments, Yanbu Cement Company	Non Executive	-	√	√	√	√	4
Mosa Omran Mohammed Al Omran The Savola Group, Banque Saudi Fransi	Independent	√	√	√	-	√	4
Dr. Abdulraof Mohammed Mana'a The Savola Group, The Saudi Investment Bank, Herfy Food Services Company	Non Executive	√	-	√	√	√	4
Suliman Abdulqader Al Muhaideb The Saudi British Bank, Arabian Pipes Company, The Savola Group, National Industrialization Company	Non Executive	√	√	√	-	√	4
Ibrahim Hassan Al Madhon Read Sea Company, Herfy Food Services Company, Fitaihi Holding Group	Independent	√	√	√	√	√	5

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

15- DIRECTORS DISCLOSURE

Board of Directors	Number of Shares				Debt Instruments (SAR)			
	01.01.2011	Net Change	31.12.2011	% Change	01.01.2010	Net Change	31.12.2010	% Change
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	66,000,000	-	66,000,000	-	-	-	-	-
Abdulrahman bin Abdulaziz Al Muhanna	970,000	(159,000)	811,000	(16.4%)	-	-	-	-
Engr. Nasser Mohammed Al Muttawa	363,612	(33,069)	330,543	(9.1%)	-	-	-	-
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	2,000,000	-	2,000,000	-	-	-	-	-
Ibrahim Mohammed Al Issa	2,000	1,000	3,000	50.0%	-	-	-	-
Mosa Omran Mohammed Al Omran	2,296,508	(286,234)	2,010,274	(12.5%)	-	-	-	-
Abdulraof Mohammed Mana'a	2,000	-	2,000	-	-	-	-	-
Suliman Abdulqader Al Muhaideb	2,000	-	2,000	-	-	-	-	-
Ibrahim Hassan Al Madhon	2,000	-	2,000	-	-	-	-	-
Total	71,638,120	(477,303)	71,160,817	(0.7%)	-	-	-	-

Spouses and Minor Children	Number of Shares				Debt Instruments (SAR)			
	01.01.2011	Net Change	31.12.2011	% Change	01.01.2011	Net Change	31.12.2011	% Change
Wife of HH Prince Sultan bin Mohammed bin Saud Al Kabeer	1,423,280	23,525	1,446,805	1.7%	-	-	-	-
Wife of Abdulrahman bin Abdulaziz Al Muhanna	11,000	-	11,000	-	-	-	-	-
Lama Abdulrahman bin Abdulaziz Al Muhanna	5,000	-	5,000	-	-	-	-	-
Wife of Mosa Omran Mohammed Al Omran	106,000	-	106,000	-	-	-	-	-
Total	1,545,280	23,525	1,568,805	1.5%	-	-	-	-

16- SENIOR MANAGEMENT DISCLOSURE

Senior Management	Number of Shares				Debt Instruments (SAR)			
	01.01.2011	Net Change	31.12.2011	% Change	01.01.2011	Net Change	31.12.2011	% Change
Abdulrahman A. Al Fadley	2,000	-	2,000	-	-	-	-	-
Abdullah M. Abdulkarim	100	-	100	-	-	-	-	-
Georges P. Schorderet	45,000	10,000	55,000	22.2%	-	-	-	-
Andrew Mackie	32,158	(24,819)	7,339	(77.2%)	-	-	-	-
Abdullah N. Al Bader	60	-	60	-				
Total	79,318	(14,819)	64,499	(18.7%)	-	-	-	-

17- RELATED PARTY TRANSACTIONS

During the normal course of its operations, the Group had the following significant transactions with related parties during the years ended 31 December 2011 and 31 December 2010 along with their balances:

Nature of Transaction (SAR million)	2011	2010
Sales to		
Savola Group	349,557	317,550
International Dairy & Juice Ltd.	88,017	57,226
International Pediatric Nutrition Co.	6,936	-
Total Sales	444,510	374,776
Purchases From		
Savola Group		
Savola Packaging Systems Co. Ltd.	54,777	46,708
United Sugar Co.	117,143	56,758
	171,920	103,466
Managed Arable Farm		
Al Kabeer Farms - Forage	49,762	43,715
Thodhia Farm - Forage	2,927	8,757
Rental Thodhia Farm - Dairy	813	750
	53,502	53,222
Arabian Shield Insurance Co.	45,648	37,011
Pure Breed Co.	5,765	2,349
Sharjah Depopt (Land Rent)	168	157
	51,581	39,517
Total Purchases	277,003	196,205

Entity	Relationship
Savola Group	Major Shareholder
Arabian Shield Cooperative Insurance Company	Common Ownership
Managed Arable Farms	Common Ownership
International Dairy and Juice Limited	Investment in Associate
Pure Breed Company	Investment in Associate
International Pediatric Nutrition Company	Investment in Joint Venture
Sharjah Depot	Common Ownership

Pricing and terms of payment for these transactions are at arm's length and are reviewed annually at Board Meetings and the Annual General Meeting.

18- SEGMENTAL REPORTING AND GEOGRAPHICAL ANALYSIS

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai brand, bakery products under the brands L'usine and 7 Days, and poultry products under the Alyoum brand. The investment in infant nutrition and Zain are included under other activities. Selected financial information for the years ended 31 December 2011 and 2010, categorised by segments, are as follows:

Segmetal Reporting (SAR Million)	Dairy & Juice	Bakery	Poultry	Arable and Horti	Other Activities	Almarai Group
2011						
Sales	6,606.2	1,037.0	319.2	321.5	-	8,284.0
Third Party Sales	6,592.8	966.4	319.2	72.6	-	7,951.0
Depreciation	(331.1)	(90.3)	(39.0)	(58.7)	-	(519.1)
Share of Results of Associates and Joint Ventures	(24.0)	-	5.1	-	(23.4)	(42.3)
Impairment Loss	-	-	-	-	(160.2)	(160.2)
Income before Minority Interest	1,204.7	118.0	(33.5)	52.7	(195.0)	1,146.9
Share of Net Assets in Associates and Joint Ventures	489.7	-	34.7	-	10.3	534.7
Additions to Non-Current Assets	1,562.0	242.5	1,184.3	502.2	313.7	3,804.6
Non-Current Assets	7,050.7	1,741.7	1,770.0	1,475.0	1,030.2	13,067.5
Total Assets	9,064.8	1,920.1	1,938.0	1,697.0	1,034.0	15,653.8
Total Liabilities	(7,676.4)	(281.5)	(187.1)	(202.7)	(528.5)	(8,876.2)
Return on Net Operating Assets	20.3%	15.0%	-4.4%	4.1%	n/a	12.7%
Return on Net Assets	18.8%	7.6%	-2.9%	3.9%	n/a	10.5%

Segmetal Reporting (SAR Million)	Dairy & Juice	Bakery	Poultry	Arable and Horti	Other Activities	Almarai Group
2010						
Sales	5,910.1	873.0	176.1	245.3	-	7,204.5
Third Party Sales	5,885.9	821.2	176.1	47.7	-	6,930.9
Depreciation	(278.9)	(76.5)	(23.7)	(45.9)	-	(425.0)
Share of Results of Associates and Joint Ventures	(6.4)	-	4.7	-	(4.2)	(5.9)
Income before Minority Interest	1,198.7	116.9	(10.5)	17.3	(15.3)	1,307.0
Share of Net Assets in Associates and Joint Ventures	513.7	-	32.8	-	16.2	562.7
Additions to Non-Current Assets	1,633.3	411.0	261.5	-	344.7	2,650.5
Non-Current Assets	6,304.3	1,620.2	621.8	1,047.6	817.0	10,410.8
Total Assets	8,070.4	1,787.0	688.7	1,204.1	821.0	12,571.2
Total Liabilities	(5,395.4)	(273.4)	(69.6)	(121.7)	(525.7)	(6,385.8)
Return on Net Operating Assets	21.8%	13.5%	-4.4%	1.8%	-	17.1%
Return on Net Assets	20.2%	8.5%	-2.0%	1.7%	-	14.1%

The business activities and operating assets of the Group are mainly concentrated in the GCC. Selected financial information as at 31 December 2011 and 2010, categorised by geographic segments are as follows:

Geographical Analysis (SAR Million)	Sales		Non-Current Assets	
	2011	2010	2011	2010
Saudi Arabia	5,656.4	4,935.3	12,003.3	9,763.9
Other GCC Countries	2,198.5	1,932.0	169.9	126.5
Other Countries	96.1	63.6	894.3	520.4
Total	7,951.0	6,930.9	13,067.5	10,410.8

19- SUBSIDIARIES

Name of Subsidiary	Country of Incorporation	Country of Operation	Business Activity	Direct and Beneficial Ownership Interest		Shares	
				2011	2010	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	n/a	Holding Company	100%	100%	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Saudi Arabia	Manufacturing and Trading Company	100%	100%	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Saudi Arabia	Poultry / Agricultural Company	100%	100%	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Saudi Arabia	Bakery Company	100%	100%	SAR 200,000,000	200,000
International Baking Services Company Limited	Saudi Arabia	n/a	Holding Company	100%	100%	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Saudi Arabia	Bakery Company	60%	60%	SAR 70,000,000	70,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Saudi Arabia	Agricultural Company	52%	52%	SAR 25,000,000	250
Fondomonte El Descanso S.A.	Argentina	Argentina	Agricultural Company	100%	-	ARG 27,475,914	27,475,914
Fondomonte Inversiones Argentina S.A.	Argentina	Argentina	Agricultural Company	100%	-	ARG 17,849,997	17,849,997
Fondomonte Sandoval S.A.	Argentina	Argentina	Agricultural Company	100%	-	ARG 4,383,432	4,383,432
Agro Terra S.A.	Argentina	n/a	Dormant	100%	-	ARG 475,875	475,875
Almarai Company Bahrain S.P.C.	Bahrain	Bahrain	Sales Company	100%	100%	BHD 100,000	1,000
Almarai International Holding W.L.L.	Bahrain	n/a	Holding Company	100%	100%	BHD 250,000	2,500
Almarai Investment Company Holding W.L.L.	Bahrain	n/a	Holding Company	99%	99%	BHD 250,000	2,500
Markley Holdings Limited	Jersey	Jersey	Dormant	100%	100%	-	-
Blue Yulan S.A.	Luxembourg	n/a	Holding Company	100%	-	USD 55,190,353	55,190,353
Arabian Planets for Trade and Marketing L.L.C.	Oman	Oman	Sales Company	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C	Oman	Oman	Sales Company	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	n/a	Holding Company	100%	-	EUR 10,970,317	10,970,317

20- RISK MANAGEMENT

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

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

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

Further details on financial risk management can be seen in note 23 of the Consolidated Financial Statements.

21- CORPORATE GOVERNANCE

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

22- Audit and Risk Committee

The Audit and Risk Committee is a vital part of Almarai's commitment to strong Corporate Governance. The Committee is comprised of a Chairman with over a decade of related industry experience and three experienced non-executives. The Committee reports to the Almarai Board of Directors, formally submitting Committee minutes and detailed quarterly reports. The Committee has an annual plan of activity and met five times during 2011.

The Committee members are:

a) Dr. Abdulrahman Al Turaigi, Chairman
b) Dr. Muhammad A. H. Ikhwan
c) Mr. Farraj Abo Thenian
d) Mr. Sulaiman N. Alhatlan

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

Almarai has a modern professional Internal Audit department that review controls and activities established by the Company to manage the risks that it has identified to its business objectives as set out in the Internal Audit Plan dated 1 January 2011, approved by the Audit and Risk Committee. The Internal Audit Plan is aligned to the three key themes of Corporate Governance, Risk Management and Internal Control. The Head of Internal Audit provides an annual statement on the adequacy and effectiveness of the Company's Corporate Governance, Risk Management and Internal Control processes. In 2011 the statement confirmed that subject to the satisfactory progression of agreed action plans those activities and controls examined were suitably designed to achieve the objectives required by management and that those controls reviewed were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the related objectives were achieved during 2011.

The Head of Internal Audit reports directly to the Audit and Risk Committee and formally presents the results of the Annual Plan of internal control reviews at least four times a year, with a summary audit opinion for the year at the first Audit and Risk Committee for the preceding year in the January meeting. The Audit and Risk Committee fully discharge its responsibilities as required in Article 14 of the Corporate Governance Regulations and in particular supervise the internal audit function in relation to the annual review of internal controls to ensure its effectiveness in executing activities and duties as specified by the Board. The effectiveness of Internal Audit is also monitored through the monthly reporting of the departments Balanced Scorecard that details 13 Key Performance Indicators. All internal control reports contain actions plans that are monitored for implementation by Internal Audit and the Audit and Risk Committee. The Internal Audit Annual Report is reviewed by the Audit and Risk Committee and is made available to the Board of Directors following the first Audit and Risk Committee of each calendar year.

23- Nomination and Remuneration Committee

In accordance with Capital Market Authority (CMA) requirements, Almarai has constituted a Nomination and Remuneration Committee, in line with the recommendations of the Board of Directors and the approval of the General Assembly. This committee met twice during the year 2011.

The committee members are:

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

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

Description	Executive Board Member	Non Executive/ Independent Board Member	Highest Paid Five Executives*
Salaries and Compensation	1,386,000	-	6,416,971
Allowances	546,000	288,000	882,000
Annual and Periodic Bonuses	1,200,000	1,600,000	10,689,042
Incentive Schemes	-	-	-
Other Annual and Periodic Remuneration	260,000	1,360,000	490,000
Total	3,392,000	3,248,000	18,478,013

* Including CEO and CFO

24- Key Financial Highlights of the Last Five Years – Results, Assets, Liabilities and Key Indicators

Key Financial Highlights (SAR Million)	Year ended 31 December				
	2011	2010	2009	2008	2007
Operational Performance					
Total sales	7,951	6,931	5,869	5,030	3,770
Cost of sales	(4,954)	(4,195)	(3,503)	(3,031)	(2,276)
Gross profit	2,997	2,736	2,366	1,999	1,494
Selling and distribution expenses	(1,213)	(1,046)	(887)	(751)	(570)
General and administration expenses	(266)	(230)	(200)	(187)	(143)
Share of Results of Associates and Joint Ventures	(42)	(6)	(2)	-	-
Impaiment Loss	(160)	-	-	-	-
Financing cost and bank charges	(135)	(121)	(148)	(125)	(95)
Income before zakat	1,180	1,333	1,129	936	686
Zakat	(33)	(26)	(29)	(25)	(18)
Minority Interest	(7)	(22)	(3)	(1)	(1)
Net income	1,140	1,285	1,097	910	667
Balance Sheet					
Net operating working capital	801	660	711	837	561
Property, Plant and Equipment	10,508	7,867	6,282	4,704	3,553
Biological Assets	818	770	735	639	488
Net operating assets	12,127	9,296	7,728	6,180	4,602
Intangible Assets - Goodwill	827	793	793	549	549
Investment and Financial Assets	907	981	995	529	471
Net Assets	13,860	11,071	9,517	7,258	5,622
Net debt	6,749	4,679	3,951	3,499	2,463
Employee termination benefits	243	206	166	128	105
Deferred Tax (Net)	89				
Total Equity	6,778	6,185	5,400	3,631	3,054
Net Capital Employed	13,860	11,071	9,517	7,258	5,622
					-
Total Assets	15,654	12,571	10,987	8,181	6,336
Total Liabilities	8,876	6,386	5,587	4,550	3,282
Cash Flow					
Cash Flow from Operating Activities	1,924	1,965	1,802	1,016	740
Cash Flow used in Investing activities	3,237	2,189	1,711	1,572	1,488
Dividend paid	516	455	380	270	199
Key Indicators					
Return on sales	14.3%	18.5%	18.7%	18.1%	17.7%
Return on equity*	17.7%	22.6%	26.9%	27.3%	24.0%
Return on Net Operating Assets*	14.2%	17.1%	18.7%	19.7%	19.8%
Return on Net Assets*	10.5%	14.1%	15.8%	16.5%	17.5%
Net debt to equity ratio	99.6%	75.6%	73.2%	96.4%	80.6%
Current ratio	91.8%	115.0%	151.5%	136.5%	161.6%
Revenue growth rate	14.7%	18.1%	16.7%	33.4%	36.7%
Dividends payout ratio**	45.4%	40.3%	41.9%	41.7%	40.5%
Shares Issued (in millions)	230	230	115	109	109
Earnings per Share (SAR)	4.95	5.59	4.97	4.18	3.06
Dividend proposed	516	518	-	-	-

*2009 calculated on quarterly average as a result of the HADCO acquisition. All other years based on average of opening and closing balances.
**Calculated on previous year's net income and for 2011 based on the proposed dividend.
***Based on 230 million shares

25- GENERAL ASSEMBLY MEETING

The General Assembly Meeting will take place on April 2rd 2012 at the Riyadh Holiday Inn Al Izdehar Hotel - Al Lula'ah Hall at 7:00 p.m.

26- CERTIFICATION

We certify that:

- proper books of account have been maintained;
- the system of internal control is sound in design and has been effectively implemented; and
- there are no significant doubts concerning the issuer's ability to continue as a going concern.

Board of Directors
25 February 2012

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

INDEX

ERNST & YOUNG

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

Scope of audit:
We have audited the accompanying consolidated balance sheet of Almarai Company, a Saudi Joint Stock Company (the "Company"), and its subsidiaries (the "Group") as of 31 December 2011 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

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

i) present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's Bye-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

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

Riyadh: 2 Rabi Awal 1433H
(25 January 2012)

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	2011	2010
		SAR '000	SAR '000
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	271,979	240,750
Derivative Financial Instruments	24	109	6,529
Receivables and Prepayments	6	617,431	613,756
Inventories	7	1,696,785	1,299,337
Total Current Assets		**2,586,304**	**2,160,372**
Non Current Assets			
Investments and Financial Assets	8	852,746	957,683
Property, Plant and Equipment	9	10,508,107	7,866,639
Biological Assets	10	817,618	769,505
Intangible Assets - Goodwill	11	826,576	793,468
Deferred Charges		53,836	23,550
Deferred Tax Asset	4	8,630	-
Total Non Current Assets		**13,067,513**	**10,410,845**
TOTAL ASSETS		**15,653,817**	**12,571,217**
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Short Term Loans	12	1,208,501	545,902
Payables and Accruals	13	1,513,163	1,253,424
Derivative Financial Instruments	24	96,374	79,120
Total Current Liabilities		**2,818,038**	**1,878,446**
Non Current Liabilities			
Long Term Loans	12	5,716,663	4,301,301
Employees' Termination Benefits		243,481	206,088
Deferred Tax Liability	4	97,983	-
Total Non Current Liabilities		**6,058,127**	**4,507,389**
TOTAL LIABILITIES		**8,876,165**	**6,385,835**
EQUITY			
Shareholders' Equity			
Share Capital	14	2,300,000	2,300,000
Share Premium		1,600,500	1,600,500
Statutory Reserve		768,854	654,903
Other Reserves		(95,238)	(155,828)
Treasury Shares	19	(97,757)	-
Retained Earnings		2,242,102	1,734,039
Total Shareholders' Equity		**6,718,461**	**6,133,614**
Minority Interest		**59,191**	**51,768**
TOTAL EQUITY		**6,777,652**	**6,185,382**
TOTAL LIABILITIES AND EQUITY		**15,653,817**	**12,571,217**

Paul Gay	Abdulrahman Al Fadley	Abdulrahman Al Muhanna
Chief Financial Officer	Chief Executive Officer	Managing Director

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

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		SAR '000	SAR '000
Sales	15	7,950,989	6,930,910
Cost of Sales	16	(4,954,469)	(4,194,989)
Gross Profit		**2,996,520**	**2,735,921**
Selling and Distribution Expenses	17	(1,213,232)	(1,045,973)
General and Administration Expenses	18	(265,678)	(229,241)
Net Operating Income		**1,517,610**	**1,460,707**
Share of Results of Associates and Joint Ventures	8	(42,298)	(5,913)
Bank Charges		(134,965)	(120,621)
Income from Main Operations		**1,340,347**	**1,334,173**
Impairment Loss	8	(160,237)	-
Income before Zakat, Income Tax and Minority Interest		**1,180,110**	**1,334,173**
Zakat and Income Tax	20	(33,173)	(27,203)
Income before Minority Interest		**1,146,937**	**1,306,970**
Minority Interest		(7,423)	(21,553)
Net Income for the Year		**1,139,514**	**1,285,417**
Earnings per Share (SAR)	21		
Attributable to Income from Main Operations		5.83	5.80
Attributable to Net Income for the Year		4.95	5.59

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 consolidated financial statements.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

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

	Notes	2011	2010
		SAR '000	SAR '000
OPERATING ACTIVITIES			
Net Income for the Year		1,139,514	1,285,417
Adjustments for:			
Depreciation of Property, Plant and Equipment	22	732,730	635,320
Net Appreciation of Biological Assets	22	(213,636)	(210,358)
Profit on Sale of Property, Plant and Equipment	22	(8,471)	(11,251)
Loss on Sale of Biological Assets	22	62,151	71,248
Impairment Loss	8	160,237	-
Bank Charges Accrued		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
Cash Flows from Operating Activities		**1,924,017**	**1,965,038**
INVESTING ACTIVITIES			
Additions to Property, Plant and Equipment	9	(3,035,332)	(2,230,332)
Additions to Biological Assets	10	(19,358)	(6,880)
Proceeds from the Sale of Property, Plant and Equipment	22	23,528	21,832
Proceeds from the Sale of Biological Assets	22	123,646	111,174
Acquisition of Investments and Financial Assets	8	(17,500)	(85,460)
Acquisition of Subsidiaries, Net of Cash Acquired	4	(315,580)	-
Dividend received from an Associate		3,139	995
Cash Flows used in Investing Activities		**(3,237,457)**	**(2,188,671)**
FINANCING ACTIVITIES			
Increase in Loans		2,077,529	470,476
Dividends Paid		(515,640)	(454,850)
Distribution to Minority Interests		-	(866)
Bank Charges Paid		(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
Cash Flows from / (used in) Financing Activities		**1,344,669**	**(43,283)**
Increase / (Decrease) in Cash and Cash Equivalents		**31,229**	**(266,916)**
Cash and Cash Equivalents at 1 January		240,750	507,666
Cash and Cash Equivalents at 31 December	5	**271,979**	**240,750**

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 consolidated financial statements.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

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

	Attributable to equity holders of the parent								
	Share Capital	Share Premium	Statutory Reserve	Other Reserves	Treasury Shares	Retained Earnings	Total Shareholders' Equity	Minority Interest	Total Equity
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance at 1 January 2010	**1,150,000**	**1,600,500**	**526,361**	**(81,390)**	**-**	**2,187,164**	**5,382,635**	**17,081**	**5,399,716**
Net Income for the Year	-	-	-	-	-	1,285,417	**1,285,417**	21,553	**1,306,970**
Transfers from Retained Earnings	-	-	128,542	-	-	(128,542)	**-**	-	**-**
Net Movement on Financial Investments	-	-	-	(84,000)	-	-	**(84,000)**	-	**(84,000)**
Distribution to Minority Interests	-	-	-	-	-	-	**-**	(866)	**(866)**
Dividends Approved	-	-	-	-	-	(460,000)	**(460,000)**	-	**(460,000)**
Net Movement on Cash Flow Hedges	-	-	-	9,562	-	-	**9,562**	-	**9,562**
Minority interest share in Modern Food Industries Limited	-	-	-	-	-	-	**-**	14,000	**14,000**
Bonus Share Issue	1,150,000	-	-	-	-	(1,150,000)	**-**	-	**-**
Balance at 31 December 2010	**2,300,000**	**1,600,500**	**654,903**	**(155,828)**	**-**	**1,734,039**	**6,133,614**	**51,768**	**6,185,382**
Net Income for the Year	-	-	-	-	-	1,139,514	**1,139,514**	7,423	**1,146,937**
Transfers from Retained Earnings	-	-	113,951	-	-	(113,951)	**-**	-	**-**
Purchase of Treasury Shares	-	-	-	-	(97,757)	-	**(97,757)**	-	**(97,757)**
Share Based Payment Transactions	-	-	-	1,027	-	-	**1,027**	-	**1,027**
Net Movement on Financial Investments	-	-	-	83,237	-	-	**83,237**	-	**83,237**
Dividends Approved	-	-	-	-	-	(517,500)	**(517,500)**	-	**(517,500)**
Net Movement on Cash Flow Hedges	-	-	-	(23,674)	-	-	**(23,674)**	-	**(23,674)**
Balance at 31 December 2011	**2,300,000**	**1,600,500**	**768,854**	**(95,238)**	**(97,757)**	**2,242,102**	**6,718,461**	**59,191**	**6,777,652**

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 consolidated financial statements.

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dl' 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 Cooperative Council (GCC) countries.

The dairy, fruit juices and related food business is operated under the Almarai brand name. All raw milk production and related processing along with dairy food manufacturing activities are undertaken in Saudi Arabia and United Arab Emirates (UAE). Final consumer products are distributed from the manufacturing facilities in Saudi Arabia and UAE to local distribution centres by the Group's long haul distribution fleet.

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Limited under the brand names L'usine and 7 Days respectively. International Baking Services Company Limited 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.

Details of the 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
Markley Holdings Limited	Jersey	Dormant	100%	100%	-	-

Name of Subsidiary	Country of Incorporation	Business Activity	Direct and Beneficial Ownership Interest		Shares	
			2011	2010	Capital	Issued
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 CONSOLIDATED FINANCIAL STATEMENTS

(a) The consolidated financial statements have been prepared on the accrual basis under the historical cost convention (except for derivative financial instruments and investments that have been measured at fair value) and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).

(b) When necessary, prior year comparatives have been regrouped or adjusted on a basis consistent with current year classification.

(c) These consolidated financial statements include assets, liabilities and the results of the operations of Almarai Company (“the Company”) and its subsidiaries (“the Group”) as set out in note (1) above. A subsidiary company is that in which the Company has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases. The consolidated financial statements are prepared on the basis of the individual financial statements of the Company and the 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 consolidated statement of income and within equity in the consolidated balance sheet.

(d) The figures in these consolidated financial statements are rounded to the nearest thousand Saudi Riyals, which is the functional currency of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

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

B. Cash and Cash Equivalents

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

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 consolidated balance sheet at fair value with unrealised gains or losses recognised directly in equity. When the investment is disposed of or impaired the cumulative gain or loss previously recorded in equity is recognised in the consolidated statement of income 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 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 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

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.

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

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 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.

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 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.

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).

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 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 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 year.

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.

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 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 consolidated financial statements. If the combination had taken place at the beginning of the year, the net operating income would have been higher by SAR 0.9 million and the net income of the Group would have been higher by SAR 0.3 million.

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:

	Fair Value Recognized on Acquisition
	SAR '000
Assets	
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
Liabilities	
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
Total Acquisition Cost:	
Cash Consideration	312,080
Costs Associated with the Acquisition	9,413
Total	321,493
Cash Outflow on Acquisition:	
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.

	2011	2010
	SAR '000	SAR '000

5. CASH AND CASH EQUIVALENTS

Cash at Bank	178,607	139,547
Cash in Hand	93,372	101,203
Total	271,979	240,750

	2011	2010
	SAR '000	SAR '000

6. RECEIVABLES AND PREPAYMENTS

Trade Accounts Receivable	- Third Parties	499,912	414,223
	- Related Parties (Refer note 27)	37,781	81,146
		537,693	495,369
Less: Provision for impairment of trade receivables		(23,786)	(38,135)
Less: Provision for sales returns		(24,315)	(13,795)
Net Accounts Receivable		489,592	443,439
Prepayments		127,839	170,317
Total		617,431	613,756

(a) The Group's policy is to provide 100% impairment provision for all trade receivables due over three months. As at 31 December 2011, trade receivables more than three months due and impaired were SAR 23.8 million (2010: SAR 38.1 million). Movement in the group provision for impairment of trade receivables was as follows:

	2011	2010
	SAR '000	SAR '000
Provision for Impairment of Trade Accounts Receivables		
Balance at 1 January	38,135	56,728
Provisions released during the year	(14,349)	(18,593)
Balance at 31 December	23,786	38,135

	2011	2010
	SAR '000	SAR '000
Trade Accounts Receivable		
Up to 3 months	513,907	457,234
More than 3 months	23,786	38,135
Total	537,693	495,369

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

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

7. INVENTORIES

	2011	2010
	SAR '000	SAR '000
Raw Materials	1,312,655	958,245
Finished Goods	194,421	178,137
Spares	114,175	101,107
Work in Progress	75,534	61,848
Total	1,696,785	1,299,337

8. INVESTMENTS AND FINANCIAL ASSETS

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

		2011	2010
		SAR '000	SAR '000
Investments in Associates and Joint Ventures			
International Dairy and 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
Investments in Securities			
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 Agricultural Services Company	7.0%	2,064	2,064
United Dairy Farms Company	8.3%	600	600
		318,001	395,001
Total		852,746	957,683

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

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

(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. 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 consider the investment impaired. The unrealised loss recognised to date within other reserves in shareholders' equity has been reversed and the difference between the original cost and the current fair value has been recognised as an impairment loss (SAR 160.2 million) in the consolidated statement of income.

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

9. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings [(a)]	Plant, Machinery & Equipment	Motor Vehicles	Capital Work-in-Progress [(b)]	Total 2011	Total 2010
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost						
At the beginning of the year	3,637,689	4,713,457	1,013,027	1,777,033	11,141,206	9,242,211
On acquisition of subsidiaries	359,799	2,798	761	72	363,430	-
Additions during the year	-	-	-	3,035,332	3,035,332	2,230,332
Transfers during the year	448,889	960,606	211,774	(1,621,269)	-	-
Disposals during the year	(15,256)	(139,118)	(48,365)		(202,739)	(331,337)
Reclassification	(1,383)	3,231	59,950	(2,324)	59,474	-
At the end of the year	**4,429,738**	**5,540,974**	**1,237,147**	**3,188,844**	**14,396,703**	**11,141,206**
Accumulated Depreciation						
At the beginning of the year	662,362	2,130,856	481,349	-	3,274,567	2,960,003
On acquisition of subsidiaries	7,281	1,784	442	-	9,507	-
Depreciation for the year	115,092	472,454	145,184	-	732,730	635,320
Disposals during the year	(14,835)	(127,345)	(45,502)	-	(187,682)	(320,756)
Reclassification	(21)	795	58,700	-	59,474	-
At the end of the year	**769,879**	**2,478,544**	**640,173**	**-**	**3,888,596**	**3,274,567**
Net Book Value						
At 31 December 2011	**3,659,859**	**3,062,430**	**596,974**	**3,188,844**	**10,508,107**	
At 31 December 2010	**2,975,327**	**2,582,601**	**531,678**	**1,777,033**		**7,866,639**

(a) Land & Buildings include land granted to a subsidiary of the company at a historic fair value of SAR 61.0 million

(b) Capital Work-in-Progress includes SAR 56.7 million of borrowing costs capitalised during the year (2010: SAR 9.6 million).

10. BIOLOGICAL ASSETS

	Mature Dairy	Immature Dairy	Mature Poultry	Immature Poultry	Mature Plantations	Immature Plantations	Total 2011	Total 2010
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost								
At the beginning of the year	653,589	311,598	20,288	3,539	15,576	28,566	1,033,156	962,566
On acquisition of subsidiaries	916	-	-	-	-	-	916	-
Additions / (Purchase Price Rebates) during the year	-	-	-	18,220	-	1,138	19,358	6,880
Appreciation	-	337,047	-	-	-	-	337,047	327,800
Transfers during the year	256,001	(256,001)	18,955	(18,955)	20,000	(20,000)	-	-
Disposals during the year	(194,370)	(78,780)	(28,913)	(1,202)	-	-	(303,265)	(264,090)
Reclassification	(5)	(3)	-	2,357	1	-	2,350	-
At the end of the year	**716,131**	**313,861**	**10,330**	**3,959**	**35,577**	**9,704**	**1,089,562**	**1,033,156**
Accumulated Depreciation								
At the beginning of the year	240,165	-	19,147	-	4,339	-	263,651	227,877
Depreciation for the year	108,811	-	13,906	-	694	-	123,411	117,442
Disposals during the year	(88,555)	-	(28,913)	-	-	-	(117,468)	(81,668)
Reclassification	2,328	-	-	-	22	-	2,350	-
At the end of the year	**262,749**	**-**	**4,140**	**-**	**5,055**	**-**	**271,944**	**263,651**
Net Book Value								
At 31 December 2011	**453,382**	**313,861**	**6,190**	**3,959**	**30,522**	**9,704**	**817,618**	
At 31 December 2010	**413,424**	**311,598**	**1,141**	**3,539**	**11,237**	**28,566**		**769,505**

11. INTANGIBLE ASSETS – GOODWILL

	2011 SAR '000	2010 SAR '000
Western Bakeries and International Baking Services	548,636	548,636
HADCO	244,832	244,832
Blue Yulan	33,108	-
Total	826,576	793,468

The goodwill noted above arises from the acquisition of Western Bakeries Limited and International Baking Services Limited in 2007, HADCO in 2009 and Blue Yulan in 2011 ("the Subsidiaries").

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

Assets are tested for impairment by comparing the residual carrying amount of each cash-generating unit to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 10% and the residual value at the end of the forecast period has been calculated by applying an earnings multiple to the net income for the final year in the forecast period. The recoverable amount for Blue Yulan has been determined based on a fair value less costs to sell calculation.

Key Assumptions Used in Value in Use Calculations

Management determined forecast sales growth and gross margin based on past performance and its expectations of market development. The discount rates reflect management's estimate of the specific risks relating to the segment. Estimates for raw material price inflation have been made based on the publicly available information in Saudi Arabia and past actual raw material price movements, which have been used as an indicator of future price movements. Growth rates are based on the industry averages.

The calculation of value in use is most sensitive to the assumptions on sales growth rate and cost of sales inflation used to extrapolate cash flows beyond the budget period as well as the earnings multiple applied to the net income for the final year of the forecast period.

Sensitivity to Changes in Assumptions – Western Bakeries and International Baking Services

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of the key assumptions are discussed below.

(a) Sales Growth Assumption

The current sales growth in 2011 is 39% and in the forecast period has been estimated to be a compound annual growth of 14%. All other assumptions kept the same; a reduction of this growth rate to 13% would give a value in use equal to the current carrying amount.

(b) Cost of Sales Inflation

The current cost of sales in 2011 is 52% and in the forecast period has been estimated at an average of 52%. All other assumptions kept the same; an increase in the rate to an average of 56% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The multiple applied to net income for the final year of the forecast period to determine the terminal value is 14.7. All other assumptions kept the same; a reduction of this multiple to 9.4 would give a value in use equal to the current carrying amount.

Sensitivity to Changes in Assumptions – HADCO

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of the key assumptions are discussed below.

(a) Sales Growth Assumption

The current sales growth in 2011 is 61% and in the forecast period has been estimated to be a compound annual growth of 30%. All other assumptions kept the same; a reduction of this growth rate to 29% would give a value in use equal to the current carrying amount.

(b) Cost of Sales Inflation

The current cost of sales in 2011 is 42% and in the forecast period has been estimated at an average of 39%. All other assumptions kept the same; an increase in the rate to an average of 44% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The multiple applied to net income for the final year of the forecast period to determine the terminal value is 10.0. All other assumptions kept the same; a reduction of this multiple to 6.7 would give a value in use equal to the current carrying amount.

Key Assumptions Used in Fair Value Calculations

The recoverable amount for Blue Yulan is measured on the basis of fair value less costs to sell. Fair value less costs to sell is defined as “the amount obtainable from the sale of an asset or cash generating unit in an arms length transaction between knowledgeable, willing parties, less the costs of disposal”.

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

12. TERM LOANS

	2011	2010
	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
Total	6,925,164	4,847,203

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. Maturity of Financial Liabilities:

	Facilities available at 31 December	Outstanding Term Loans 2011	Outstanding Term Loans 2010
	SAR '000	SAR '000	SAR '000
Less than one year	1,214,569	1,208,501	545,902
One to two years	5,011,095	2,844,583	2,373,155
Two to five years	3,313,731	2,838,080	1,924,659
Greater than five years	219,200	34,000	3,487
Total	9,758,595	6,925,164	4,847,203

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

During 2011 the group secured an additional SAR 1,800.0 million of Islamic Banking Facilities (Murabaha) with maturities between three to five years (2010: SAR 750.0 million).

As at 31 December 2011 SAR 2,435.5 million Islamic Banking Facilities (Murabaha) were unutilized and available for drawdown (2010: SAR 3,295.3 million).

As at 31 December 2011 the Group had SAR 398.4 million of unutilized SIDF facilities available for draw down with maturities predominantly greater than five years (2010: SAR 678.9 million).

13. PAYABLES AND ACCRUALS

		2011 SAR '000	2010 SAR '000
Trade Accounts Payable	- Third Parties	809,166	645,885
	- Related Parties (Refer note 27)	55,917	30,944
Other Payables		582,188	511,359
Zakat and Income Tax Provision (Refer note 20)		65,892	65,236
Total		1,513,163	1,253,424

14. SHARE CAPITAL

The Company's share capital at 31 December 2011 and 31 December 2010 amounted to SAR 2,300.0 million, consisting of 230 million fully paid and issued shares of SAR 10 each.

The Board of Directors proposes for approval at the Extraordinary Shareholders Meeting 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 1.353 outstanding shares. The date of this meeting will be determined after obtaining the formal approval from the related government agencies.

15. SEGMENTAL REPORTING

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai brand, bakery products under the brands L'usine and 7 Days, poultry products under the Alyoum brand, arable and horticultural products as well as other activities. Other activities include the investments 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:

	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2011						
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	(331,114)	(90,278)	(39,006)	(58,696)	-	(519,094)
Share of Results of Associates and Joint Ventures	(23,985)	-	5,098	-	(23,411)	(42,298)
Impairment Loss	-	-	-	-	(160,237)	(160,237)
Income before Minority Interest	1,204,680	118,032	(33,478)	52,658	(194,955)	1,146,937
Share of Net Assets in Associates and Joint Ventures	489,704	-	34,723	-	10,318	534,745
Additions to Non-Current Assets	1,561,970	242,548	1,184,266	502,171	313,661	3,804,616
Non-Current Assets	7,050,651	1,741,696	1,769,980	1,474,993	1,030,193	13,067,513
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)
31 December 2010						
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	(278,916)	(76,488)	(23,708)	(45,850)	-	(424,962)
Share of Results of Associates and Joint Ventures	(6,351)	-	4,709	-	(4,271)	(5,913)
Income before Minority Interest	1,198,658	116,912	(10,530)	17,279	(15,349)	1,306,970
Share of Net Assets in Associates and Joint Ventures	513,689	-	32,764	-	16,229	562,682
Additions to Non-Current Assets	1,633,303	411,004	261,487	-	344,678	2,650,472
Non-Current Assets	6,304,313	1,620,194	621,783	1,047,601	816,954	10,410,845
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)

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 2010 and for the years then ended, categorized by these geographic segments are as follows:

	Sales	Non-Current Assets
	SAR '000	SAR '000
2011		
Saudi Arabia	5,656,415	12,003,293
Other GCC Countries	2,198,470	169,940
Other Countries	96,104	894,280
Total	7,950,989	13,067,513
2010		
Saudi Arabia	4,935,258	9,763,889
Other GCC Countries	1,931,954	126,471
Other Countries	63,698	520,485
Total	6,930,910	10,410,845

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

	2011	2010
	SAR '000	SAR '000
Fresh Dairy	3,475,719	3,168,709
Long Life Dairy	761,135	658,911
Fruit Juice	888,110	745,143
Cheese & Butter	1,446,635	1,282,423
Bakery	966,374	821,211
Poultry	319,210	176,135
Arable and Horticulture	72,600	47,697
Other Dairy	21,206	30,681
Total	7,950,989	6,930,910

16. COST OF SALES

	2011 SAR '000	2010 SAR '000
Direct Material Costs	3,515,647	2,991,477
Government Grants	(82,212)	(100,151)
Employee Costs	557,932	468,028
Share Based Payment Transaction Expense	504	-
Depreciation of Property, Plant and Equipment	572,413	490,928
Depreciation of Biological Assets	123,411	117,442
Biological Asset Appreciation	(337,047)	(327,800)
Loss on Sale of Biological Assets	62,151	71,248
Other Expenses	541,670	483,817
Total	4,954,469	4,194,989

17. SELLING AND DISTRIBUTION EXPENSES

	2011 SAR '000	2010 SAR '000
Employee Costs	583,209	452,077
Share Based Payment Transaction Expense	306	-
Marketing Expenses	397,345	351,690
Depreciation of Property, Plant and Equipment	137,747	123,437
Other Expenses	94,625	118,769
Total	1,213,232	1,045,973

18. GENERAL AND ADMINISTRATION EXPENSES

	2011 SAR '000	2010 SAR '000
Employee Costs	211,089	158,646
Share Based Payment Transaction Expense	217	-
Insurance	22,566	23,416
Depreciation of Property, Plant and Equipment	22,570	20,955
Profit on Sale of Property, Plant and Equipment	(8,467)	(11,251)
Other Expenses	17,703	37,475
Total	265,678	229,241

19. EMPLOYEE STOCK PARTICIPATION PROGRAM

The Company will offer certain employees (the “Eligible Employees”) the option (the “Option”) for equity ownership (“Restricted Shares”) opportunities and performance based incentives which will result in more alignment between the interest of both shareholders and these employees.

The number of Restricted Shares shall not exceed 1,100,000 shares. If Restricted Shares have not been granted to Eligible Employees in the reporting period for which it was earmarked, it shall carry over to the next reporting period.

The program is effective after adoption by the Board of Directors (the “Effective Date”), on 4 Thul Quada 1432 A.H. (1 October 2011). The program shall continue for a period of three years from the date of its adoption by a resolution of the Board and shall automatically renew in successive three year periods unless otherwise terminated by a resolution of the Board.

As the Eligible Employees have the option to purchase the Restricted Shares on their respective award dates in exchange for cash at a predetermined price, provided vesting conditions are met, this is regarded as an equity settled share based payment transaction.

The vesting of the Option is dependent on meeting or exceeding the requisite annual performance targets set by the Company in accordance with its five year plan. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Saudi Stock Exchange.

In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of Restricted Shares and the exercise price subject to the Option will be adjusted accordingly.

The fair value of the Option is estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted.

The following table illustrates the number of, and movements in, share options during the year:

	2011	2010
Outstanding at 1 January	-	-
Granted during the year	1,061,000	-
Outstanding at 31 December	1,061,000	-

Exercise price is SAR 88.25 in the program

The weighted average remaining contractual life for the Options outstanding at 31 December 2011 is 2.2 years. The weighted average fair value of options granted during the year was SAR 12.5 million

The following table list the inputs to the model used for the determination of the fair value of the Options for the year ended 31 December 2011:

	2011
Dividend yield (%)	2.5%
Expected volatility (%)	20.9%
Risk free interest rate (%)	5.0%
Expected life of share options (years)	2.3
Weighted average share price (SAR)	88.25
Model used	Black Scholes Merton

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.

20. ZAKAT AND INCOME TAX

A. Zakat is charged at the higher of net adjusted income or Zakat base as required by the Department of Zakat and Income Tax (DZIT). In the current year, the Zakat charge is based on the net adjusted income method.

	2011	2010
	SAR '000	SAR '000
Zakat Charge	28,993	26,021
Income Tax Expense for Foreign Subsidiaries	4,180	1,182
Charged to Consolidated Statement of Income	33,173	27,203

B. **Zakat and Income Tax Provisions**

	2011	2010
Balance at 1 January	65,236	60,516
Charged to Consolidated Statement of Income	33,173	27,203
Payments	(32,517)	(22,483)
Balance at 31 December	65,892	65,236

C. The Company has filed its Zakat returns for all the years up to 2010 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all the years up to 2006 while the 2007 to 2010 Zakat returns are still under review by the DZIT.

HADCO has filed its Zakat returns for all years up to 31 December 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all years up to 31 December 2002 while the 2003 to 2008 Zakat returns are still under review by the DZIT. From 2009 onwards HADCO is not required to file a return as results are consolidated in to the Group's return.

21. EARNINGS PER SHARE

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

22. DEPRECIATION AND DISPOSAL OF ASSETS

	2011	2010
	SAR '000	SAR '000
A. Depreciation		
Property, Plant and Equipment		
Depreciation	732,730	635,320
Biological Assets		
Depreciation of Biological Assets	123,411	117,442
Biological Assets Appreciation	(337,047)	(327,800)
Net Biological Assets Appreciation	(213,636)	(210,358)
Total	519,094	424,962
B. (Profit)/Loss on the Sale of Assets		
Property, Plant & Equipment		
Proceeds from the Sale of Property, Plant and Equipment	(23,528)	(21,832)
Net Book Value of Property, Plant and Equipment Sold	15,057	10,581
Profit on Sale of Property, Plant and Equipment	(8,471)	(11,251)
Biological Assets		
Proceeds from Sale of Biological Assets	(123,646)	(111,174)
Net Book Value of Biological Assets Sold	185,797	182,422
Loss on Sale of Biological Assets	62,151	71,248
Total	53,680	59,997

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group’s financial position and cash flows. Islamic banking facilities (Murabaha) amounting to SAR 5,980.1 million at 31 December 2011 (2010: SAR 4,248.8 million) bear financing commission charges at the prevailing market rates.

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

		Increase / decrease in basis points of commission rates	Effect on income for the year SAR'000
2011			
	SAR	+30	(17,910)
	SAR	-30	17,910
2010			
	SAR	+30	12,727
	SAR	-30	(12,727)

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

The outstanding foreign currency forward purchase agreements were as follows:

	2011	**2010**
	SAR '000	SAR '000
United States Dollar	1,320,478	1,675,240
Euro	993,670	1,005,085
Great British Pound	61,437	69,454
Other	46,249	20,482
Total	2,421,834	2,770,261

The Group uses forward currency contracts to eliminate significant currency exposures. Management believe that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. It is the Group's policy to enter into forward contracts based on the underlying exposure available from the group's business plan/commitment with the suppliers. The forward purchase agreements are secured by promissory notes given by the Group. As the Saudi Riyal is pegged to the United States Dollar any exposure to fluctuations in the exchange rate are deemed to be insignificant.

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

	Increase/decrease in Euro rate to SAR	Effect on income for the year SAR'000
2011	+10%	(14,369)
	-10%	14,369
2010	+10%	7,852
	-10%	(7,852)

Credit Risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group limits its credit risk by trading only with recognized, creditworthy third parties. The Group's policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. Trade and other account receivables are mainly due from local customers and related parties and are stated at their estimated realizable values. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant. The five largest customers account approximately for 22% of outstanding accounts receivable at 31 December 2011 (2010: 31%).

With respect to credit risk arising from other financial assets of the Group comprising of cash and cash equivalents, investments in securities and loan, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. Cash and bank balances are placed with national and international banks with sound credit ratings.

Liquidity Risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds and bank facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis. The average days of sales outstanding for 2011 were 24 days (2010: 25 days). Trade payables are typically settled on a terms basis, the average payables outstanding for 2011 were 54 days (2010: 50 days).

24. FINANCIAL INSTRUMENTS

Fair Value

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

Hedging Activities

At 31 December 2011 the Group had 15 commission rate swap agreements in place covering total notional amounts of SAR 800 million and US$ 210 million. At 31 December 2010 the Group had 10 commission rate swap agreements in place covering total notional amounts of SAR 300 million and US$ 210 million.

The swaps result in the Group receiving floating 3 month SIBOR/ 3 month US$ LIBOR rates while paying fixed rates of commission or floating 3 month US$ LIBOR rates under certain conditions. Five had a deferred start of one year from trade date with total exposure of SAR 500 million One of the contracts has the option of increasing the notional amount by SAR 50 million on starting date. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

At 31 December 2011 and 2010 the Group had various forward foreign exchange contracts that were designated as hedges to cover purchases and other expenditures in a variety of foreign currencies.

All derivative financial instruments are being used as cash flow hedges and are carried in the consolidated balance sheet at fair value. All cash flow hedges are either against transactions with either firm commitments, or forecast transactions that are highly probable. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 15 months.

All 2011 hedges were considered highly effective and the net loss on cash flow hedges during the year recognised in Other Reserves within equity was SAR 23.7 million (2010: net gain of SAR 9.6 million).

25. COMMITMENTS AND CONTINGENCIES

A. The contingent liabilities against letters of credit are SAR 342.2 million at 31 December 2011 (2010: SAR 144.5 million).

B. The contingent liabilities against letters of guarantee are SAR 183.0 million at 31 December 2011 (2010: SAR 70.2 million).

C. The Company had capital commitments amounting to SAR 1,930.6 million at 31 December 2011 in respect of ongoing projects (2010: SAR 1,547.1 million). The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and information technology.

D. Commitments under operating leases expire as follows:

	2011	**2010**
	SAR '000	SAR '000
Within one year	72,581	63,095
Two to five years	78,137	94,533
After five years	45,183	41,156
Total	195,901	198,784

26. DIRECTORS REMUNERATION

The Directors' remuneration paid to the Board of Directors for year ended 31 December 2011 amounted to SAR 6.6 million (2010: SAR 6.6 million).

27. RELATED PARTY TRANSACTIONS AND BALANCES

During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2011 and 31 December 2010 along with their balances:

Nature of Transaction	**Amount**	**Balance at 31 December**
	SAR '000	SAR '000
2011		
Sales	(444,510)	37,781
Purchases	276,022	(55,917)
2010		
Sales	(374,776)	81,146
Purchases	193,699	(30,944)

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

Entity	Relationship
Savola Group	Major Shareholder
Arabian Shield Cooperative Insurance Company	Common Ownership
Managed Arable Farms	Common Ownership
International Dairy and Juice Limited	Investment in Associate
Pure Breed Company	Investment in Associate
International Pediatric Nutrition Company	Investment in Joint Venture

28. 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 based on 230 million shares) for the year ended 31 December 2010, which was paid on 7 Jamad Al Awal 1432 A.H. (11 April 2011).

29. 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).

30. SUBSEQUENT EVENTS

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

31. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 2 Rabi Awal 1433 A.H. (25 January 2012).