Certified Accountants
Professional Partnership Co. Licence No. 36
Member Firm of
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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 2005

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 2005 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year ended 31 December 2005 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 2005 and the results of its operations and cash flows for the year ended 31 December 2005, 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 association concerning the presentation and disclosure of the consolidated financial statements.

Aldar Audit Bureau
Abdullah Al Basri & Co.

Abdullah M. Al-Basri
Certified Accountant
License No. 171

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

Riyadh, 24 Dhu'l Hijjah 1426 A.H.
Corresponding to 24 January 2006 A.D.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	2005	2004
		SAR '000	SAR '000
Current Assets			
Cash and Bank Balances	4	41,675	60,954
Receivables and Prepayments	5	217,502	186,594
Inventories	6	320,981	243,239
Total Current Assets		**580,158**	**490,787**
Current Liabilities			
Payables and Accruals	7	370,391	286,471
Short Term Loans	8	118,927	22,074
Total Current Liabilities		**489,318**	**308,545**
NET CURRENT ASSETS		**90,840**	**182,242**
Non Current Assets			
Intangible Assets	9	-	-
Fixed Assets	10	2,396,258	1,909,185
Total Non Current Assets		**2,396,258**	**1,909,185**
Non Current Liabilities			
Long Term Loans	8	992,138	745,350
Employees' Termination Benefits		66,201	53,420
Total Non Current Liabilities		**1,058,339**	**798,770**
NET ASSETS		**1,428,759**	**1,292,657**
SHAREHOLDER'S EQUITY			
Share Capital	11	1,000,000	750,000
Statutory Reserve	12	212,470	173,860
Retained Earnings		216,289	368,797
TOTAL SHAREHOLDER'S EQUITY		**1,428,759**	**1,292,657**

“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 YEAR ENDED 31 DECEMBER 2005
AND FOR THE THREE PERIODS ENDED 31 DECEMBER 2005

	Notes	October - December 2005	October - December 2004	2005	2004
		SAR '000	SAR '000	SAR '000	SAR '000
Sales	**13**	603,708	504,485	2,146,113	1,885,112
Cost of Sales	**14**	(374,733)	(309,765)	(1,299,338)	(1,126,588)
Gross Profit		**228,975**	**194,720**	**846,775**	**758,524**
Selling & Distribution Expenses	**15**	(90,315)	(70,091)	(322,349)	(275,612)
General & Administration Expenses	**16**	(21,937)	(25,064)	(92,523)	(86,294)
Net Income before Bank Charges & Zakat		**116,723**	**99,565**	**431,903**	**396,618**
Bank Charges		(7,034)	(3,180)	(35,564)	(16,872)
Net Income before Zakat		**109,689**	**96,385**	**396,339**	**379,746**
Zakat	**17**	(2,764)	(1,854)	(10,237)	(9,444)
Net Income		**106,925**	**94,531**	**386,102**	**370,302**
Earnings per Share (SAR)*		**5.3**	**4.7**	**19.3**	**18.5**

* Earnings per Share is calculated on the total number of issued shares at 31 December 2005 (i.e. 20 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 2005

	Notes	2005	2004
		SAR '000	SAR '000
Cash Flows from Operating Activities			
Net Income		**386,102**	**370,302**
Depreciation & Amortization	**18**	126,985	126,923
Bank Charges		35,564	16,872
Change in Employees' Termination Benefits		12,781	(1,015)
Operating Cash Flows Before Changes in Working Capital		**561,432**	**513,082**
Changes in:			
Receivables & Prepayments		(30,908)	(7,646)
Inventories		(77,742)	(50,102)
Payables & Accruals		83,920	62,371
Cash Flows (used by)/from Changes in Working Capital		**(24,730)**	**4,623**
Cash Flows from Operating Activities		**536,702**	**517,705**
Cash Flows used in Investing Activities			
Additions to Fixed Assets and Intangibles		(666,033)	(493,605)
Proceeds from the Sale of Fixed Assets		51,975	43,900
Cash Flows used in Investing Activities		**(614,058)**	**(449,705)**
Cash Flows used in Financing Activities			
Increase in Loans		343,641	261,064
Dividends Paid during the Period		(250,000)	(300,000)
Bank Charges		(35,564)	(16,872)
Cash Flows from/(used in) Financing Activities		**58,077**	**(55,808)**
(Decrease)/Increase in Cash and Bank Balances		**(19,279)**	**12,192**
Cash and Bank Balances at 1 January		**60,954**	**48,762**
Cash and Bank Balances at 31 December		**41,675**	**60,954**

"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 2005

	Notes	2005 SAR '000	2004 SAR '000
Share Capital			
Balance at 1 January		750,000	500,000
Transfer from Retained Earnings		250,000	250,000
Balance at 31 December		**1,000,000**	**750,000**
Statutory Reserve			
Balance at 1 January		173,860	136,830
Transfer from Retained Earnings		38,610	37,030
Balance at 31 December		**212,470**	**173,860**
Retained Earnings			
Balance at 1 January		368,797	585,525
Net Income		386,102	370,302
Transfer to Share Capital	**11**	(250,000)	(250,000)
Transfer to Statutory Reserve		(38,610)	(37,030)
Dividends Paid		(250,000)	(300,000)
Balance at 31 December		**216,289**	**368,797**

"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. Final consumer products are distributed from the manufacturing facilities in Saudi Arabia 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 through a subsidiary, Almarai Company Bahrain W.L.L..

During 2005, the Company commenced the process of establishing a subsidiary in Oman. This company, Arabian Planets for Trade and Marketing L.L.C. was established on 16 May 2005 and started trading on 30 June 2005. This development did not impact our business in Oman.

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).

In June and December 2005, the Company acquired the trade, assets and liabilities of Al Riyadh Dairy Company and Green Dairy Farms respectively.

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) Although the Company was converted to a Joint Stock Company on 2 Rajab 1426 A.H. (8 August 2005), these consolidated financial statements have been prepared as if no conversion took place. The Management believes this gives the readers of these consolidated financial statements the best understanding of its activities.
(c) The statutory records are maintained in Arabic.
(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.

	2005	2004
	SAR '000	SAR '000

4. CASH AND BANK BALANCES

	2005	2004
Cash at Bank	27,800	46,109
Cash in Hand	13,875	14,845
Total	41,675	60,954

5. RECEIVABLES AND PREPAYMENTS

	2005	2004
Net Accounts Receivable	133,598	124,863
Prepayments	83,904	61,731
Total	217,502	186,594

6. INVENTORIES

	2005	2004
Raw Materials	231,265	176,382
Work-in-Progress	7,975	1,880
Finished Goods	81,741	64,977
Total	320,981	243,239

7. PAYABLES AND ACCRUALS

	2005	2004
Accounts Payable	195,293	170,238
Accrued Expenses	164,861	106,552
Zakat	10,237	9,681
Total	370,391	286,471

	2005	2004
	SAR '000	SAR '000

8. LOANS

	2005	2004
(i) Saudi Industrial Development Fund	325,878	220,350
(ii) Saudi Arabian Agricultural Bank	22,572	12,074
(iii) Islamic Banking Facilities (Murabaha)	762,615	-
(iv) Commercial Banks	-	535,000
Total	1,111,065	767,424

A. The borrowings from the Saudi Industrial Development Fund are secured as follows:
   (i) in respect of borrowings amounting to SAR 310.5 million for 31 December 2005 and SAR 204.5 million for 31 December 2004 by a mortgage on specific assets;
   (ii) in respect of borrowings amounting to SAR 15.4 million for 31 December 2005 and SAR 15.9 million for 31 December 2004 by a bank payment guarantee.

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

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

D. Maturity of Financial Liabilities:

	2005	2004
Less than one year	118,927	22,074
One to two years	625,678	228,500
Two to five years	284,470	478,220
Greater than five years	81,990	38,630
Total	1,111,065	767,424

9. INTANGIBLE ASSETS

Goodwill

	2005	2004
Cost		
Balance at 1 January	-	103,276
Additions	7,879	-
Disposals	-	-
Balance at 31 December	7,879	103,276
Accumulated Amortization		
Balance at 1 January	-	80,689
Amortization	7,879	22,587
Disposals	-	-
Balance at 31 December	7,879	103,276
Net Book Value		
Balance at 31 December	-	-

10. 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 2005	751,198	1,147,282	258,362	213,207	79,059	548,722	2,997,830
Additions during 2005	10,464	1,656	55,071	14,658	9,459	566,846	658,154
Livestock Appreciation	-	-	-	-	103,351	-	103,351
Transfers during 2005	286,182	551,645	-	78,850	(78,850)	(837,827)	-
Reclassification during 2005	(23,356)	23,356	-	-	-	-	-
Disposals during 2005	(30,728)	(155,630)	(24,308)	(57,043)	(13,920)	-	(281,629)
At 31 December 2005	**993,760**	**1,568,309**	**289,125**	**249,672**	**99,099**	**277,741**	**3,477,706**
Accumulated Depreciation							
At 1 January 2005	202,992	685,196	137,875	62,582	-	-	1,088,645
Reclassification during 2005	6,798	(6,798)	-	-	-	-	-
Disposals during 2005	(43,876)	(138,320)	(18,688)	(19,191)	-	-	(220,075)
Charges for 2005	24,838	120,092	38,468	29,480	-	-	212,878
At 31 December 2005	**190,752**	**660,170**	**157,655**	**72,871**	**-**	**-**	**1,081,448**
Net Book Value							
At 31 December 2005	**803,008**	**908,139**	**131,470**	**176,801**	**99,099**	**277,741**	**2,396,258**
At 31 December 2004	**548,206**	**462,086**	**120,487**	**150,625**	**79,059**	**548,722**	**1,909,185**

11. SHARE CAPITAL

At an Extraordinary General Assembly Meeting held on 23 Dhu'l Qa' ada 1426 AH (25 December 2005), the Shareholders of the Company approved a bonus issue of 1 share for every 3 shares held. Consequently, the Company's share capital increased from SAR 750.0 million, consisting of 15 million fully paid and issued shares of SAR 50 each to SAR 1.0 billion, consisting of 20 million fully paid and issued shares of SAR 50 each.

12. 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.

13. 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 2005	**October - December 2004**	**2005**	**2004**
	SAR '000	SAR '000	SAR '000	SAR '000
SALES				
By Product Group:				
Fresh Dairy	413,037	340,035	1,370,896	1,190,897
Long Life Dairy	53,275	40,393	209,903	175,217
Fruit Juice	37,220	33,022	142,424	137,920
Cheese & Butter	95,843	87,784	405,042	369,559
Non-Dairy Foods	2,330	1,993	10,619	5,352
Other	2,003	1,258	7,229	6,167
	603,708	504,485	2,146,113	1,885,112

	2005	2004
	SAR '000	SAR '000

14. COST OF SALES

Direct Material Costs	891,128	752,141
Employee Costs	154,159	137,916
Depreciation & Amortization	173,392	171,325
Livestock Appreciation	(103,351)	(84,865)
Loss on Disposal of Livestock	18,118	17,475
Other Expenses	165,892	132,596
Total	1,299,338	1,126,588

15. SELLING AND DISTRIBUTION EXPENSES

Marketing Expenses	114,541	103,922
Employee Costs	133,898	113,142
Depreciation & Amortization	39,275	25,072
Other Expenses	34,635	33,476
Total	322,349	275,612

16. GENERAL AND ADMINISTRATION EXPENSES

Insurance	13,090	12,078
Employee Costs	66,884	59,559
Depreciation & Amortization	8,090	8,273
Profit on Disposal of Other Fixed Assets	(8,539)	(10,357)
Other Expenses	12,998	16,741
Total	92,523	86,294

	2005	2004
	SAR '000	SAR '000

17. 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:

	2005	2004
Net Income before Zakat	396,339	379,746
Disallowed Expenses:		
Accrual for Employees' Termination Benefits	12,781	(1,015)
Other Provision	365	8,514
Net Income for Zakat Purposes	409,485	387,245
Zakat Charge @ 2.5%	10,237	9,681
Adjustment in respect of prior year provision	-	(237)
Charged to Consolidated Statement of Income	10,237	9,444

B. **Zakat Provisions**

	2005	2004
Balance at 1 January	9,681	9,862
Charged to Consolidated Statement of Income	10,237	9,444
Payments	(9,681)	(9,625)
Balance at 31 December	10,237	9,681

C. The Company has paid its Zakat liabilities for all years up to 31 December 2004 and has obtained a Zakat Certificate in respect of the years then ended. The final assessments for 2004, 2003 and 2002 are still under discussion.

	2005	2004
	SAR '000	SAR '000

18. DEPRECIATION AND AMORTIZATION

	2005	2004
Livestock		
Depreciation of Dairy Herd	29,480	26,033
Livestock Appreciation	(103,351)	(84,865)
Net Livestock Appreciation	(73,871)	(58,832)
Depreciation of Fixed Assets	183,398	156,050
Amortization of Intangible Assets	7,879	22,587
Loss on the Disposal of Livestock	18,118	17,475
Profit on the Disposal of Fixed Assets	(8,539)	(10,357)
Total Depreciation and Amortization	126,985	126,923

(Profit)/Loss on the Disposal of Assets

	2005	2004
Livestock		
Proceeds from Disposal of Livestock	(33,654)	(30,866)
NBV of Dairy Herd Cows Disposed	37,852	36,448
NBV of Youngstock Disposed	13,920	11,893
Loss on the Disposal of Livestock	18,118	17,475
Fixed Assets		
Proceeds from the Disposal of Assets	(18,321)	(13,034)
NBV of Assets Disposed	9,782	2,677
Profit on the Disposal of Fixed Assets	(8,539)	(10,357)

19. 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 2005. Islamic banking facilities (Murabaha) amounting to SAR 762.6 million at 31 December 2005 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, Sterling 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:

	2005 SAR '000	2004 SAR '000
Euro	138,932	121,400
United States Dollar	-	94,055
Sterling	38,383	36,899
Danish Kroner	597	3,309
Other	22,444	1,637
	200,356	257,300

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.

20. COMMITMENTS AND CONTINGENCIES

A. The contingent liabilities against letters of credit was SAR 6.2 million and SAR 85.7 million for 31 December 2005 and 31 December 2004 respectively.

B. The contingent liabilities against letters of guarantee was SAR 34.8 million and SAR 36.4 million for 31 December 2005 and 31 December 2004 respectively.

C. The Company had capital commitments to SAR 387.6 million and SAR 292.2 million for 31 December 2005 and 31 December 2004 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	17,452	14,663
Two to five years	57,845	20,952
After five years	10,561	16,109
	85,858	51,724

21. DIRECTORS REMUNERATION

The Directors' fees paid to the Board of Directors for each year ending 31 December 2005 and 31 December 2004 amounted to SAR 2.0 million.

	2005	2004
	SAR '000	SAR '000

22. RELATED PARTY TRANSACTIONS

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

Sales	60,530	65,356
Purchases	146,706	128,075
Due to Related Parties - Net	(10,469)	(5,380)

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

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.