Certified Accountants
Professional Partnership Co. License No. 36
Member Firm of
Grant Thornton International

Aldar Audit Bureau
Abdullah AlBasri & Co.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH – SAUDI ARABIA

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AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Almarai Company – a Saudi Joint Stock Company as of 31 December 2006 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year ended 31 December 2006 together with notes 1 - 23. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and information which we obtained and deemed necessary in the circumstances.

We conducted our audit in accordance with generally accepted auditing standards. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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

- Present fairly, in all material respects, the financial position of Almarai Company – a Saudi Joint Stock Company as of 31 December 2006 and the results of its operations and cash flows for the year ended 31 December 2006, in the light of presentation and disclosure of information contained in the consolidated financial statements and in conformity with generally accepted accounting principles relevant to the Company's underlying circumstances,

- Comply with the requirements of companies' regulations in the Kingdom of Saudi Arabia and the company's articles of associat ion concerning the presentation and disclosure of the consolidated financial statements.

Aldar Audit Bureau
Abdullah Al Basri & Co.

ALDAR AUDIT BUREAU
Licence No. 36
Certified Accountants
Abdullah AlBasri & Co.

Mahmoud M. Adileh
Certified Accountant
License No. 171

Riyadh, 1 Muharram 1428 A.H.
Corresponding to 20 January 2007 A.D.

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ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	2006	2005
		SAR '000	SAR '000
Current Assets			
Cash and Bank Balances	4	67,077	41,675
Receivables and Prepayments	5	223,405	217,502
Inventories	6	431,283	320,981
Total Current Assets		**721,765**	**580,158**
Current Liabilities			
Payables and Accruals	7	403,378	370,391
Short Term Loans	8	110,781	118,927
Total Current Liabilities		**514,159**	**489,318**
NET CURRENT ASSETS		**207,606**	**90,840**
Non Current Assets			
Fixed Assets	9	3,045,810	2,396,258
Total Non Current Assets		**3,045,810**	**2,396,258**
Non Current Liabilities			
Long Term Loans	8	1,277,425	992,138
Employees' Termination Benefits		82,102	66,201
Total Non Current Liabilities		**1,359,527**	**1,058,339**
NET ASSETS		**1,893,889**	**1,428,759**
SHAREHOLDER'S EQUITY			
Share Capital	10	1,000,000	1,000,000
Statutory Reserve	11	258,983	212,470
Retained Earnings		634,906	216,289
TOTAL SHAREHOLDER'S EQUITY		**1,893,889**	**1,428,759**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 DECEMBER 2006
AND FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	October - December 2006	October - December 2005	2006	2005
		SAR '000	SAR '000	SAR '000	SAR '000
Sales	**12**	717,683	603,708	2,756,935	2,146,113
Cost of Sales	**13**	(426,588)	(374,733)	(1,682,262)	(1,299,338)
Gross Profit		**291,095**	**228,975**	**1,074,673**	**846,775**
Selling & Distribution Expenses	**14**	(119,709)	(90,315)	(423,181)	(322,349)
General & Administration Expenses	**15**	(23,042)	(21,937)	(116,760)	(92,523)
Net Income before Bank Charges & Zakat		**148,344**	**116,723**	**534,732**	**431,903**
Bank Charges		(14,772)	(7,034)	(55,915)	(35,564)
Net Income before Zakat		**133,572**	**109,689**	**478,817**	**396,339**
Zakat	**16**	(3,376)	(2,764)	(13,687)	(10,237)
Net Income		**130,196**	**106,925**	**465,130**	**386,102**
Earnings per Share (SAR)*	**10**	**1.30**	**1.07**	**4.65**	**3.86**

* Earnings per Share is calculated on the total number of issued shares at 31 December 2006 (i.e. 100 million shares).

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006	2005
		SAR '000	SAR '000
Cash Flows from Operating Activities			
Net Income		**465,130**	**386,102**
Depreciation & Amortization	**17**	173,762	126,985
Bank Charges		55,915	35,564
Change in Employees' Termination Benefits		15,901	12,781
Operating Cash Flows Before Changes in Working Capital		**710,708**	**561,432**
Changes in:			
Receivables & Prepayments		(5,903)	(30,908)
Inventories		(110,302)	(77,742)
Payables & Accruals		32,987	83,920
Cash Flows used by Changes in Working Capital		**(83,218)**	**(24,730)**
Cash Flows from Operating Activities		**627,490**	**536,702**
Cash Flows used in Investing Activities			
Additions to Fixed Assets and Intangibles		(877,517)	(666,033)
Proceeds from the Sale of Fixed Assets		54,203	51,975
Cash Flows used in Investing Activities		**(823,314)**	**(614,058)**
Cash Flows used in Financing Activities			
Increase in Loans		277,141	343,641
Dividends Paid during the Period		-	(250,000)
Bank Charges		(55,915)	(35,564)
Cash Flows from Financing Activities		**221,226**	**58,077**
Increase / (Decrease) in Cash and Bank Balances		**25,402**	**(19,279)**
Cash and Bank Balances at 1 January		**41,675**	**60,954**
Cash and Bank Balances at 31 December		**67,077**	**41,675**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006	2005
		SAR '000	SAR '000
Share Capital			
Balance at 1 January		1,000,000	750,000
Transfer from Retained Earnings		-	250,000
Balance at 31 December		**1,000,000**	**1,000,000**
Statutory Reserve			
Balance at 1 January		212,470	173,860
Transfer from Retained Earnings	**11**	46,513	38,610
Balance at 31 December		**258,983**	**212,470**
Retained Earnings			
Balance at a 1 January		216,289	368,797
Net Income		465,130	386,102
Transfer to Share Capital		-	(250,000)
Transfer to Statutory Reserve		(46,513)	(38,610)
Dividends Paid		-	(250,000)
Balance at 31 December		**634,906**	**216,289**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

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 neighboring Gulf Cooperative Council (GCC) countries. All raw milk production and related processing along with food manufacturing activities are undertaken in Saudi Arabia and United Arab Emirates. Final consumer products are distributed from the manufacturing facilities in Saudi Arabia and United Arab Emirates to local distribution centers by the Company's long haul distribution fleet.

The distribution centers 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 in Oman through subsidiaries, Almarai Company Bahrain W.L.L. and Arabian Planets for Trade and Marketing L.L.C. 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

In February 2006, the Company acquired the trade and assets of Al Safwa Dairy Farm.

On 5 Dhu'l Qa'ada 1427 (26 November 2006) the Company entered into a Memorandum of Understanding with Western Bakeries Company Limited and International Baking Services to acquire 75% of its share capital. Western Bakeries is a producer and distributor for a wide variety of baked food products in the Kingdom of Saudi Arabia.

In December 2006 the Company has signed a consortium agreement with Mobile Telecommunications Company in Kuwait to compete for the bid, announced by Saudi Arabia Telecommunication Commission, to obtain the third license for providing public mobile services in the Kingdom of Saudi Arabia.

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

(a) These 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 Organization for Certified Public Accountants (SOCPA).

(b) The statutory records are maintained in Arabic.

(c) The first fiscal year of the Company commenced on 2 Rajab 1426 A.H. (8 August 2005) and ended on 10 Dhu Hijjah 1427 (31 December 2006). A set of consolidated financial statements covering this period have been prepared separately for statutory purposes only.

(d) When necessary, prior year/period comparatives have been regrouped on a basis consistent with current year/period classification.

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

3. SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

The preparation of 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 year/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 recognized 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 realizable 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 realizable 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 reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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 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 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	

The carrying values of fixed 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.

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/periods. A reversal of an impairment loss is recognized as income immediately in the consolidated Statement of Income.

H. Conversion of Foreign Currency Transactions

During the financial year 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. Gains and losses on derivative financial instruments used to hedge foreign currency exposures are recognized in the 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 Labor 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 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 year in which such assessments are made.

M. Operating Leases

Rentals in respect of operating leases are charged to the consolidated Statement of Income over the terms of the leases.

4. CASH AND BANK BALANCES

	2006 SAR '000	2005 SAR '000
Cash at Bank	35,381	27,800
Cash in Hand	31,696	13,875
Total	67,077	41,675

5. RECEIVABLES AND PREPAYMENTS

	2006 SAR '000	2005 SAR '000
Net Accounts Receivable	149,977	133,598
Prepayments	73,428	83,904
Total	223,405	217,502

6. INVENTORIES

	2006 SAR '000	2005 SAR '000
Raw Materials	344,357	231,265
Work-in-Progress	6,311	7,975
Finished Goods	80,615	81,741
Total	431,283	320,981

	2006	2005
	SAR '000	SAR '000

7. PAYABLES AND ACCRUALS

Accounts Payable	234,108	195,293
Accrued Expenses	156,569	164,861
Zakat	12,701	10,237
Total	403,378	370,391

8. LOANS

(i) Saudi Industrial Development Fund	411,030	325,878
(ii) Saudi Arabian Agricultural Bank	19,099	22,572
(iii) Islamic Banking Facilities (Murabaha)	958,077	762,615
Total	1,388,206	1,111,065

A. The borrowings from the Saudi Industrial Development Fund are secured as follows:
   (i) in respect of borrowings amounting to SAR 394.9 million for 31 December 2006 and SAR 310.5 million for 31 December 2005 by a mortgage on specific assets;
   (ii) in respect of borrowings amounting to SAR 16.2 million for 31 December 2006 and SAR 15.4 million for 31 December 2005 by a bank payment guarantee.

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

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

D. Maturity of Financial Liabilities:

Less than one year	110,781	118,927
One to two years	850,569	625,678
Two to five years	302,856	284,470
Greater than five years	124,000	81,990
Total	1,388,206	1,111,065

The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature. The Company is in the process of restructuring these loan facilities to convert them into medium to long term loans with a maturity period of between three to five years.

9. FIXED ASSETS

	Land & Buildings	Plant, Machinery & Equipment	Motor Vehicles	Dairy Herd	Young Stock	Capital Work-in-Progress	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 1 January 2006	993,760	1,568,309	289,125	249,672	99,099	277,741	3,477,706
Additions during 2006	-	-	-	18,273	19,317	839,927	877,517
Livestock Appreciation	-	-	-	-	132,419	-	132,419
Transfers during 2006	128,410	266,227	129,885	106,872	(106,871)	(524,523)	-
Reclassification during 2006	-	-	-	1,275	789	-	2,064
Disposals during 2006	(5,280)	(36,333)	(10,672)	(63,806)	(21,829)	-	(137,920)
At 31 December 2006	**1,116,890**	**1,798,203**	**408,338**	**312,286**	**122,924**	**593,145**	**4,351,786**
Accumulated Depreciation							
At 1 January 2006	190,752	660,170	157,655	72,871	-	-	1,081,448
Reclassification during 2006	-	-	-	2,064	-	-	2,064
Disposals during 2006	(3,797)	(29,667)	(7,592)	(24,602)	-	-	(65,658)
Charges for 2006	34,688	149,992	45,077	58,365	-	-	288,122
At 31 December 2006	**221,643**	**780,495**	**195,140**	**108,698**	**-**	**-**	**1,305,976**
Net Book Value							
At 31 December 2006	**895,247**	**1,017,708**	**213,198**	**203,588**	**122,924**	**593,145**	**3,045,810**
At 31 December 2005	**803,008**	**908,139**	**131,470**	**176,801**	**99,099**	**277,741**	**2,396,258**

10. SHARE CAPITAL

As per the direction of the Ministry Board, the Saudi Arabian Capital Market Authority the par value of shares was restated to SAR 10 per share instead of SAR 50 per share. This change in the par value of shares took effect from 17 Rabi II 1427 A.H. (15 April 2006), and therefore the composition of the share capital of the Company was changed from 20 million fully paid and issued shares of SAR 50 each to 100 million fully paid and issued shares of SAR 10 each.

11. STATUTORY RESERVE

In accordance with its Articles of Association and the regulations for Companies in the Kingdom of 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.

12. SEGMENTAL REPORTING

Analysis of Sales is given by Product Group as shown below. The disclosure of segmental information by geographical area would, in the opinion of the Board of Directors, be prejudicial to the interest of the Company and accordingly is not disclosed.

	October - December 2006	October - December 2005	2006	2005
	SAR '000	SAR '000	SAR '000	SAR '000
By Product Group:				
Fresh Dairy	461,140	413,037	1,648,265	1,370,896
Long Life Dairy	51,719	53,275	251,286	209,903
Fruit Juice	56,629	37,220	206,502	142,424
Cheese & Butter	143,303	95,843	629,630	405,042
Non-Dairy Foods	3,421	2,330	15,164	10,619
Other	1,471	2,003	6,088	7,229
	717,683	603,708	2,756,935	2,146,113

	2006	2005
	SAR '000	SAR '000

13. COST OF SALES

	2006 SAR '000	2005 SAR '000
Direct Material Costs	1,170,584	891,128
Employee Costs	189,043	154,159
Depreciation & Amortization	239,120	173,392
Livestock Appreciation	(132,419)	(103,351)
Loss on Disposal of Livestock	18,780	18,118
Other Expenses	197,154	165,892
Total	1,682,262	1,299,338

14. SELLING AND DISTRIBUTION EXPENSES

	2006 SAR '000	2005 SAR '000
Marketing Expenses	138,963	114,541
Employee Costs	186,812	133,898
Depreciation & Amortization	41,377	39,275
Other Expenses	56,029	34,635
Total	423,181	322,349

15. GENERAL AND ADMINISTRATION EXPENSES

	2006 SAR '000	2005 SAR '000
Insurance	12,742	13,090
Employee Costs	75,858	66,884
Depreciation & Amortization	7,625	8,090
Profit on Disposal of Other Fixed Assets	(721)	(8,539)
Other Expenses	21,256	12,998
Total	116,760	92,523

	2006	2005
	SAR '000	SAR '000

16. ZAKAT

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

	2006	2005
Net Income before Zakat	478,817	396,339
Disallowed Expenses:		
Accrual for Employees' Termination Benefits	22,716	12,781
Other Provision	6,518	365
Net Income for Zakat Purposes	508,051	409,485
Zakat Charge @ 2.5%	12,701	10,237
Adjustment in respect of prior year provision	986	-
Charged to Consolidated Statement of Income	13,687	10,237

B. **Zakat Provisions**

	2006	2005
Balance at 1 January	10,237	9,681
Charged to Consolidated Statement of Income	13,687	10,237
Payments	(11,223)	(9,681)
Balance at 31 December	12,701	10,237

C. The Company has paid its Zakat liabilities for all years up to 31 December 2005 and has obtained Zakat Certificates in respect of the years then ended. The final assessments up to 2004 has been agreed with the DZIT and the final assessment for 2005 is to be received.

	2006	2005
	SAR '000	SAR '000

17. DEPRECIATION AND AMORTIZATION

	2006	2005
Livestock		
Depreciation of Dairy Herd	58,365	29,480
Livestock Appreciation	(132,419)	(103,351)
Net Livestock Appreciation	(74,054)	(73,871)
Depreciation of Fixed Assets	229,757	183,398
Amortization of Intangible Assets	-	7,879
Loss on the Disposal of Livestock	18,780	18,118
Profit on the Disposal of Fixed Assets	(721)	(8,539)
Total Depreciation and Amortization	173,762	126,985

(Profit)/Loss on the Disposal of Assets

	2006	2005
Livestock		
Proceeds from Disposal of Livestock	(42,253)	(33,654)
NBV of Dairy Herd Cows Disposed	39,204	37,852
NBV of Youngstock Disposed	21,829	13,920
Loss on the Disposal of Livestock	18,780	18,118
Fixed Assets		
Proceeds from the Disposal of Assets	(11,950)	(18,321)
NBV of Assets Disposed	11,229	9,782
Profit on the Disposal of Fixed Assets	(721)	(8,539)

18. FINANCIAL INSTRUMENTS

Financial instruments carried on the consolidated balance sheet include cash and bank balances, trade and other accounts receivable, short term bank borrowings, accounts payable, accrued expenses and other liabilities, and long term debt.

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 Company has no significant concentration of credit risks. Cash and bank balances are placed with national and international banks with sound credit ratings. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at their estimated realizable values.

Interest Rate Risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company has no significant interest-bearing assets at 31 December 2006. Islamic banking facilities (Murabaha) amounting to SAR 958.1 million at 31 December 2006 bear financing charges at the prevailing market rates.

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 are available to meet the Company's future commitments. Also see Note 8.

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals, United States Dollars, British Pounds and Euro. Management believe that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. Other transactions in foreign currencies are not material.

The outstanding foreign currency forward purchase agreements were as follows:

	2006	2005
	SAR '000	SAR '000
Euro	239,545	138,932
United States Dollar	101,226	-
British Pound	27,602	38,383
Other	20,890	23,041
Total	389,263	200,356

Foreign currency forward purchase agreements are secured by promissory notes given by the Company.

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 Company's consolidated financial statements are prepared under the historical cost method, differences can arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

19. COMMITMENTS AND CONTINGENCIES

A. The contingent liabilities against letters of credit was SAR 52.9 million and SAR 6.2 million for 31 December 2006 and 31 December 2005 respectively.

B. The contingent liabilities against letters of guarantee was SAR 33.6 million and SAR 34.8 million for 31 December 2006 and 31 December 2005 respectively.

C. The Company had capital commitments to SAR 475.8 million and SAR 387.6 million for 31 December 2006 and 31 December 2005 respectively in respect of ongoing projects. 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:

Within one year	35,676	17,452
Two to five years	69,260	57,845
After five years	13,094	10,561
Total	118,030	85,858

20. DIRECTORS REMUNERATION

The Directors' fees paid to the Board of Directors for years ending 31 December 2006 and 31 December 2005 amounted to SAR 2.1 million and SAR 2.0 million respectively.

21. RELATED PARTY TRANSACTIONS

During the normal course of its operations, the Company had the following significant transactions with related parties during the year ended 31 December 2006:

	2006 SAR '000	2005 SAR '000
Sales	80,390	60,530
Purchases	158,429	146,706
Due to Related Parties - Net	(34,141)	(10,469)

22. DIVIDENDS PROPOSED

The Board of Directors, on 1 Muharram 1428 A.H. (20 January 2007), proposed for approval at the General Assembly Meeting a dividend for the year ended 31 December 2006 of SAR 200 million (SAR 2 per share).

23. 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 Company as reflected in these consolidated financial statements.