SAVOLA GROUP COMPANY

(Saudi Joint Stock Company)

Consolidated Financial Statements for the Years ended December 31, 2002 and 2001 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT February 6, 2003

To the Shareholders of Savola Group Company:

We have audited the accompanying consolidated balance sheets of Savola Group Company (the "Company"), a Saudi joint stock company, and its subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the notes which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company to comply with applicable articles of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in 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 audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements taken as whole:

- Present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2002 and 2001 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Saudi Arabia; and

- Comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

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By:______________________

Penrhyn Wilson III
License Number 182

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2002 AND 2001
(In thousands)

	Notes	2002	2001
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	SR 106,675	SR 108,570
Accounts receivable - net	4, 5	393,162	390,529
Inventories - net	6	415,939	476,074
Prepayments and other	7	92,104	87,146
Total current assets		1,007,880	1,062,319
INVESTMENTS - Net	8	468,406	489,827
GOODWILL - Net	9	118,480	164,955
DEFERRED CHARGES - Net	10	13,780	21,899
FIXED ASSETS - Net	11	1,863,088	1,838,736
TOTAL		SR 3,471,634	SR 3,577,736
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings	12	SR 284,135	SR 250,379
Current portion of long-term debt	13	81,766	138,150
Accounts payable	5, 14	345,578	358,240
Accrued expenses and other	15, 16	292,858	297,332
Total current liabilities		1,004,337	1,044,101
LONG-TERM PAYABLES	17	89,321	85,359
LONG-TERM DEBT	13	210,131	395,777
EMPLOYEES' TERMINATION BENEFITS		66,118	61,516
Total liabilities		1,369,907	1,586,753
MINORITY INTERESTS	5	384,038	332,634
COMMITMENTS AND CONTINGENCIES	28, 30		
SHAREHOLDERS' EQUITY:			
Share capital	18	628,571	628,571
Share premium reserve	19	380,429	380,429
Statutory reserve	20	314,286	314,286
General reserve	21	254,000	254,000
Unrealized loss on investments	8, 24	-	(8,910)
Foreign currency translation adjustments		(49,866)	(45,891)
Retained earnings		190,269	135,864
Total shareholders' equity		1,717,689	1,658,349
TOTAL		SR 3,471,634	SR 3,577,736

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(In thousands)

	Notes	2002	2001
SALES - Net	5	SR 3,623,736	SR 3,355,544
COST OF SALES		(2,846,213)	(2,641,552)
GROSS PROFIT		777,523	713,992
EXPENSES:			
Selling and marketing	22	(364,523)	(342,773)
General and administrative	5, 23	(225,436)	(222,433)
OPERATING INCOME		187,564	148,786
OTHER INCOME (EXPENSES):			
Investment income - net	24	94,266	97,327
Financing cost	12, 13	(32,296)	(58,116)
Rental and other income	30	43,926	30,501
Loss on disposal of property and equipment		(8,191)	-
Impairment of assets	26	-	(9,239)
INCOME BEFORE ZAKAT AND MINORITY INTERESTS		285,269	209,259
ZAKAT	16	(9,042)	(6,457)
INCOME BEFORE MINORITY INTERESTS		276,227	202,802
MINORITY INTERESTS		(68,665)	(49,580)
NET INCOME FOR THE YEAR		SR 207,562	SR 153,222

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(In thousands)

	Notes	2002	2001
SHARE CAPITAL		SR 628,571	SR 628,571
SHARE PREMIUM RESERVE		380,429	380,429
STATUTORY RESERVE:			
Balance at January 1		314,286	311,463
Transfer from retained earnings	20, 31	-	2,823
Balance at December 31		314,286	314,286
GENERAL RESERVE		254,000	254,000
UNREALIZED LOSS ON INVESTMENTS:			
Balance at January 1		(8,910)	-
Adjustments during the year	8, 24	8,910	(8,910)
Balance at December 31		-	(8,910)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS:			
Balance at January 1		(45,891)	(16,076)
Adjustments during the year		(3,975)	(29,815)
Balance at December 31		(49,866)	(45,891)
RETAINED EARNINGS:			
Balance at January 1		135,864	126,151
Net income for the year		207,562	153,222
Transfer to statutory reserve	20	-	(2,823)
Proposed dividends	31	(150,857)	(138,286)
Directors' remunerations	25, 31	(2,300)	(2,400)
Balance at December 31		190,269	135,864
TOTAL SHAREHOLDERS' EQUITY		SR 1,717,689	SR 1,658,349

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(In thousands)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	SR 207,562	SR 153,222
Adjustments to reconcile net income to net cash provided by operating activities:		
Investment income - net	(94,266)	(97,327)
Amortization	27,594	30,645
Depreciation	140,029	153,729
Loss (gain) on sale of fixed assets	8,097	(2,196)
Share of minority interests in the net income of the consolidated subsidiaries	68,665	49,580
Change in operating assets and liabilities:		
Accounts receivable	17,291	132,450
Inventories	60,135	73,059
Prepayments and other current assets	(4,958)	(8,044)
Accounts payable	(12,662)	18,680
Accrued expenses and other current liabilities	(19,345)	47,414
Employees' termination benefits	4,602	2,982
Net cash provided by operating activities	402,744	554,194
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends received from associated companies	100,825	87,996
Proceeds from sale of investments	32,413	20,352
Additions to investments	-	(2,475)
Additions to goodwill	(3,247)	(3,700)
Adjustments to goodwill - net	5,741	(3,544)
Additions to deferred charges	(8,034)	(8,543)
Additions to fixed assets - net	(172,478)	(26,277)
Net cash (used) provided by investing activities	(44,780)	63,809

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SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(In thousands)

	2002	2001
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in short-term borrowings	SR 33,756	SR (113,273)
Repayment of long-term debt	(303,743)	(412,757)
Additions to long-term debt	61,713	34,000
Dividends paid	(134,324)	(134,368)
Changes in minority interests	(17,261)	-
Net cash used by financing activities	(359,859)	(626,398)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,895)	(8,395)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	108,570	116,965
CASH AND CASH EQUIVALENTS AT END OF YEAR	SR 106,675	SR 108,570
SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION:		
Dividends from associated company charged to other accounts receivable	SR 112,924	SR 93,000
Adjustment of goodwill	SR -	SR 127,797
Board of Directors' remunerations	SR 2,300	SR 2,400
Proposed dividends	SR 150,857	SR 138,286
Change in long-term payables	SR 3,962	SR 35,359
Unrealized loss on investments recognized in the consolidated statement of income	SR 8,910	SR -
Unrealized loss on investments	SR -	SR 8,910
Foreign currency translation adjustments	SR 3,975	SR 29,815

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS

Savola Group Company (the "Company"), a Saudi joint stock company, was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978). The Company's commercial registration number 4030019708 was issued in Jeddah on Rajab 21, 1399H (June 16, 1977). The purpose of the Company includes the manufacturing and marketing of vegetable oil and to set up related industries, retail outlets, dairy products, snack foods, packing materials, exporting and importing, commercial contracting, trade agencies and development of agricultural products.

The Company has investments in the following consolidated subsidiaries (collectively the “Group”), which operate under separate commercial registrations and are principally engaged in the manufacturing and marketing of food products, retailing, packaging materials and fast food operations:

		Ownership interest (%) At December 31,	
Name	Country of incorporation	2002	2001
Savola Packaging Systems Limited	Saudi Arabia	100	100
Saudi Paper Cups & Containers Co.	Saudi Arabia	100	100
Utur Packaging Materials Company Limited	Saudi Arabia	100	100
Royah Company for the Development of Information Systems and Computer Services	Saudi Arabia	100	100
Savola Snack Foods Company Ltd. ("SSFC")	Saudi Arabia	100	100
Savola Trading International Limited ("STI") (see Note 8)	Virgin Islands	100	100
Tayseer FZCO	United Arab Emirates	100	-
Savola Edible Oils Company Limited ("SEO")	Saudi Arabia	90.25	89.82
Al Azizia - Panda Al Qassim Company	Saudi Arabia	90	90
Herfy Food Services Company Ltd.	Saudi Arabia	70	70
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	63.5	63.5

SEO also has the following consolidated subsidiaries:

Name	Country of incorporation	Ownership interest (%) At December 31, 2002	2001
Malintra Holdings	Luxembourg	100	100
Savola Bahrain Company ("SBC") (see Notes 26 and 28)	Bahrain	90	90
Savola Jordan Company	Jordan	51	51
Savola Sime Foods Limited ("SSFL")	Virgin Islands	50	50

The 2002 consolidated financial statements include STI's financial statements, which were not consolidated in 2001 due to immateriality (also see Note 8). The effect for not consolidating STI in 2001 on the 2001 consolidated financial statements was not material. Accordingly, the accompanying 2001 consolidated financial statements have not been restated.

Tayseer FZCO was set up during 2002 as a limited liability company in the United Arab Emirates for the purpose of trading in food products. It has not started operations as of December 31, 2002.

SIIC has a 64.79% ownership interest in United Sugar Company Ltd. ("USC"), a limited liability company registered in Saudi Arabia, which was consolidated in SIIC's financial statements before the preparation of these consolidated financial statements.

The Group's effective ownership interest in SBC is 100% (90% through SEO and 10% through the Company).

The Group also has an effective ownership interest of 49.9% in Savola Sime Egypt ("SSE"), a limited liability company registered in the Arab Republic of Egypt, which was also consolidated in SSFL's financial statements (having 75% ownership interest in SSE) before the preparation of these consolidated financial statements.

During 2001, SSFC sold all of its assets and liabilities to third parties. The Company started liquidating SSFC in 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants (SOCPA). Significant accounting policies are summarized as follows:

Basis of consolidation - The consolidated financial statements include the financial statements of the Company and its subsidiaries set forth in Note 1 above. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and cash equivalents - Time deposits purchased with original maturities of less than three months are included in cash and cash equivalents.

Inventories - Inventories are valued at the lower of cost or market. Cost is determined on a moving-average method. Cost of finished goods and work-in-process includes the cost of raw materials, labor and production overheads.

Investments in associated companies - Investments in associated companies, in which the Group has an effective ownership interests of less than 50%, are accounted for using the equity method. According to this method, investments are originally recorded at cost and then adjusted to reflect the Group's share in the profits or losses of the investee companies and their distribution of profits. The Group's share of profits or losses of the investee companies is charged or credited to the consolidated statement of income.

Other equity investments - Other equity investments, which are not held for trading purposes, principally consist of less than 20% equity investments in various limited liability companies, and are recorded at cost when acquired. The carrying values are adjusted based on the fair values of these companies as of the balance sheet date, unless it is determined that the fair values cannot be estimated, in which case such investments are reflected at cost. Unrealized gains or losses resulting from changes in fair values are reported as a separate component of shareholders' equity. Permanent diminution, if any, in the value of such investments is charged to income currently. Consequently, any related unrealized losses that had been recognized directly in shareholders' equity are charged to the consolidated statement of income.

Deferred charges - Deferred charges consist of expenses incurred by the Group on setting up new retail outlets and other projects. Such expenses are amortized using the straight-line method over the related estimated economic lives not exceeding five years.

Deferred charges also include SIDF loan approval fees and related costs, which are deferred and are being amortized on the straight-line method over the period of the respective loans.

Goodwill - Goodwill represents the excess cost of investments over the book value of the net assets acquired. Up to 2001, such amount was amortized using the straight-line method over a period not exceeding 40 years. During 2002, the management revised its estimate of the useful life of goodwill to a period not exceeding 20 years. This change in estimate did not have a significant effect on the 2002 consolidated financial statements.

Fixed assets - Fixed assets are stated at cost and are depreciated on the straight-line method over their estimated useful lives as follows:

	Years
Land	-
Buildings	20 - 33
Machinery and equipment	3 - 20
Furniture and office equipment	4 - 10
Motor vehicles	3 - 4
Leasehold improvements	15 - 25

Expenditures for maintenance and repairs that do not materially extend the asset's life are included in expenses.

Employees' termination benefits - Employees' termination benefits required by the Saudi Labor and Workmen Regulations are accrued currently.

Revenue recognition - Sales are recognized upon delivery of products or providing services to the customers and are recorded net of discounts.

Rental income is recognized on the straight-line method over the lease terms.

Revenues are principally derived from manufacturing, wholesale and retail business in food and related products.

Operating leases - Rentals in respect of operating leases are charged to the consolidated statement of income on the straight-line method over the terms of the leases.

Selling, marketing, general and administrative expenses - Selling, marketing, general and administrative 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, marketing, general and administrative expenses, when required, are made on a consistent basis.

Zakat and income tax - The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The foreign subsidiaries are subject to tax regulations in their countries of incorporation.

Zakat is charged to income on annual basis. Currently, there are no tax liabilities on the foreign subsidiaries.

Foreign currency translation - The Company's books of account are maintained in Saudi riyals. Foreign currency transactions are translated into Saudi riyals at the market rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are adjusted to reflect their Saudi riyal equivalents as of the balance sheet date. Exchange adjustments, which were not significant for 2002 and 2001, are charged or credited to the consolidated statement of income currently.

Assets and liabilities of foreign subsidiaries are translated at the exchange rates in effect at the date of the consolidated financial statements. The components of foreign subsidiaries' equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates the related items originated. The elements of foreign subsidiaries' income statements are translated using a weighted-average exchange rate for the year. Adjustments resulting from the translation of foreign subsidiaries' financial statements into Saudi riyals are reported as a separate component of shareholders' equity in the accompanying consolidated financial statements.

Reclassifications - Certain amounts in the 2001 consolidated financial statements have been reclassified to conform with the 2002 presentation.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 are comprised of the following (000's):

	2002	2001
Time deposits	SR 52,765	SR 86,133
Cash at banks, current accounts	49,035	18,262
Cash in hand	4,875	4,175
Total	SR 106,675	SR 108,570

Time deposits at December 31, 2002 include approximately SR 47 million (2001 - SR 47 million), which have been blocked against bank facilities granted to SSE by a foreign bank.

4. ACCOUNTS RECEIVABLE

Accounts receivable at December 31 are comprised of the following (000's):

	2002	2001
Trade accounts receivable	SR 210,743	SR 250,859
Other accounts receivable	172,642	144,441
Due from related parties (Note 5)	36,815	24,079
Total	420,200	419,379
Less: Allowance for doubtful accounts	(27,038)	(28,850)
Accounts receivable - net	SR 393,162	SR 390,529

5. RELATED PARTY MATTERS

During the course of its operations, the Group had the following significant transactions with related parties during the years ended December 31 (000's):

	2002	2001
Sales	SR 478,698	SR 515,082
Technical services	SR 10,525	SR 8,107

Pricing and terms of payment for these transactions are approved by the management of the Company and related parties.

Certain Group companies make wholesale purchases of goods and commodities for resale in the retail operations, from entities affiliated to the Company or to certain shareholders. Such purchases are made in the course of the routine retail supermarket operations and the terms of such transactions are determined by the management with reference to the wholesale market prices of such goods and commodities.

The balances at December 31 resulting from the aforementioned transactions are as follows (000's):

	2002	2001
Due from related parties -		
Certain shareholders of USC	SR 36,815	SR 24,079
Due to related parties -		
Tate and Lyle Investments (Gulf States) Ltd.	SR 6,192	SR 6,585

Included in minority interests account is an advance payment of SR 69.8 million as of December 31, 2002 and 2001, which was made by Al-Muhaidib Holding Company for Trade and Industry (“MHC”), a minority shareholder in USC, to SIIC for the purpose of increasing MHC’s effective share in the capital of USC. This amount does not bear any finance charges and is expected to be used only for the increase of USC’s capital.

6. INVENTORIES

Inventories at December 31 are comprised of the following (000's):

	2002	2001
Finished goods	SR 233,789	SR 230,396
Raw materials	96,405	132,209
Spare parts not held for sale	66,569	68,004
Materials in transit	21,342	53,343
Work-in-process	11,583	11,181
Total	429,688	495,133
Less: Provision for slow moving items	(13,749)	(19,059)
Inventories - net	SR 415,939	SR 476,074

7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets at December 31 are comprised of the following (000's):

	2002	2001
Advances to vendors and other	SR 46,365	SR 52,832
Prepayments	45,739	33,576
Other	-	738
Total	SR 92,104	SR 87,146

8. INVESTMENTS

Investments at December 31 are comprised of the following (000's):

	2002	2001
Investments in associated companies - net	SR 447,906	SR 447,044
Other equity investments - net	20,500	42,783
Investments - net	SR 468,406	SR 489,827

a) Investments in associated companies at December 31 are comprised of the Group's effective ownership interests in the following limited liability companies (000's):

	Ownership interest (%)	2002	2001
Al Marai Company Ltd. - Saudi Arabia	40.33	SR 449,668	SR 431,596
Saudi Arabian Glass Company ("SAGCO") - Saudi Arabia	51	71,171	71,171
Wazir Ali Industries Ltd. - Pakistan	40	2,446	2,353
Arabian Saline Water Technology Co. Ltd. (Behar) - Saudi Arabia	30	209	209
United Food Industries Corp. Ltd. (Demah) - Saudi Arabia	-	-	17,093
		523,494	522,422
Less: Provision for decline in the value of investments in associated companies		(75,588)	(75,378)
Investments in associated companies - net		SR 447,906	SR 447,044

SAGCO was not consolidated in 2002 and 2001 because the control of SAGCO does not rest with the Group. At December 31, 2000, management decided to write off in full the goodwill that related to its investment in SAGCO and to fully provide for this investment because management believes there is a permanent decline in its value.

The investment in Behar was also fully provided for by the Group as of December 31, 2002 because management believes there is a permanent decline in its value.

The Group has not accounted for its share of losses in SAGCO and Behar for 2002 as the net carrying value of its investments in SAGCO and Behar is nil at December 31, 2002, and management believes that no additional losses will be incurred by the Company. However, the Company has provided corporate guarantees to local commercial banks in relation to loans amounting to SR 282 million obtained by SAGCO and Behar from those banks.

During 2002, the Group sold its investment in Demah, which was 20.4%. Such sale resulted in a net gain, which was credited to investment income (see Note 24).

b) Other equity investments at December 31 are comprised of the Group’s effective ownership interests in the following limited liability companies (000's):

	Ownership interest (%)	2002	2001
Al-Azizia Commercial Investment Co. ("ACI") - Saudi Arabia	10	SR 41,091	SR 41,091
Savola Trading International Ltd. ("STI") - Virgin Islands	100	-	1,125
Other	Below 1% each	600	667
		41,691	42,883
Less: Provision for decline in the value of other equity Investments		(21,191)	(100)
Other equity investments - net		SR 20,500	SR 42,783

STI was not consolidated in 2001 because the investment balance was not material. Such subsidiary has been consolidated in the accompanying consolidated financial statements for 2002. Also see Note 1.

During 2002, the Group provided for an investment due to permanent decline in its value. In addition, the Group liquidated its ownership interest in Dhoffar Vegetable Oils and Derivatives Company - Oman, which was 0.56%. Such sale resulted in a net loss, which was charged to investment income (see Note 24).

9. GOODWILL

Goodwill at December 31 is comprised of the following (000's):

	2002	2001
Cost		
Balance at beginning of year	SR 316,038	SR 444,455
Additions	3,247	3,700
Provisions and adjustments	(42,401)	(132,117)
Balance at end of year	276,884	316,038
Accumulated amortization		
Balance at beginning of year	(80,489)	(66,301)
Charge for the year	(11,441)	(14,188)
Balance at end of year	(91,930)	(80,489)
Offset against minority interests	(66,474)	(70,594)
Goodwill - net	SR 118,480	SR 164,955

The goodwill being offset against the minority interests represents that part of the goodwill in the books of SSFL, which relates to the minority interests in that company. On consolidation, the gross amount of SSFL's goodwill has been included in the consolidated accounts of the Group. However, for presentation purposes, it is being netted against minority interests to reflect the Group's share of goodwill.

10. DEFERRED CHARGES

Deferred charges at December 31 are comprised of the following (000's):

	2002	2001
Cost		
Balance at beginning of year	SR 151,279	SR 142,736
Additions during the year	8,034	8,543
Balance at end of year	159,313	151,279
Accumulated amortization		
Balance at beginning of year	(129,380)	(112,923)
Charge for the year	(16,153)	(16,457)
Balance at end of year	(145,533)	(129,380)
Deferred charges - net	SR 13,780	SR 21,899

11. FIXED ASSETS

Fixed assets at December 31 are comprised of the following (000's):

	Land	Buildings	Machinery and equipment	Furniture and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total 2002	Total 2001
Cost									
Balance at January 1	SR 483,060	SR 600,986	SR 1,323,928	SR 170,068	SR 77,081	SR 117,638	SR 47,881	SR 2,820,642	SR 2,959,222
Additions	6,303	2,945	37,942	5,122	10,087	18,978	132,405	213,782	139,509
Transfers from construction in progress	-	2,020	22,528	13,165	427	10,050	(48,190)	-	-
Foreign exchange difference	236	(303)	(2,483)	(199)	(245)	-	-	(2,994)	(36,742)
Disposals	(15,234)	(28,831)	(4,930)	(3,193)	(4,932)	(1,386)	(12,931)	(71,437)	(241,347)
Balance at December 31	474,365	576,817	1,376,985	184,963	82,418	145,280	119,165	2,959,993	2,820,642
Accumulated depreciation									
Balance at January 1	-	152,285	628,420	111,379	60,717	29,105	-	981,906	995,230
Charge for the year	-	22,323	81,671	17,442	7,385	11,208	-	140,029	153,729
Foreign exchange difference	-	1,343	(2,913)	32	(682)	-	-	(2,220)	(9,407)
Related to disposals	-	(12,537)	(2,744)	(2,823)	(4,688)	(18)	-	(22,810)	(157,646)
Balance at December 31	-	163,414	704,434	126,030	62,732	40,295	-	1,096,905	981,906
Net book value:									
December 31, 2002	SR 474,365	SR 413,403	SR 672,551	SR 58,933	SR 19,686	SR 104,985	SR 119,165	SR 1,863,088	
December 31, 2001	SR 483,060	SR 448,701	SR 695,508	SR 58,689	SR 16,364	SR 88,533	SR 47,881		SR 1,838,736

Construction in progress at December 31, 2002 and 2001 principally relates to the expansion of USC's sugar refinery, the cost of constructing two warehouses for SEO, the construction of hypermarkets for the Company, and various machinery and equipment for the Group.

Under the terms of land lease agreements with the Jeddah Industrial City ("JIC") and Jeddah Islamic Port ("JIP"), the Group member companies have various renewable operating leases for land upon which their production facilities are located. Annual lease and service charge payments to JIC and JIP are nominal.

Certain fixed assets of the Group, with a net carrying value of SR 643 million at December 31, 2002 (2001 - SR 440 million), are pledged as collateral to Saudi Industrial Development Fund and commercial banks. Also see Note 13.

12. SHORT-TERM BORROWINGS

Short-term borrowings consist of bank overdrafts and short-term loans, and bear financing charges at the prevailing market rates. Some of these short-term loans are secured by corporate guarantees of the Company and other Group member companies.

13. LONG-TERM DEBT

Long-term debt at December 31 is comprised of the following (000's):

	2002	2001
Saudi Industrial Development Fund ("SIDF")	SR 234,664	SR 260,605
Commercial banks	57,233	273,322
Total	291,897	533,927
Less: Current portion:		
SIDF	(52,708)	(42,150)
Commercial banks	(29,058)	(96,000)
Total	(81,766)	(138,150)
Long-term debt	SR 210,131	SR 395,777

The loans from the SIDF, which have been given to certain subsidiaries of the Company, bear annual service fees, which amounted to SR 2.7 million during 2002 (2001 - SR 2.3 million).

The cumulative SIDF loan approval fees of SR 8.3 million at December 31, 2002 (2001 - SR 6.9 million) have been deferred by the subsidiaries and are being amortized over the period of the related loans.

Additional loan approval fees of SR 2.5 million charged by the SIDF in prior years have been capitalized under construction in progress account as the related loan was obtained for an expansion project.

The SIDF loan agreements include certain covenants that provide, among other things, restrictions relating to the payment of dividends, capital expenditures and rental charges, and the maintenance of certain financial ratios.

All of the related subsidiaries' fixed assets, which have a net book value of SR 619 million at December 31, 2002 (2001 - SR 415 million) are pledged as collateral under the SIDF loan agreements. The SIDF loans are also secured by corporate guarantees of the Company.

The commercial bank loans bear finance charges at the prevailing market rates and are partly secured by corporate guarantees of the Company. In addition, certain fixed assets of the Group member companies, with a net carrying value of SR 24 million as of December 31, 2002 (2001 - SR 25 million) are pledged as collateral under the commercial bank loans.

The aggregate repayment schedule of the long-term debt outstanding at December 31, 2002 is summarized as follows (000's):

Year ending December 31,	
2003	SR 81,766
2004	73,266
2005	71,058
2006	65,807
Total	SR 291,897

14. ACCOUNTS PAYABLE

Accounts payable at December 31 are comprised of the following (000's):

	2002	2001
Trade accounts payable	SR 239,748	SR 259,773
Non-trade accounts payable	74,435	68,784
Payables against un-invoiced purchases	25,203	23,098
Due to related parties (Note 5)	6,192	6,585
Total	SR 345,578	SR 358,240

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at December 31 are comprised of the following (000's):

	2002	2001
Proposed dividends	SR 150,857	SR 138,286
Other accrued charges	90,495	87,300
Other provisions	37,417	43,790
Advertising	10,716	15,156
Dividends payable	-	8,865
Directors' remunerations (Note 31)	2,300	2,400
Zakat provision (Note 16)	1,073	1,535
Total	SR 292,858	SR 297,332

16. ZAKAT AND INCOME TAX

Zakat and foreign income taxes, if any, are charged to the consolidated statements of income. The Company and its subsidiaries file separate zakat and income tax declarations, which are filed on unconsolidated basis. Significant components of zakat base of each company are comprised of shareholders' equity, provisions at the beginning of the year and adjusted net income, less deductions for the net book value of fixed assets, investments and certain other items. Zakat included in the consolidated statements of income for the years ended December 31 is as follows (000's):

	2002		2001	
Zakat for the Company	SR	-	SR	886
Share in zakat of subsidiaries		9,042		5,571
Total	SR	9,042	SR	6,457

Provision for Zakat

The following is a summary of movements in provision for zakat account of the Company for the years ended December 31 (000's):

	2002		2001	
Balance at January 1	SR	1,535	SR	649
Adjustments during the year		(462)		-
Provision during the year		-		886
Balance at December 31	SR	1,073	SR	1,535

Zakat Status

The Company has obtained the final zakat certificates through the year ended December 31, 1997.

The Company received queries from the DZIT concerning the Company's declarations for the years 1998 to 2001. Management is in the process of preparing the responses to the DZIT queries.

The DZIT also assessed an additional zakat liability of SR 0.6 million concerning the year 1998, against which the Company filed an objection letter. Management believes that the DZIT will revise its assessment. Accordingly, such amount was not provided for in the accompanying consolidated financial statements.

The subsidiaries have received final zakat certificates for certain years and provisional zakat certificates for other years. They have also received queries from the DZIT for the open years, for which replies have been / will be filed by the respective companies.

During 2002, a Group member company received assessments from the DZIT concerning its zakat declarations for the years 1995 to 2000, in which the DZIT assessed an additional zakat liability of approximately SR 8.6 million. The management of the subsidiary has appealed such assessment and believes that the DZIT will eventually reverse its assessments. Accordingly, no provision has been recorded in the accompanying consolidated financial statements for such amount.

17. LONG-TERM PAYABLES

Long-term payables represent dividends declared in prior years and share fractions, which resulted from split of shares in prior years. Such amount has not yet been claimed by the respective shareholders for several years. In the opinion of management, such amount is unlikely to be paid during 2003 and accordingly, it is classified under non-current liabilities.

18. SHARE CAPITAL

The Company's share capital of SR 628,571,400 at December 31, 2002 and 2001 consists of 12,571,428 fully paid and issued shares of SR 50 each.

19. SHARE PREMIUM RESERVE

Share premium reserve at December 31, 2002 and 2001 represents the difference between the par value and the fair value of the shares issued in prior years. This reserve is not currently available for distribution to the shareholders.

20. STATUTORY RESERVE

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company maintains a statutory reserve that is equal to one-half of its share capital. Such reserve is not currently available for distribution to the shareholders.

21. GENERAL RESERVE

In previous years, the shareholders resolved to set aside a general reserve by appropriation from retained earnings to meet future expansion in the Company's business. Such reserve can be increased or decreased by a resolution from the shareholders.

22. SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the years ended December 31 are comprised of the following (000's):

	2002	2001
Staff cost	SR 136,370	SR 115,225
Advertising	85,555	93,172
Depreciation	46,091	43,332
Utilities	29,306	29,661
Rent (see Note 30)	24,589	23,799
Bad debts	9,697	8,440
Repairs, maintenance and consumables	6,475	10,216
Other	26,440	18,928
Total	SR 364,523	SR 342,773

23. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31 are comprised of the following (000's):

	2002	2001
Staff cost	SR 105,661	SR 95,345
Amortization	27,594	30,645
Professional fees	20,226	26,446
Depreciation	11,454	14,188
Training	6,644	8,369
Utilities, telephone and communication	7,296	7,174
Other	46,561	40,266
Total	SR 225,436	SR 222,433

The remuneration of the managing director amounted to SR 3,665,617 for 2002 (2001 - SR 3,122,225), and is included in staff cost above.

24. INVESTMENT INCOME

Investment income for the years ended December 31 is comprised of the following (000's):

		2002		2001
Share of profit from associated companies - net	SR	138,914	SR	122,061
Gain (loss) on disposal of investments		3,629		(24,734)
Provision for impairment of goodwill		(18,000)		-
Loss on investment in ACI, previously recorded as unrealized loss under equity		(8,910)		-
Provision for permanent decline in the value of investments		(21,367)		-
Investment income - net	SR	94,266	SR	97,327

25. DIRECTORS' REMUNERATIONS

The remunerations due to the Board of Directors for the year ended December 31, 2002 amounted to SR 2.3 million (2001 - SR 2.4 million). Attendance allowances amounted to SR 263,200 in 2002 (2001 - SR 162,000) for attending Board meetings held during the year.

26. IMPAIRMENT OF ASSETS

Impairment of assets for 2001 represents a provision of SR 6.5 million against losses incurred by SBC resulting from shutting down its factory, and a provision of SR 2.7 million representing the Company's estimated loss upon liquidation of Reach.

27. EARNINGS PER SHARE

Earnings per share for the year ended December 31, 2002 amounted to SR 16.51 (2001 - SR 12.19).

28. COMMITMENTS AND CONTINGENCIES

The Group had outstanding bank guarantees and letters of credit amounting to SR 36.4 million at December 31, 2002 (2001 - SR 21 million), which were issued in the normal course of business. Also see Note 16 related to zakat contingencies.

Under a program principally available to Saudi employees, the Company has guaranteed home ownership loans advanced by local commercial banks totaling SR 7.3 million at December 31, 2002 (2001 - SR 11.2 million). In addition, the Company bears the related financing costs, which amounted to SR 666,807 for the year ended December 31, 2002 (2001 - SR 652,193), which is included under general and administrative expenses.

At December 31, 2002, a Group member company had commitments to purchase approximately 995,000 tons of raw sugar at market prices existing on shipment date, with settlement dates spread between January 2003 and June 2004. The subsidiary also has commitments to sell refined sugar of approximately 150,000 tons in 2003.

Effective June 30, 2000, SBC ceased its core operations in Bahrain. SBC's management is currently exploring its options with respect to SBC's future, including its sale, liquidation or change of activities. The discontinuance of SBC's core operations indicates the existence of a material uncertainty, which may cast significant doubt about SBC's ability to continue as a going concern. SBC's management is also currently unable to establish a realistic selling price for those property, plant and equipment and spare parts and raw material inventories totaling approximately SR 8 million, related to SBC's core operations due to their unique nature and the limited market for buyers. The ultimate value to be realized from their disposal cannot presently be determined. Accordingly, no additional provision for any loss that may eventually result has been made in the accompanying consolidated financial statements.

29. SEGMENT REPORTING

The Group's assets, liabilities, sales and net income as of December 31 and for the years then ended by segment are as follows (000's):

	Manufacturing	Retail	Other	Total
2002				
Assets	SR 1,008,567	SR 1,933,479	SR 529,588	SR 3,471,634
Liabilities	695,672	332,447	341,788	1,369,907
Sales - net	1,924,078	1,699,658	-	3,623,736
Net income	151,342	32,854	23,366	207,562
2001				
Assets	1,195,751	1,909,629	472,356	3,577,736
Liabilities	915,560	300,521	370,672	1,586,753
Sales - net	1,937,619	1,417,925	-	3,355,544
Net income	90,189	25,784	37,249	153,222

The Group's business is principally conducted in the following geographical areas as of December 31 and for the years then ended (000's):

	Saudi Arabia	Egypt	Other countries	Total
2002				
Assets	SR 3,098,352	SR 316,870	SR 56,412	SR 3,471,634
Liabilities	1,250,694	86,123	33,090	1,369,907
Sales - net	3,201,429	348,945	73,362	3,623,736
Net income	201,926	4,949	687	207,562
2001				
Assets	3,106,382	430,437	40,917	3,577,736
Liabilities	1,375,198	193,252	18,303	1,586,753
Sales - net	2,926,971	387,049	41,524	3,355,544
Net income (loss)	163,180	(10,105)	147	153,222

30. LEASES

The Group has various operating leases for restaurants, employees' accommodations and vehicles. Rental expenses for the year ended December 31, 2002 amounted to SR 33.9 million (2001 - SR 28.1 million).

Leases with terms expiring within one year and in excess of one year as of December 31, 2002 are as follows (000's):

Within one year	SR 5,229
Between two and five years	24,278
Greater than five years	687,281
Total	SR 716,788

31. APPROPRIATION OF NET INCOME

In their general assembly annual meeting, which was held on Dhul-Hijja 25, 1422H (March 9, 2002), the shareholders approved the appropriation of the 2001 net income as follows:

- Transfer of SR 2.8 million to statutory reserve.
- Payment of SR 2.4 million as Board of Directors' remunerations.
- Declare dividends of SR 138.3 million to the shareholders (SR 11 per share).