



ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT FOR THE NINE PERIODS
ENDED 30 SEPTEMBER 2005

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH – SAUDI ARABIA

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying interim consolidated balance sheet of Almarai Company a Saudi Joint Stock Company (the "Company") as of 30 September 2005, the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the period ended 30 September 2005, including the related notes. These interim consolidated financial statements are the responsibility of the company's management.

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

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



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



Riyadh, 11th October 2005 A.H.
Corresponding to 8th Ramadan 1426 A.D.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2005 (UNAUDITED)

	<u>Notes</u>	<u>YTD September 2005</u> SAR '000	<u>YTD September 2004</u> SAR '000
<u>Current Assets</u>			
Cash and Bank Balances		27,231	42,313
Receivables and Prepayments		220,002	213,621
Inventories		299,570	223,085
Total Current Assets		546,803	479,019
<u>Current Liabilities</u>			
Payables and Accruals		376,708	191,972
Short Term Loans	4	103,462	65,726
Total Current Liabilities		480,170	257,698
NET CURRENT ASSETS		66,633	221,321
<u>Non Current Assets</u>			
Intangible Assets - Goodwill		4,081	14,841
Fixed Assets		2,258,327	1,806,106
Total Non Current Assets		2,262,408	1,820,947
<u>Non Current Liabilities</u>			
Long Term Loans	4	946,806	791,930
Employees' Termination Benefits		60,401	52,212
Total Non Current Liabilities		1,007,207	844,142
NET ASSETS		1,321,834	1,198,126
SHAREHOLDER'S EQUITY			
Share Capital		750,000	750,000
Statutory Reserve		195,601	136,830
Retained Earnings		376,233	311,296
TOTAL SHAREHOLDER'S EQUITY		1,321,834	1,198,126

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

ALMARAI COMPANY
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INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE PERIODS ENDED 30 SEPTEMBER 2005 (UNAUDITED)

	Notes	July - September 2005	July - September 2004	YTD September 2005	YTD September 2004
		SAR '000	SAR '000	SAR '000	SAR '000
Sales	5	547,636	473,602	1,542,405	1,380,627
Cost of Sales		(324,844)	(273,009)	(924,605)	(816,823)
Gross Profit		222,792	200,593	617,800	563,804
Selling & Distribution Expenses		(83,978)	(69,725)	(232,034)	(205,521)
General & Administration Expenses		(24,233)	(19,249)	(70,586)	(61,230)
Net Income before Bank Charges & Zakat		114,581	111,619	315,180	297,053
Bank Charges		(10,876)	(7,656)	(28,530)	(13,692)
Net Income before Zakat		103,705	103,963	286,650	283,361
Zakat		(2,824)	(3,128)	(7,473)	(7,590)
Net Income		100,881	100,835	279,177	275,771
Earnings per Share (SAR)*		6.7	6.7	18.6	18.4

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

* Earnings per Share is calculated assuming the total number of issued shares is equal to the shares issued at 30 September 2005 (i.e. 15 million shares).

“THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT”

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE PERIODS ENDED 30 SEPTEMBER 2005 (UNAUDITED)

	YTD September 2005	YTD September 2004
	SAR '000	SAR '000
<u>Cash Flow from Operating Activities</u>		
Net Income	279,177	275,771
Depreciation & Amortisation	89,339	97,756
Bank Charges	28,530	13,692
Change in Employees' Termination Benefits	6,981	(2,223)
Operating Cash Flow Before Changes in Working Capital	404,027	384,996
Changes in:		
Receivables & Prepayments	(33,408)	(34,673)
Inventories	(56,331)	(29,948)
Payables & Accruals	90,237	(32,128)
Cash Flow from/(used by) Changes in Working Capital	498	(96,749)
Cash Flow from Operating Activities	404,525	288,247
<u>Cash Flow used in Investing Activities</u>		
Additions to Fixed Assets	(473,819)	(364,633)
Proceeds from the Sale of Fixed Assets	31,257	32,333
Cash Flow used in Investing Activities	(442,562)	(332,300)
<u>Cash Flow from Financing Activities</u>		
Increase in Loans	282,844	351,296
Dividends Paid during the Period	(250,000)	(300,000)
Bank Charges	(28,530)	(13,692)
Cash Flow from Financing Activities	4,314	37,604
Decrease in Cash and Bank Balances	(33,723)	(6,449)
Cash and Bank Balances at 1 January	60,954	48,762
Cash and Bank Balances at End of Period	27,231	42,313

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

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE PERIODS ENDED 30 SEPTEMBER 2005 (UNAUDITED)

	YTD September 2005 SAR '000	YTD September 2004 SAR '000
<u>Share Capital</u>		
Balance at 1 January	750,000	500,000
Transfer from Retained Earnings	-	250,000
Balance at End of Period	<u>750,000</u>	<u>750,000</u>
<u>Statutory Reserve</u>		
Balance at 1 January	173,860	136,830
Transfer from Retained Earnings	21,741	-
Balance at End of Period	<u>195,601</u>	<u>136,830</u>
<u>Retained Earnings</u>		
Balance at 1 January	368,797	585,525
Net Income	279,177	275,771
Transfer to Share Capital	-	(250,000)
Transfer to Statutory Reserve	(21,741)	-
Dividends Paid	(250,000)	(300,000)
Balance at End of Period	<u>376,233</u>	<u>311,296</u>

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

ALMARAI COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. THE COMPANY AND ITS BUSINESS DESCRIPTION

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

The Company is a major integrated consumer food company in the Middle East with leadership positions in Saudi Arabia and the neighbouring Gulf Cooperative Council (GCC) countries. All raw milk production and related processing along with food manufacturing activities are undertaken in Saudi Arabia. Final consumer products are distributed from the manufacturing facilities in Saudi Arabia to local distribution centres by the Company's long haul distribution fleet.

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

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

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

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

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

The Company successfully commenced trading on the Saudi Arabian stock exchange on 11 Rajab 1426 A.H. (17 August 2005).

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

- (a) The interim consolidated financial statements have been prepared on the accrual basis under the historical cost convention and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).
- (b) Although the Company was converted to a Joint Stock Company during this quarter, these interim consolidated financial statements have been prepared as if no conversion took place. The Management believe this gives the readers of these financial statements the best understanding of its activities.
- (c) The statutory records are maintained in Arabic.
- (d) When necessary, prior period comparatives have been regrouped on a basis consistent with current period classification.
- (e) The interim consolidated financial statements reflect all business operations undertaken on behalf of the Company and its subsidiaries and the assets and liabilities beneficially held by the Company.
- (f) The figures in these interim consolidated financial statements are rounded to the nearest thousand.

3. **SIGNIFICANT ACCOUNTING POLICIES**

A. **Use of Estimates**

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

B. **Revenue Recognition**

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

C. **Cash and Bank Balances**

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

D. **Accounts Receivable**

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

E. **Inventory Valuation**

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

F. **Goodwill**

Goodwill represents the difference between the cost of businesses acquired and the aggregate of the fair values of their identifiable net assets at the date of acquisition. Goodwill arising on acquisitions is capitalised on the interim consolidated balance sheet and amortised to the interim consolidated statement of income in equal annual instalments over its expected useful life, not exceeding twenty years. The carrying value of goodwill is reviewed annually and adjustments are made for any permanent diminution in value.

G. **Fixed Assets**

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

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

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

H. Conversion of Foreign Currency Transactions

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

I. Employees' Termination Benefits

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

J. Selling, Distribution, General & Administration Expenses

Selling, Distribution, General & Administration Expenses include direct and indirect costs not specifically part of Cost of Sales as required under generally accepted accounting principles. Allocations between Cost of Sales and Selling, Distribution, General & Administration Expenses, when required, are made on a consistent basis. The Company charges payments in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

K. Management Fees

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

L. Zakat

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

M. Operating Leases

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

4. LOANS

	YTD September 2005	YTD September 2004
	SAR '000	SAR '000
(i) Saudi Industrial Development Fund	254,960	141,930
(ii) Saudi Arabian Agricultural Bank	20,308	12,074
(iii) Islamic Banking Facilities (Murabaha)	775,000	-
(iv) Commercial Banks	-	703,652
Total	<u>1,050,268</u>	<u>857,656</u>

5. SEGMENTAL REPORTING

Analysis of Sales is given by Product Group as shown below. The disclosure of segmental information in respect of net income and net assets is not, in the opinion of the Board of Directors, required as the Company operates only in the consumer food business and as such, this information would not add any value to readers of these interim consolidated financial statements.

The disclosure of segmental information by geographical area, in respect of net income and net assets would, in the opinion of the Board of Directors, be prejudicial to the interest of the Company and accordingly is not disclosed.

	July - September 2005	July - September 2004	YTD September 2005	YTD September 2004
	SAR '000	SAR '000	SAR '000	SAR '000
<u>Sales</u>				
By Product Group				
Fresh Dairy	349,830	302,506	957,859	850,862
Long Life Dairy	52,712	43,713	156,628	134,824
Fruit Juice	40,191	37,962	105,204	104,898
Cheese & Butter	100,167	86,354	309,199	281,775
Non-Dairy Foods	3,105	1,105	8,289	3,359
Other	1,631	1,962	5,226	4,909
	<u>547,636</u>	<u>473,602</u>	<u>1,542,405</u>	<u>1,380,627</u>
By Destination				
Saudi Arabia	369,633	325,897	1,044,325	946,233
Other Countries	178,003	147,705	498,080	434,394
	<u>547,636</u>	<u>473,602</u>	<u>1,542,405</u>	<u>1,380,627</u>