




SAVOLA GROUP COMPANY
(Saudi Joint Stock Company)

**Unaudited Interim Condensed Consolidated
Financial Statements for the Three Months and
for the Year Ended December 31, 2005 and
Independent Accountants' Review Report**



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

January 28, 2006

To the Shareholders of Savola Group Company:

We have reviewed the accompanying interim consolidated balance sheet of Savola Group Company (the "Company") and its subsidiaries as of December 31, 2005 and the related interim condensed consolidated statements of income and retained earnings for the three months and for the year then ended, and the interim condensed consolidated statement of cash flows for the year then ended, including the related condensed notes. These interim condensed consolidated financial statements are the responsibility of the Company's management.

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

Based on our review, we are not aware of any material modifications that should be made to the interim condensed consolidated financial statements as of December 31, 2005, and for the three months and for the year then ended for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company.

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SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004 (SR'000)

	2005 (Unaudited)	2004 (Audited)
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	SR 262,878	SR 263,786
Available-for-sale securities	328,642	137,699
Accounts receivable - net	981,484	618,088
Inventories - net	1,199,786	972,725
Prepayments and other assets	<u>296,270</u>	<u>148,275</u>
Total current assets	3,069,060	2,140,573
INVESTMENTS - Net (see Note 3)	1,113,171	664,902
GOODWILL - Net	75,336	139,902
OTHER NON-CURRENT ASSETS - Net	62,110	61,576
FIXED ASSETS - Net	<u>3,929,719</u>	<u>3,187,985</u>
TOTAL	<u>SR 8,249,396</u>	<u>SR 6,194,938</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Short-term borrowings (see Note 5)	SR 1,436,711	SR 992,163
Current portion of long-term debt	152,292	164,857
Accounts payable	1,352,828	748,721
Accrued expenses and other liabilities	<u>438,857</u>	<u>298,356</u>
Total current liabilities	3,380,688	2,204,097
LONG-TERM PAYABLES	128,212	121,938
LONG-TERM DEBT	974,200	1,059,274
EMPLOYEES' TERMINATION BENEFITS	<u>121,229</u>	<u>106,376</u>
Total liabilities	<u>4,604,329</u>	<u>3,491,685</u>
EQUITY:		
Equity attributable to the Company's shareholders:		
Share capital (see Note 6)	1,500,000	1,000,000
Share premium reserve	9,000	9,000
Statutory reserve	514,848	394,631
General reserve	4,000	254,000
Unrealized gains on available-for-sale securities	131,677	20,858
Foreign currency translation adjustments	(114,787)	(61,371)
Retained earnings	<u>938,392</u>	<u>453,737</u>
Total shareholders' equity	2,983,130	2,070,855
Minority interests	<u>661,937</u>	<u>632,398</u>
Total equity	<u>3,645,067</u>	<u>2,703,253</u>
TOTAL	<u>SR 8,249,396</u>	<u>SR 6,194,938</u>

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND
RETAINED EARNINGS
FOR THE THREE MONTHS AND FOR THE YEARS ENDED DECEMBER 31, 2005
AND 2004 (SR'000)**

	<u>Three months ended</u>		<u>Years ended</u>	
	<u>December 31, 2005 (Unaudited)</u>	<u>December 31, 2004 (Unaudited)</u>	<u>December 31, 2005 (Unaudited)</u>	<u>December 31, 2004 (Audited)</u>
REVENUE - Net	SR 1,880,495	SR 2,011,398	SR 6,856,484	SR 5,601,979
COST OF REVENUE	<u>(1,568,133)</u>	<u>(1,729,919)</u>	<u>(5,705,191)</u>	<u>(4,683,822)</u>
GROSS PROFIT	312,362	281,479	1,151,293	918,157
EXPENSES:				
Selling and marketing	(170,822)	(137,976)	(578,290)	(453,865)
General and administrative	<u>(52,884)</u>	<u>(82,436)</u>	<u>(333,455)</u>	<u>(241,724)</u>
OPERATING INCOME	88,656	61,067	239,548	222,568
OTHER (EXPENSES) INCOME - Net:				
Gain on partial disposal of investment in an associated company - net	758	-	712,215	-
Other investments income - net	142,864	256,464	386,249	362,773
Financing income and other - net	<u>1,644</u>	<u>(42,418)</u>	<u>32,275</u>	<u>7,250</u>
INCOME BEFORE ZAKAT AND MINORITY INTERESTS	233,922	275,113	1,370,287	592,591
ZAKAT AND FOREIGN INCOME TAX	<u>(11,197)</u>	<u>(14,052)</u>	<u>(29,968)</u>	<u>(19,174)</u>
INCOME BEFORE MINORITY INTERESTS	222,725	261,061	1,340,319	573,417
SHARE OF MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	<u>(30,567)</u>	<u>(18,865)</u>	<u>(138,147)</u>	<u>(71,043)</u>
NET INCOME	192,158	242,196	1,202,172	502,374
RETAINED EARNINGS AT BEGINNING OF PERIOD	956,951	322,278	453,737	305,900
TRANSFER TO STATUTORY RESERVE	(120,217)	(50,237)	(120,217)	(50,237)
DIVIDENDS	(90,000)	(60,000)	(345,000)	(302,000)
DIRECTORS' REMUNERATIONS	(500)	(500)	(2,300)	(2,300)
BONUS SHARES ISSUED	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>

RETAINED EARNINGS AT END

OF PERIOD	<u>SR 938,392</u>	<u>SR 453,737</u>	<u>SR 938,392</u>	<u>SR 453,737</u>
EARNINGS PER SHARE (in SR)				
(see Note 7)	<u>SR 6.41</u>	<u>SR 8.07</u>	<u>SR 40.07</u>	<u>SR 16.75</u>

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (SR'000)

	2005 <u>(Unaudited)</u>	2004 <u>(Audited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	SR 1,202,172	SR 502,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on partial disposal of investment in an associated company - net	(712,215)	-
Other investments income - net	(386,249)	(362,773)
Depreciation, amortization and impairment losses	270,800	182,137
Loss on sale of fixed assets	-	463
Share of minority interests in the net income of consolidated subsidiaries	138,147	71,043
Changes in operating assets and liabilities:		
Accounts receivable	(363,396)	(323,898)
Inventories	(227,061)	(434,919)
Prepayments and other current assets	(147,995)	(35,573)
Accounts payable	604,107	378,391
Accrued expenses and other current liabilities	138,201	119,262
Employees' termination benefits	<u>14,853</u>	<u>34,505</u>
Net cash provided by operating activities	<u>531,364</u>	<u>131,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends received from an associated company	100,825	120,990
Net changes in investments	469,246	73,805
Net change in goodwill	9,956	(24,720)
Additions to other non-current assets	(26,065)	(46,504)
Additions to fixed assets	(985,809)	(1,061,744)
Proceeds from sale of fixed assets	-	17,608
Net beginning balance of fixed assets of acquired subsidiaries	<u>-</u>	<u>(278,553)</u>
Net cash used by investing activities	<u>(431,847)</u>	<u>(1,199,118)</u>

(Continued)

SAVOLA GROUP COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (SR'000)

	2005 <u>(Unaudited)</u>	2004 <u>(Audited)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in short-term bank borrowings	SR 444,548	SR 253,468
Repayment of long-term debt	(164,857)	(72,558)
Additions to long-term debt	67,218	1,083,077
Change in minority interests	(108,608)	190,903
Dividends paid	<u>(338,726)</u>	<u>(289,370)</u>
Net cash (used) provided by financing activities	<u>(100,425)</u>	<u>1,165,520</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(908)	97,414
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>263,786</u>	<u>166,372</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>SR 262,878</u></u>	<u><u>SR 263,786</u></u>

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

SAVOLA GROUP COMPANY
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND FOR THE YEARS ENDED DECEMBER 31, 2005
AND 2004

1. THE COMPANY 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, 1979). The purpose of the Company includes the manufacturing and marketing of vegetable oils and to set up related industries, retail outlets, dairy products, snack foods, packing materials, exports and imports, 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:

<u>Name</u>	<u>Country of incorporation</u>	Effective ownership interest (%)	
		<u>2005</u>	<u>2004</u>
Savola Packaging Systems Limited ("SPS")	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 Trading International Limited	Virgin Islands	100	100
Tayseer FZCO	United Arab Emirates	100	100
Aziza Panda Trading Company	Saudi Arabia	100	100
Al-Azizia-Panda United Company	Saudi Arabia	100	100
Savola Edible Oils Company Ltd. ("SEO")	Saudi Arabia	90.62	90.62
Herfy Food Services Company Ltd.	Saudi Arabia	70	70
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	63.5	63.5
Modern Marafiq for Real Estate Development Co. Ltd.	Saudi Arabia	100	100
United Properties Company ("UPC")	Saudi Arabia	70	-

SEO also has the following consolidated subsidiaries:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%) at December 31,</u>	
		<u>2005</u>	<u>2004</u>
Malintra Holdings	Luxembourg	100	100
Afia International Company, Jordan	Jordan	75	75
Savola Morocco Company	Morocco	60	51
Savola Sime Foods Limited ("SSFL")	Virgin Islands	100	50
Savola Edible Oils (Sudan) Ltd. ("SSC")	Sudan	88.65	65.9
Inveskz Inc. ("Inveskz")	Virgin Islands	90	90
Savola Behshahr Company ("SBeC")	Iran	49	49

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 interim financial statements before the preparation of these interim condensed consolidated financial statements.

During 2005, USC set up United Sugar Company - Egypt ("USCE") as a limited liability company registered in the Arab Republic of Egypt. The purpose of USCE is to own and operate a cane sugar refinery in Egypt and to sell and distribute refined sugar and related by-products.

Also during 2005, the Company set up UPC as a limited liability company in Saudi Arabia for the purpose of managing, operating, marketing and developing hotels, commercial, and residential complexes and providing industrial support services.

During 2005, SPS signed an agreement to acquire 100% effective ownership interest in Al-Sharq Plastic Industries Co. Ltd. ("Al-Sharq"), a limited liability company registered in Saudi Arabia, and has made a partial payment of SR 86 million. The main purpose of Al-Sharq is the manufacturing of, and wholesale and retail trading in plastic products. During the 3rd quarter of 2005, a minority shareholder of Al-Sharq, owning 1% equity interest, commenced legal proceedings against SPS to exercise his right to re-purchase the shares sold by Al-Sharq's majority shareholder to SPS. The litigation is in its preliminary stages and the outcome of the proceedings cannot be estimated at the time of issuance of these interim condensed consolidated financial statements. Further, as of December 31, 2005, Al-Sharq is going through a reorganization phase. Accordingly, Al-Sharq's interim financial statements as of December 31, 2005 and for the three months and for the year then ended, have not been consolidated in the accompanying interim condensed consolidated financial statements, pending resolution of the above-mentioned matters.

During the last quarter of 2005, SEO acquired the remaining 50% ownership interest in SSFL.

The Group also has an effective ownership interest of 84% 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 interim condensed consolidated financial statements.

During 2004, SSC was set up as a limited liability company in Sudan for the purpose of manufacturing and trading in edible oil products.

During the third quarter of 2004, SEO acquired 90% ownership interest in Inveskz, an international business company registered in the British Virgin Islands. The main purpose of Inveskz is to hold an investment in a Kazakhstan-based company engaged in the production and distribution of edible oil products.

During the third quarter of 2004, SEO also acquired 49% ownership interest in SBeC, a closed joint stock company registered in Iran. The main purpose of SBeC is to hold investments in two Iranian publicly traded joint stock companies engaged in the production and distribution of edible oil products and margarine. SEO has significant control over SBeC.

The accompanying interim condensed consolidated financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Group's management to present a fair consolidated statement of financial position, results of operations and cash flows. These interim condensed consolidated financial statements and notes should be read in conjunction with the annual audited consolidated financial statements of the Company and the related notes for the year ended December 31, 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). These interim condensed consolidated financial statements have been prepared under the historical cost basis except for the revaluation at fair value of available-for-sale investments. Significant accounting policies adopted by the Company in the preparation of its interim condensed consolidated financial statements are in conformity with those described in the Company's annual report for 2004, which are summarized as follows:

Basis of consolidation - These interim condensed consolidated financial statements include the interim consolidated 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.

Use of estimates - The preparation of interim condensed consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents comprise cash on hand, cash with banks and other highly liquid short-term investments, if any, with original maturities of three months or less, which are available to the Group without any restrictions.

Accounts receivable - Accounts receivable are carried at original amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Group will not be able to collect all amounts due according to the original terms of accounts receivable.

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

Investments in unconsolidated subsidiaries - Investments in unconsolidated subsidiaries, which are either under formation or liquidation, or where the control does not rest with the Group, or which are under restructuring or re-organization, are not consolidated in these interim condensed financial statements but are accounted for using the equity method.

Investments in associated companies - Investments in associated companies, in which the Group has an effective ownership interest of less than 50% and which do not qualify for consolidation, 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 credited or charged to the interim condensed consolidated statement of income currently.

Available-for-sale securities and other equity investments - Available-for-sale securities principally consist of less than 20% equity investments in various locally listed companies. The management intends to dispose of these investments within a period of one year from the date of the interim consolidated balance sheet date and, hence, such investments have been classified as current assets. The carrying values of these investments are adjusted based on their fair values at the date of the interim consolidated balance sheet. Unrealized gains or losses resulting from changes in fair values, if material, are reported as a separate component of shareholders' equity. On disposal, such unrealized gains or losses are charged to the interim condensed consolidated statement of income.

Other equity investments, which are not held for trading purposes, principally consist of less than 20% equity investments in various limited liability companies. These investments are recorded at cost because their fair values cannot be estimated.

Permanent diminution in the value of such investments, if any, is charged to the interim condensed consolidated statement of income currently.

Goodwill - Goodwill represents the excess cost of investments over the fair value of the net assets acquired, and is being amortized using the straight-line method over a period not exceeding 20 years.

If the cost of the acquired investment is less than its fair value as of the acquisition date, such difference is adjusted by reducing the fair values of the non-current assets of the acquired investee in proportion with their book values.

Other non-current assets

- i) 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 using the straight-line method over the period of the respective loans.

- ii) Premium on leased land - Premium on leased land, which was paid by the Group to a third party to acquire the rights to lease the land from a government agency, is recorded at cost, net of accumulated amortization. Amortization is calculated using the straight-line method over the life of leased land or 20 years, whichever is lower.

Fixed assets - Fixed assets are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

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

Interest costs on borrowings to finance the construction of fixed assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed when incurred.

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

Impairment of long-lived assets - Fixed assets and other non-current assets, including goodwill, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest possible level for which there are separately identifiable cash flows.

Borrowings - Borrowings are recognized at the proceeds received, net of transaction costs incurred.

Other provisions - Other provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Employees' termination benefits - Employees' termination benefits are accrued in accordance with the labor and workman laws in the countries of incorporation of the Group member companies and charged to the interim condensed consolidated statement of income currently. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should he leave at the interim consolidated balance sheet date. Termination payments are based on the conditions stated in the laws of those countries.

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 over the lease terms, and is included under revenues.

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 interim condensed consolidated statement of income 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 revenues as required under generally accepted accounting principles. Allocations between cost of revenues 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. Income tax related to foreign subsidiaries are charged to the interim condensed consolidated statement of income currently.

Additional zakat and tax payable, if any, on the finalization of the Group's assessments are accounted for when determined.

Foreign currency translation - The Company's books of account are maintained in Saudi riyals. Foreign currency transactions are translated into Saudi riyals at the exchange 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 interim consolidated balance sheet date. Exchange

adjustments, which were not significant for 2005 and 2004, are charged or credited to the interim condensed consolidated statement of income currently.

Assets and liabilities of foreign subsidiaries are translated at the exchange rates in effect at the date of the interim condensed 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 the weighted-average exchange rate for the period. 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 interim condensed consolidated financial statements.

Dividends - Interim dividends are recorded in the Group's interim condensed consolidated financial statements in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

Reclassifications - Certain amounts in the 2004 interim condensed consolidated financial statements have been reclassified to conform to the 2005 presentation.

3. INVESTMENTS

Investments at December 31, 2005 are principally comprised of the Company's ownership interests in two (2004 - one) associated companies amounting to SR 923 million (2004 - SR 611 million).

During the 2nd quarter of 2005, the Company has disposed off a portion of its investment in Al-Marai Company Limited ("Al-Marai") through the Al-Marai Initial Public Offer.

Also, during the 2nd quarter of 2005, the Company acquired 30% effective ownership interest in Egyptian Fertilizer Company ("EFC"), a closed joint stock company registered in the Arab Republic of Egypt. The main purpose of EFC is the manufacturing of, and wholesale and retail trading in fertilizers.

4. SEASONAL CHANGES

Some of the Group's activities are affected by seasonal movements related to the month of Ramadan and Eid Al Adha, which cause sales to increase significantly in that period. The effect of such period for 2005 and 2004 principally fall in the first and last quarters of the financial year.

5. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings consist of bank overdrafts, short-term loans and a Murabaha financing arrangement, 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.

The Group has unused revolving bank borrowing facilities of SR 525 million as of December 31, 2005.

6. SHARE CAPITAL AND DIVIDENDS DECLARATION

The Company's share capital of SR 1,500 million at December 31, 2005 (2004 - SR 1,000 million) consists of 30 million (2005 - 20 million) fully paid and issued shares of SR 50 each.

The shareholders of the Company, in the extra-ordinary general assembly meeting held on March 19, 2005, resolved to increase the Company's share capital by issuing one bonus share for every four shares outstanding as of that date and approved the payment of final dividends amounting to SR 75 million to the shareholders. As a result, the share capital increased to SR 1,250 million and the number of shares increased to 25 million shares. A transfer of SR 250 million from retained earnings affected such increase in share capital.

Also, the shareholders of the Company, in the extra-ordinary general assembly meeting held on July 16, 2005, resolved to increase the Company's share capital by issuing 1 bonus share for every 5 shares outstanding as of that date. As a result, the share capital increased to SR 1,500 million and the number of shares increased to 30 million shares. A transfer of SR 250 million from general reserve affected such increase in share capital.

Also, the Board of Directors in its meetings held on June 20, 2005 and October 12, 2005 approved the payment of interim dividends amounting to SR 6 per share and SR 3 per share, respectively.

Also, the shareholders of the Company, in the extra-ordinary general assembly meeting held on November 16, 2005, resolved to increase the Company's share capital by issuing 6 million new shares at par value of SR 50 each, and at a premium of SR 350 per share, to the existing shareholders as of that date. On January 18, 2006, the Company received the regulatory approval in relation to this increase in capital.

7. EARNINGS PER SHARE

Earnings per share for the year ended December 31, 2004 have been computed by dividing the net income for such period by 30 million shares to give a retroactive effect of the bonus shares issued during 2005.

8. SEGMENTAL INFORMATION

During the years ended December 31, 2005 and 2004, the principal activities of the Group related to the manufacturing, wholesale and retail trading in various types of food and related products. Selected financial information as of December 31, 2005 and 2004, and for the years then ended, summarized by segment, is as follows (SR 000's):

<u>2005 (Unaudited)</u>	<u>Manufacturing/ wholesale</u>	<u>Retail</u>	<u>Investments and other activities</u>	<u>Total</u>
Fixed assets - net	1,461,620	2,450,379	17,720	3,929,719
Other non-current assets - net	215,162	92,597	942,858	1,250,617
Revenue - net	4,407,569	2,433,327	15,588	6,856,484
Net income	208,067	54,823	939,282	1,202,172
<u>2004 (Audited)</u>				
Fixed assets - net	1,385,939	1,782,614	19,432	3,187,985
Other non-current assets - net	110,969	121,023	634,388	866,380
Revenue - net	3,494,071	2,092,480	15,428	5,601,979
Net income	258,213	61,208	182,953	502,374

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of December 31, 2005 and 2004 and for the years then ended, summarized by geographic area, is as follows (SR 000's):

<u>2005 (Unaudited)</u>	<u>Saudi Arabia</u>	<u>Egypt</u>	<u>Iran</u>	<u>Other countries</u>	<u>Total</u>
Fixed assets - net	3,269,646	89,163	427,108	143,802	3,929,719
Other non-current assets - net	645,324	517,077	8,074	80,142	1,250,617
Revenue - net	4,852,675	579,881	1,064,341	359,587	6,856,484
Net income (loss)	1,095,458	85,123	87,159	(65,568)	1,202,172
<u>2004 (Audited)</u>					
Fixed assets - net	2,573,554	56,572	425,626	132,233	3,187,985
Other non-current assets - net	750,649	15,009	9,906	90,816	866,380
Revenue - net	4,146,350	445,340	667,624	342,665	5,601,979
Net income (loss)	495,962	2,506	17,477	(13,571)	502,374

9. COMMITMENTS AND CONTINGENT LIABILITIES

The DZIT has assessed additional zakat liability of SR 32 million concerning prior periods against the Company and certain of its consolidated subsidiaries. Management has appealed such assessments and believes that the DZIT will eventually reverse its assessments. Accordingly, no provision for such amount has been made in the accompanying interim condensed consolidated financial statements.

During December 2005, the Company signed a commitment letter to invest up to US\$ 100 million (SR 375 million) in Swicorp Josour Company (proposed), whose main purpose will be to invest in energy and petrochemical related projects.

Also see Note 1 with regards to litigation involving the Company's investment in Al-Sharq.

10. PROSPECTIVE CHANGE IN ACCOUNTING POLICY

During the last quarter of 2005, the SOCPA published an amendment to the existing Standard of Accounting for Intangible Assets, which will become mandatory for the Company's accounting period beginning on or after January 1, 2006. The amendment states that after initial recognition, goodwill should be measured at cost less any accumulated impairment losses (i.e. no amortization is required). Currently, goodwill is being amortized using the straight-line method over a period not exceeding 20 years.

The management believes that the effect of the above change is not material to the accompanying interim condensed consolidated financial statements.

11. BOARD OF DIRECTORS' APPROVAL

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on January 28, 2006.
