ALMARAI COMPANY

A SAUDI JOINT STOCK COMPANY

THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

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

SCOPE:

We have audited the accompanying consolidated balance sheet of Almarai Company (a Saudi Joint Stock Company) ("the Company") and its subsidiaries ("the Group") as at 31 December 2008 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 at 31 December 2008 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

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

Riyadh: 21 Muharram 1430H
(18 January 2009)

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	2008	2007
		SAR '000	SAR '000
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	246,585	137,975
Derivative Financial Instruments	21	6,648	938
Receivables and Prepayments	5	409,777	367,810
Inventories	6	1,096,723	733,573
Total Current Assets		**1,759,733**	**1,240,296**
Non Current Assets			
Investments and Financial Assets	7	489,337	471,074
Property, Plant and Equipment	8	5,343,308	4,041,132
Intangible Assets - Goodwill	9	548,636	548,636
Deferred Charges		40,270	34,692
Total Non Current Assets		**6,421,551**	**5,095,534**
TOTAL ASSETS		**8,181,284**	**6,335,830**
LIABILITIES AND EQUITY			
Current Liabilities			
Short Term Loans	10	511,165	182,348
Payables and Accruals	11	669,558	575,337
Derivative Financial Instruments	21	108,072	10,033
Total Current Liabilities		**1,288,795**	**767,718**
Non Current Liabilities			
Long Term Loans	10	3,132,956	2,409,428
Employees' Termination Benefits		128,041	104,903
Total Non Current Liabilities		**3,260,997**	**2,514,331**
Shareholders' Equity			
Share Capital	12	1,090,000	1,090,000
Share Premium		612,000	612,000
Statutory Reserve		416,689	325,663
Other Reserves		(83,161)	(9,095)
Retained Earnings		1,581,614	1,034,878
Total Shareholders' Equity		**3,617,142**	**3,053,446**
Minority Interest		**14,350**	**335**
TOTAL LIABILITIES AND EQUITY		**8,181,284**	**6,335,830**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

18.01.09

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008	2007
		SAR '000	SAR '000
Sales	13	5,029,904	3,769,833
Cost of Sales	14	(3,030,947)	(2,276,495)
Gross Profit		**1,998,957**	**1,493,338**
Selling and Distribution Expenses	15	(750,878)	(570,149)
General and Administration Expenses	16	(187,108)	(142,451)
Income before Bank Charges, Zakat and Minority Interest		**1,060,971**	**780,738**
Bank Charges		(125,489)	(94,860)
Income from Main and Continuing Operations		**935,482**	**685,878**
Zakat	17	(24,662)	(18,079)
Income before Minority Interest		**910,820**	**667,799**
Minority Interest		(558)	(530)
Net Income for the Year		**910,262**	**667,269**
Earnings per Share (SAR)	18		
Attributable to Income from Main and Continuing Operations		8.58	6.29
Attributable to Net Income for the Year		8.35	6.12

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

18.01.09

18/1/2009

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 SAR '000	2007 SAR '000
OPERATING ACTIVITIES			
Net Income for the Year		910,262	667,269
Adjustments for:			
Depreciation of Property, Plant and Equipment	19	378,968	315,528
Net Livestock Appreciation	19	(165,142)	(114,810)
Loss on Disposal of Property, Plant and Equipment	19	56,086	26,966
Bank Charges		125,489	94,860
Change in Employees' Termination Benefits		23,138	19,509
Share of Minority Interest in Net Income of Consolidated Subsidiary		558	530
Changes in:			
Receivables and Prepayments		(41,967)	(131,698)
Inventories		(363,150)	(279,646)
Payables and Accruals		91,894	141,801
Cash Flows from Operating Activities		**1,016,136**	**740,309**
INVESTING ACTIVITIES			
Additions to Property, Plant and Equipment	8	(1,655,619)	(1,099,196)
Proceeds from the Sale of Property, Plant and Equipment	19	83,531	73,556
Acquisition of Investments and Financial Assets	7	-	(471,074)
Acquisition / Disposal of Derivative Financial Assets		-	931
Acquisition of Subsidiaries, Net of Cash Acquired		-	7,580
Cash Flows used in Investing Activities		**(1,572,088)**	**(1,488,203)**
FINANCING ACTIVITIES			
Increase in Loans		1,052,345	1,127,596
Dividends Paid		(270,173)	(199,396)
Distribution to Minority Interests		(543)	(387)
Bank Charges		(125,489)	(94,860)
Change in Deferred Charges		(5,578)	(15,110)
Minority Interest Share in Modern Food Industries		14,000	-
Cash Flows from Financing Activities		**664,562**	**817,843**
Increase in Cash and Cash Equivalents		**108,610**	**69,949**
Cash and Cash Equivalents at 1 January		137,975	68,026
Cash and Cash Equivalents at 31 December	4	**246,585**	**137,975**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

18.01.09

18/1/2009

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	Attributable to equity holders of the parent							
	Share Capital	Share Premium	Statutory Reserve	Other Reserves	Retained Earnings	Total	Minority Interest	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance at 1 January 2007	**1,000,000**	-	**258,936**	**4,759**	**634,336**	**1,898,031**	**192**	**1,898,223**
Net Income for the Year	-	-	-	-	**667,269**	**667,269**	**530**	**667,799**
Transfers from Retained Earnings	-	-	66,727	-	(66,727)	-	-	-
Shares Issued	90,000	612,000	-	-	-	**702,000**	-	**702,000**
Distribution to Minority Interests	-	-	-	-	-	-	(387)	**(387)**
Dividends Approved	-	-	-	-	(200,000)	**(200,000)**	-	**(200,000)**
Net Movement on Cash Flow Hedges	-	-	-	(13,854)	-	**(13,854)**	-	**(13,854)**
Balance at 31 December 2007	**1,090,000**	**612,000**	**325,663**	**(9,095)**	**1,034,878**	**3,053,446**	**335**	**3,053,781**
Net Income for the Year	-	-	-	-	910,262	**910,262**	558	**910,820**
Transfers from Retained Earnings	-	-	91,026	-	(91,026)	-	-	-
Net Gain on Financial Investments	-	-	-	18,263	-	**18,263**	-	**18,263**
Distribution to Minority Interests	-	-	-	-	-	-	(543)	**(543)**
Dividends Approved	-	-	-	-	(272,500)	**(272,500)**	-	**(272,500)**
Net Movement on Cash Flow Hedges	-	-	-	(92,329)	-	**(92,329)**	-	**(92,329)**
Minority Interest Share in Modern Food Industries	-	-	-	-	-	-	14,000	**14,000**
Balance at 31 December 2008	**1,090,000**	**612,000**	**416,689**	**(83,161)**	**1,581,614**	**3,617,142**	**14,350**	**3,631,492**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

18.01.09

18/1/2009

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.

The Company and its subsidiaries (together, "the Group") are a major integrated consumer food group in the Middle East with leadership positions 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.

The bakery products are traded by Western Bakeries Company Limited and International Baking Services Company Limited under the brand name L'Usine. These are two Limited Liability companies registered in Saudi Arabia and based in Jeddah.

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 Company 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

In the second quarter of 2007 Western Bakeries Company Limited entered into a joint venture to manufacture and distribute a range of bakery products under the "7 Days" brand. The joint venture company is formed with an initial share capital of SAR 35 million, 60% Western Bakeries Company Limited, 25% Chipita Saudi Arabia (Cyprus) Limited (a fully owned subsidiary of Vivartia SA) and 15% Olayan Financing Company. The company registration was finalized in 2 Rabia I 1429 A.H. (9 April 2008) under the name of Modern Food Industries Company.

The IPO for Zain, the operator of Saudi Arabia's third mobile phone network, successfully took place from 2 to 11 Safar 1429 A.H. (9 to 18 February 2008). Through the IPO the Group's participating interest in Zain has been reduced from 5.0% to 2.5%. The shares started trading on the Saudi Arabian Stock Exchange (Tadawul) on 14 Rabia I 1429 A.H. (22 March 2008).

On 29 Thul-Quada 1429 A.H. (27 November 2008) a new subsidiary, Almarai Holding Company W.L.L. was incorporated as a holding company for acquisitions outside Saudi Arabia.

Almarai Company, through its subsidiary Almarai Holding Company W.L.L., has entered into a definitive agreement on 18 Thul-Hujja 1429 A.H. (16 December 2008) to acquire 75% of Teeba Investment for Developed Food Processing Company PSC ("Teeba"). The remaining shares will be retained by the founding shareholders. The transaction was based on an enterprise value of JOD 89 million (SAR 474 million) for 100% of the shares and is expected to close in January 2009.

In the third quarter of 2008, the Group signed a non binding Memorandum of Understanding regarding the acquisition of 100% of International Company for Agro Industrial Projects (Beyti) in Egypt. The acquisition is expected to be completed in the first quarter of 2009.

On 7 Thul-Quada 1429 A.H. (5 November 2008) Almarai submitted a formal offer to the Board of Directors of Hail Agriculture Development Company ("HADCO") to acquire 100% of the outstanding share capital of HADCO in exchange for new shares to be issued by Almarai in the ratio of one new Almarai share for every six HADCO shares. This equates to the issue of five million new Almarai shares to HADCO shareholders. The proposed offer has been approved by the Board of Directors, however the final offer is subject to due diligence, approvals required by the Capital Market Authority and the approval of the shareholders of both Almarai and HADCO.

Details of the subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Direct and Beneficial Ownership Interest		Shares	
			2008	2007	Capital	Issued
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	100%	100%	SAR 100,000,000	100,000
International Baking Services Company Limited	Saudi Arabia	Trading Company	100%	100%	SAR 500,000	500
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company	100%	100%	BHD 100,000	1,000
Almarai Holding Company W.L.L.	Bahrain	Holding Company	100%	-	BHD 250,000	2,500
Markley Holdings Limited	Jersey	Dormant	100%	100%	-	-
Arabian Planets for Trade and Marketing L.L.C.	Oman	Sales Company	90%	90%	OMR 150,000	150,000
Modern Food Industries	Saudi Arabia	Bakery Company	60%	-	SAR 35,000,000	35,000

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) The statutory records are maintained in Arabic.

(c) When necessary, prior period comparatives have been regrouped or adjusted on a basis consistent with current period classification. Any adjustments are considered immaterial in the context of these consolidated financial statements.

(d) 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 audited financial statements of its subsidiaries, as adjusted by the elimination of all significant inter group balances and transactions. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting standards generally accepted in the 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. 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.

C. 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.

D. **Accounts Receivable**

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

E. **Inventory Valuation**

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

F. **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.

G. **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.

H. **Property, Plant and Equipment**

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

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

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

The carrying values of property, plant and equipment 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 cconsolidated 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 periods. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income.

I. 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 currencies of foreign operations, Almarai Company Bahrain S.P.C, Almarai Holding Company W.L.L. and Arabian Planets for Trade and Marketing L.L.C are the Bahrain Dinar and Omani Riyal respectively. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Almarai Group (the 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.

J. 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.

K. 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.

L. Management Fees

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

M. Zakat

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

N. Operating Leases

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

O. 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. Where there is no market for the investments cost is taken as the most appropriate, objective and reliable measurement of fair value of the securities.

P. 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.

Q. Statutory Reserve

In accordance with its Articles of Association 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.

R. Segmental Reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (a business segment) or in 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. CASH AND CASH EQUIVALENTS

	2008 SAR '000	2007 SAR '000
Cash at Bank	191,272	108,617
Cash in Hand	55,313	29,358
Total	246,585	137,975

5. RECEIVABLES AND PREPAYMENTS

		2008 SAR '000	2007 SAR '000
Trade Accounts Receivable	- Third Parties	309,422	248,958
	- Related Parties (Refer note 24)	31,357	17,856
		340,779	266,814
Less: Provision for impairment of trade receivables		(11,726)	(7,442)
Less: Provision for sales returns		(10,039)	(7,055)
Net Accounts Receivable		319,014	252,317
Prepayments		90,763	115,493
Total		409,777	367,810

A. The Group's policy is to provide 100% impairment provision for all trade receivables due over three months. As at 31 December 2008, trade receivables more than three months due and impaired were SAR 11.7 million (2007: SAR 7.4 million). Movements on the group provision for impairment of trade receivables were not significant.

	2008 SAR '000	2007 SAR '000
Trade Accounts Receivable		
Up to 3 months	329,053	259,372
More than 3 months	11,726	7,442
Total	340,779	266,814

B. Unimpaired receivables are expected on the basis of past experiences, to be fully recoverable. It is not the practice of the group to obtain collateral over receivables.

6. INVENTORIES

	2008 SAR '000	2007 SAR '000
Raw Material	839,688	556,770
Finished Goods	163,077	122,419
Spares	57,497	35,884
Work in Progress	36,461	18,500
Total	1,096,723	733,573

7. INVESTMENTS AND FINANCIAL ASSETS

	2008 SAR '000	2007 SAR '000
Zain Equity Investment	372,750	354,487
Zain Subordinated Funding Shareholders' Loan	109,587	109,587
Jannat for Agricultural Investment Company - 10%	7,000	7,000
	489,337	471,074

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 Stock Exchange (Tadawul) at 31 December 2008 of SAR 10.65 per share. This has resulted in an unrealized gain of SAR 18.3 million which is shown within other reserves in shareholders' equity. As a founding shareholder the Group cannot sell shares for a period of 3 years commencing on the 22 March 2008 (lock-up period). Investment in Jannat for Agricultural Investment Company is stated at cost.

8. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Plant, Machinery & Equipment	Motor Vehicles	Dairy Herd	Young Stock	Capital Work-in-Progress	Total 2008	Total 2007
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost								
At the beginning of the year	1,431,745	2,353,535	536,569	429,760	181,523	805,459	5,738,591	4,351,786
Acquisition of Subsidiaries	-	-	-	-	-	-	-	318,655
Additions during the year	183,042	179,659	13,642	33,655	88,447	1,157,174	1,655,619	1,099,196
Livestock Appreciation	-	-	-	-	271,589	-	271,589	165,807
Transfers during the year	232,256	464,426	126,801	180,856	(180,856)	(823,483)	-	-
Disposals during the year	(1,612)	(26,393)	(67,826)	(125,454)	(58,303)	-	(279,588)	(196,853)
At the end of the year	**1,845,431**	**2,971,227**	**609,186**	**518,817**	**302,400**	**1,139,150**	**7,386,211**	**5,738,591**
Accumulated Depreciation								
At the beginning of the year	286,586	1,019,379	268,448	123,046	-	-	1,697,459	1,305,976
Acquisition of Subsidiaries	-	-	-	-	-	-	-	121,289
Charges for the year	57,738	242,292	78,938	106,447	-	-	485,415	366,525
Disposals during the year	(1,600)	(25,896)	(65,464)	(47,011)	-	-	(139,971)	(96,331)
At the end of the year	**342,724**	**1,235,775**	**281,922**	**182,482**	**-**	**-**	**2,042,903**	**1,697,459**
Net Book Value								
At 31 December 2008	**1,502,707**	**1,735,452**	**327,264**	**336,335**	**302,400**	**1,139,150**	**5,343,308**	
At 31 December 2007	**1,145,159**	**1,334,156**	**268,121**	**306,714**	**181,523**	**805,459**		**4,041,132**

9. IMPAIRMENT TESTING OF INTANGIBLE ASSETS - GOODWILL

Goodwill arising from the acquisition in 2007 of Western Bakeries Limited and International Baking Services Limited ("the Subsidiaries") is subject to impairment testing. These also represent a reporting segment.

The carrying amount of goodwill allocated to the Subsidiaries was SAR 548.6 million as at 31 December 2008 (2007: SAR 548.6 million).

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 12% and the residual value at the end of the forecast period has been calculated using the times earning multiple at acquisition multiplied by the net profit of the final year in the forecast period.

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.

Sensitivity to Changes in Assumptions

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the above key assumptions 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 2008 is 40% and in the forecast period has been estimated to be a compound annual growth of 16%. All other assumptions kept the same; a reduction of this growth rate to 11% would give a value in use equal to the current carrying amount.

(b) Cost of Sales Inflation

The current cost of sales in 2008 is 40% 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 52% would give a value in use equal to the current carrying amount.

	2008	2007
	SAR '000	SAR '000

10. TERM LOANS

	2008 SAR '000	2007 SAR '000
Islamic Banking Facilities (Murabaha)	3,078,796	2,030,858
Saudi Industrial Development Fund	554,890	544,280
Saudi Arabian Agricultural Bank	10,435	16,638
Total	3,644,121	2,591,776

A. The borrowings from Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group.

B. The borrowings from the Saudi Industrial Development Fund (SIDF) are secured as follows:
   (i) in respect of borrowings amounting to SAR 554.9 million for 31 December 2008 (2007: SAR 453.9 million) by a mortgage on specific assets;
   (ii) in respect of uncollateralized borrowings, no payment guarantee was given for both the years ended 31 December 2007 and 2008.

C. The borrowings from Saudi Arabian Agricultural Bank are secured by a bank payment guarantee.

D. Maturity of Financial Liabilities:

	Facilities available at 31 December	2008	2007
	SAR '000	SAR '000	SAR '000
Less than one year	531,509	511,165	182,348
One to two years	1,830,369	1,617,148	871,932
Two to five years	2,807,821	1,500,488	1,409,050
Greater than five years	785,667	15,320	128,446
Total	5,955,366	3,644,121	2,591,776

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

During 2008 the group secured an additional SAR 1,700.0 million of commercial loan facilities with maturities between three to five years.

As at 31 December 2008 SAR 1,729.8 million Islamic Banking Facilities (Murabaha) were unutilized and available for drawdown.

As at 31 December 2008 the Group had SAR 581.4 million of unutilized SIDF facilities available for draw down with maturities predominantly greater than five years (2007: SAR 321.0 million).

		2008	2007
		SAR '000	SAR '000

11. PAYABLES AND ACCRUALS

		2008	2007
Trade Accounts Payable	- Third Parties	350,098	324,487
	- Related Parties (Refer note 24)	46,360	37,309
Other Payables		250,318	195,513
Zakat Provision (Refer note 17)		22,782	18,028
Total		669,558	575,337

12. SHARE CAPITAL

The Company's share capital at 31 December 2008 and 31 December 2007 amounted to SAR 1,090 million, consisting of 109 million fully paid and issued shares of SAR 10 each.

13. SEGMENTAL REPORTING

The Group's principal business activities are divided into three segments namely manufacturing and trading of dairy products, fruit juices and related foods under the Almarai brand, manufacturing and trading of bakery products under the L'Usine brand and investing activities. Selected financial information as of 31 December 2008 and 2007 and for the years then ended categorized by these business segments, are as follows:

	Dairy, Fruit Juices & Related Foods	Bakery Products	Investing Activities	Total
	-	-	SAR '000	SAR '000
31 December 2008				
Sales	4,515,097	514,807	-	5,029,904
Depreciation of Property, Plant and Equipment	(334,119)	(44,849)	-	(378,968)
Income before Minority Interest	818,019	106,361	(13,560)	910,820
Total Assets	6,556,270	1,135,677	489,337	8,181,284
Total Liabilities	(3,904,200)	(158,132)	(487,460)	(4,549,792)
31 December 2007				
Sales	3,401,038	368,795	-	3,769,833
Depreciation of Property, Plant and Equipment	(279,582)	(35,946)	-	(315,528)
Income before Minority Interest	595,827	74,798	(2,826)	667,799
Total Assets	4,906,488	958,268	471,074	6,335,830
Total Liabilities	(2,635,097)	(173,052)	(473,900)	(3,282,049)

The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 31 December 2008 and 2007 and for the years then ended, categorized by these geographic segments are as follows:

	Sales	Non-Current Assets
	SAR '000	SAR '000
2008		
Saudi Arabia	3,453,558	6,332,772
Other GCC Countries	1,510,552	88,779
Other Countries	65,794	-
Total	5,029,904	6,421,551
2007		
Saudi Arabia	2,653,170	5,029,367
Other GCC Countries	1,087,935	66,167
Other Countries	28,728	-
Total	3,769,833	5,095,534

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

	2008	2007
	SAR '000	SAR '000
Fresh Dairy	2,474,586	1,977,117
Long Life Dairy	495,710	310,704
Fruit Juice	484,455	340,274
Cheese & Butter	1,028,206	741,581
Bakery Products	514,807	368,795
Other	32,140	31,362
Total	5,029,904	3,769,833

14. COST OF SALES

	2008 SAR '000	2007 SAR '000
Direct Material Costs	2,225,075	1,601,895
Employee Costs	297,622	244,076
Depreciation	396,984	287,086
Livestock Appreciation	(271,589)	(165,807)
Loss on Disposal of Livestock	57,179	37,543
Other Expenses	325,676	271,702
Total	3,030,947	2,276,495

15. SELLING AND DISTRIBUTION EXPENSES

	2008 SAR '000	2007 SAR '000
Employee Costs	327,951	249,680
Marketing Expenses	247,319	190,603
Depreciation	78,982	70,924
Other Expenses	96,626	58,942
Total	750,878	570,149

16. GENERAL AND ADMINISTRATION EXPENSES

	2008 SAR '000	2007 SAR '000
Employee Costs	121,109	101,067
Insurance	20,936	18,070
Depreciation	9,449	8,515
Profit on Disposal of Property, Plant and Equipment	(1,093)	(10,577)
Other Expenses	36,707	25,376
Total	187,108	142,451

17. ZAKAT

A. Zakat is charged at the higher of net adjusted income or Zakat base as required by the Saudi Arabian Zakat Regulations. In the current year, the Zakat charge is based on the net income method, calculated as follows:

	2008	2007
	SAR '000	SAR '000
Income from Main and Continuing Operations	935,482	685,878
Disallowed Expenses:		
Accrual for Employees' Termination Benefits	23,138	26,822
Other Provision	10,946	10,460
Net Income for Zakat Purposes	969,566	723,160
Zakat Charge @ 2.5%	24,239	18,079
Adjustment in respect of prior year provision	423	-
Charged to Consolidated Statement of Income	24,662	18,079

B. **Zakat Provisions**

	2008	2007
Balance at 1 January	18,028	12,701
Transfer of Western Bakeries Company Limited and International Baking Services Company Limited Zakat Provision 1 January 2007	-	1,250
Charged to Consolidated Statement of Income	24,662	18,079
Payments	(19,908)	(14,002)
Balance at 31 December	22,782	18,028

C. The Company has filed its Zakat returns for all the years up to 2007 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the Department of Zakat and Income Tax (DZIT) for all the years up to 2006 while the 2007 Zakat return is still under review by the Department of Zakat and Income Tax (DZIT).

18. EARNINGS PER SHARE

Earnings per Share are calculated on the total number of issued shares at 31 December 2008 and 31 December 2007 amounting to 109 million shares.

	2008	2007
	SAR '000	SAR '000

19. DEPRECIATION AND DISPOSAL OF ASSETS

A. Depreciation

	2008 SAR '000	2007 SAR '000
Livestock		
Depreciation of Dairy Herd	106,447	50,997
Livestock Appreciation	(271,589)	(165,807)
Net Livestock Appreciation	(165,142)	(114,810)
Fixed Assets		
Depreciation	378,968	315,528
Total	213,826	200,718

B. (Profit)/Loss on the Disposal of Assets

	2008 SAR '000	2007 SAR '000
Livestock		
Proceeds from Disposal of Livestock	(79,567)	(56,942)
Net Book Value of Dairy Herd Cows Disposed	78,443	61,792
Net Book Value of Youngstock Disposed	58,303	32,693
Loss on the Disposal of Livestock	57,179	37,543
Fixed Assets		
Proceeds from the Disposal of Property, Plant and Equipment	(3,964)	(16,614)
Net Book Value of Assets Disposed	2,871	6,037
Profit on the Disposal of Property, Plant and Equipment	(1,093)	(10,577)
Total	56,086	26,966

20. 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 advances, 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 3,078.8 million at 31 December 2008 (2007: SAR 2,030.9 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% and 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
2008		
SAR	+ 30	9,236
SAR	- 30	(9,236)
2007		
SAR	+ 30	6,093
SAR	- 30	(6,093)

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 Saudi Riyals, United States Dollars, Great British Pounds and Euro. Other transactions in foreign currencies are not material.

The outstanding foreign currency forward purchase agreements were as follows:

	2008 SAR '000	2007 SAR '000
Euro	669,819	532,632
Great British Pound	94,800	60,911
Other	37,428	7,971
Total	802,047	601,514

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.

The following analysis calculates the sensitivity of income to reasonably possible movements of the SAR currency rate against the respective currencies, 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
2008	+10%	8,602
	-10%	(8,602)
2007	+10%	5,035
	-10%	(5,035)

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 25% of outstanding accounts receivable at 31 December 2008 (2007: 22%).

With respect to credit risk arising from other financial assets of the Group comprising of cash and cash equivalents, investments in securities and loan advances, 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. All derivative financial instruments form part of effective cash flow hedges.

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 Company'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 2008 were 22 days (2007: 21 days). Trade payables are typically settled on a terms basis, the average payables outstanding for 2008 were 46 days (2007: 51 days).

21. 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 2008 the Group had 8 commission rate swap agreements in place covering total notional amounts of SAR 100 million and US$ 210 million. At 31 December 2007 the Group had three commission rate swap agreements in place covering total notional amounts of SAR 300 million and US$ 53.3 million.

The swaps result in the Group receiving floating 6 month SIBOR/ 3 month US$ LIBOR rates while paying fixed rates of commission or floating 3 month US$ LIBOR rates under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

At 31 December 2008 and 2007 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 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 14 months.

All 2008 hedges were considered highly effective and the net loss on cash flow hedges during the year recognised in Other Reserves within equity was SAR 101.4 million (2007: net loss of SAR 9.1 million). During the year net gains reclassified to the income statement were SAR 14.7 million (2007: SAR 4.8 million).

22. COMMITMENTS AND CONTINGENCIES

A. The contingent liabilities against letters of credit are SAR 330 million for 31 December 2008 (2007: SAR 73.2 million).

B. The contingent liabilities against letters of guarantee are SAR 61.1 million for 31 December 2008 (2007: SAR 13.4 million).

C. The Company had capital commitments to SAR 702.5 million for 31 December 2008 in respect of ongoing projects (2007: SAR 647.4 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:

	2008	2007
	SAR '000	SAR '000
Within one year	50,723	45,958
Two to five years	48,288	56,831
After five years	96,268	100,383
Total	195,279	203,172

23. DIRECTORS REMUNERATION

The Directors' remuneration paid to the Board of Directors for year ended 31 December 2008 amounted to SAR 6.4 million (2007: SAR 2.1 million).

24. 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 2008 and 31 December 2007 along with their balances:

Related Party	Nature of Transaction	Amount	Balance at 31 December
		SAR '000	SAR '000
2008			
Common Shareholders / Owners	Sales	(155,141)	31,357
Common Shareholders / Owners	Purchases	185,986	(46,360)
2007			
Common Shareholders / Owners	Sales	(113,298)	17,856
Common Shareholders / Owners	Purchases	183,557	(37,309)

The Common Shareholders / Owners noted above include the Savola Group, Arabian Shield Insurance Company and ARASCO Feed Mills whose major shareholders are also major shareholders of the Company. Also included are Managed Arable Farms and Nofa Equestrian Resort whose owners are major shareholders of the company.

Pricing and terms of payment for these transactions are at arms length.

25. DIVIDENDS APPROVED AND PAID

On 16 Rabia I 1429 A.H. (24 March 2008), the General Assembly Meeting approved a dividend of SAR 272.5 million (SAR 2.5 per share) for the year ended 31 December 2007, which was paid on 1 Rabia II 1429 A.H. (7 April 2008).

26. DIVIDENDS PROPOSED

The Board of Directors, on 21 Muharram 1430 (18 January 2009) proposed for approval at the General Assembly Meeting a dividend for the year ended 31 December 2008 of SAR 381.5 million (SAR 3.5 per share).

27. 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.