The Savola Group

annual report 2006

diversity

IS OUR SOURCE OF STRENGTH AND INSPIRATION

بسم الله الرحمن الرحيم

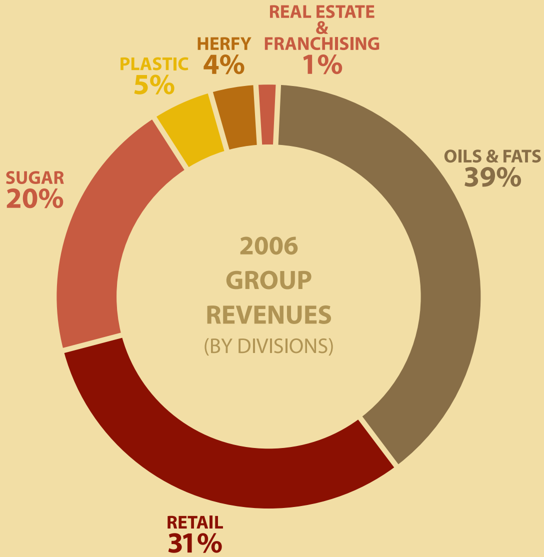
IN THE NAME OF ALLAH,
THE MOST MERCIFUL, THE MOST BENEFICENT

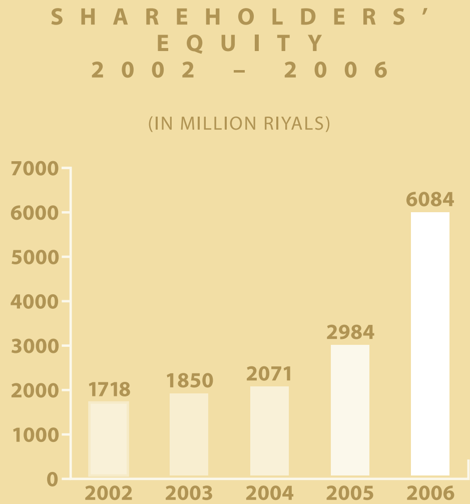
THIS ANNUAL REPORT FOR THE FISCAL YEAR THAT ENDED DECEMBER 31, 2006
WAS SUBMITTED AND APPROVED BY THE SAVOLA GROUP SHAREHOLDERS ASSEMBLY IN ITS 30TH ORDINARY ANNUAL GENERAL MEETING (AGM)
HELD ON APRIL, 18TH 2007 AT JEDDAH HILTON HOTEL – ALQASR HALL

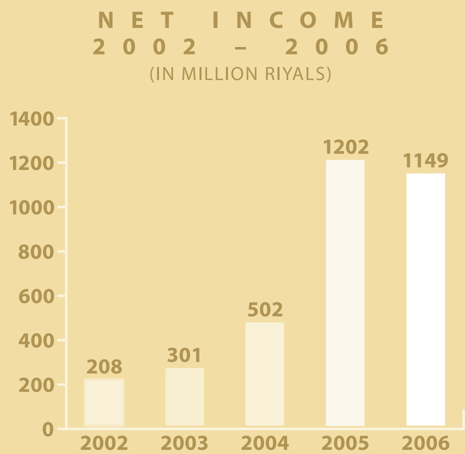
FINANCIAL HIGHLIGHTS

COMPARISON OF FINANCIAL RESULTS (YEAR 2006 & YEAR 2005)

INCOME STATEMENT (SR 000)	2006	2005	Variance	Variance%
Revenues – net	9,096,687	6,912,030	2,184,657	32%
Cost of revenues	(7,553,330)	(5,700,362)	1,852,968	33%
Gross profit	1,543,357	1,211,668	331,689	27%
General & Administrative	(345,166)	(352,869)	(7,703)	-2%
Marketing, Selling & Distribution	(719,220)	(553,023)	166,197	30%
Operating profit	478,971	305,776	173,195	57%
Investment income – net	841,362	1,098,864	(257,502)	-23%
Financing costs – net	(71,454)	(91,432)	19,978	-22%
Other income – net	97,824	57,780	40,044	69%
Net income before zakat, income, taxes and minority interests	1,346,703	1,370,988		
Zakat and foreign income taxes	(45,677)	(30,780)	14,897	48%
Minority interests	(152,438)	(138,034)	14,404	10%
Net income	1,148,588	1,202,174	(53,586)	-4%







GEOGRAPHICAL ANALYSIS OF REVENUES/SALES OF THE SAVOLA GROUP AND ITS SUBSIDIARIES (INSIDE AND OUTSIDE KSA) BY PRODUCTS (SR 000)

EDIBLE OIL (AFIA GROUP)	PRODUCTS	2006	2005
KSA, Gulf &Yemen	Afia, Arabi Olite, Almaida, Shams	865,462	933,827
Egypt	Rawabi, Afia, Janah, Slite, Hilowa	579,881	726,849
Iran	Ladan, Aftab, Bahar, Afia	1,064,341	1,567,421
Kazakhstan	Lito, Gloria, Minola	41,465	61,804
Sudan	Alarabi, Shams, Safaa, AlTaeb,Sabah, Sudani	3,662	44,089
Morocco	Afia, Arabi, Hala, Maysoor	115,933	219,601
Jordan	Afia, Arabi, Shaza	198,476	98,125
Total of Edible Oil Sales		2,869,220	3,651,716

RETAIL DIVISION (PANDA)		2006	2005
KSA	Panda, Supermarket Panda, Hypermarket Panda, Supermarket Al Azizia	2,158,735	2,757,353
United Arab Emirates	Hyper Panda (Start on Year 2006)	0	69,354
Total of Retail Sales		2,158,735	2,826,707

SUGAR DIVISION		2006	2005
KSA	Al Osra, Ziadah, Nwaem, Safaa, Nahar	1,410,718	1,862,905
Total of Sugar Products Sales		1,410,718	1,862,905

PLASTIC DIVISION		2006	2005
KSA		389,343	188,313
	Plastic products made to order		
Egypt		0	67,492
Total of Plastic Sales		188,313	456,835

REAL ESTATE DIVISION		2006	2005
KSA	Rents of malls and centers	89,592	106,434
Total of Real Estate income	This amount represents revenues of the first 8 months of 2007, due to divesture of 70% of Marafiq Co.	89,592	106,434

FRANCHISING DIVISION		2006	2005
KSA	Mugg & Bean, Bonia, Carlo Rino, Jacqueline Riu, Skiny, Venice Beach, Marc O'Polo, Textura	4,076	18,091
Total of Franchising Sales		4,076	18,091

HERFY		2006	2005
KSA	Herfy Restaurants, Herfy Products	264,687	323,865
Total of Herfy Sales		264,687	323,865

ROYAH		2006	2005
KSA		15,588	0
Total of Royah Income	Technical systems & solutions	15,588	0
Total of Income		7,000,929	9,246,553
Consolidation entry –		(88,899)	(149,866)
Net Income		6,912,030	9,096,687

DETAILS OF LONG TERM & SHORT TERM LOANS:
LONG TERM LOANS AS OF 31 DECEMBER, 2006 (SR 000)

LONG-TERM LOANS	2006	BANK	2005
Saudi Industrial Development Fund ("SIDF")			
United Sugar Company ("USC")	34,065	SIDF	107,159
Herfy Foods Services ("Herfy")	13,064	SIDF	9,974
Savola Packaging Systems ("SPS")	16,850	SIDF	10,050
Total SIDF	**63,979**		**127,183**
Commercial banks			
The Company	325,000	Saudi Fransi, Gulf Int., Saudi Hollandi, Al Jazira,	674,000
Afia International Co. ("Afia")	286,455	Samba; European, Poulaire in Morocco, others banks	311,554
Herfy	16,024	Samba, NCB	23,987
Total commercial banks	**627,479**		**1,009,541**
Total long-term debt	**691,458**		**1,136,724**
Less current portion:			
SIDF	(19,150)		(79,077)
Commercial banks	(112,257)		(115,995)
Long-term debt	**560,051**		**941,652**

For more details about these loans please see financial statements on the financial pages of this report.

REPAYMENT SCHEDULE OF LONG TERM LOAN AS OF 31 DECEMBER, 2006 (SR 000)

FINANCIAL YEAR	SAVOLA GROUP	AFIA INT.	HERFY	SAVOLA PACKAGING SYSTEMS	UNITED SUGAR COMPANY	2006	2005
2006	0	0	0	0	0	0	195,072
2007	56,000	49,621	8,136	9,800	7,850	131,407	413,850
2008	56,000	49,621	7,013	2,150	20,000	134,784	136,660
2009	213,000	54,237	6,875	2,450	6,215	282,777	274,132
2010	0	101,723	3,800	2,450	0	107,973	116,836
2011	0	31,253	3,264	0	0	34,517	174
TOTAL	**325,000**	**286,455**	**29,088**	**16,850**	**34,065**	**691,458**	**1,136,724**

SHORT-TERM LOANS WITH COMMERCIAL BANKS PAID WITHIN ONE YEAR (SR 000)

SHORT-TERM LOANS	2006	BANKS / OTHERS	2005
Commercial banks			
The Company	17,093	Arab National, NCB, Gulf Int., SABB, Samba	602,986
Afia	825,810	Islamic Develop, NCB, Sudanese, Egyptian & Iranian banks	403,625
Azizia Panda United	223,498	Samba, SABB	145,000
SPS	102,255	SABB, NCB	24,999
USC	534,455	Islamic Develop, Samba, SABB	239,000
Royah	0	SABB	10,000
Total	**1,703,111**		**1,425,610**

SUMMARY OF PAYMENTS MADE TO THE GOVERNMENT (SR 000)

PAYMENT	2006	2005
GOSI (for KSA) & Social Insurance (for outside KSA)	37,695	27,043
Visa and Government Fees	9,947	10,680
Zakat & Income Tax	30,584	46,715
Custom Duties	117,105	110,034
Other duties and government levies	8,401	5,285

*Note: These above payments covered consolidated figures for the group and its subsidiaries in KSA and outside.

A WORD FROM THE CHAIRMAN

DEAR SHAREHOLDERS,

It gives me great pleasure to report that 2006 was an exceptional year for The Savola Group, thanks to Almighty Allah. Revenues and profits increased significantly through the acquisition of new and existing projects, and by widening our distribution network across new markets in the Middle East, North Africa and Central Asia.

The Group increased its equity capital twice in the year from SR1.5 billion to SR3.75 billion; an increase of 150% through granting free shares and a rights issue. The Group's strong financial position enabled it to finance its expansion projects inside and outside Saudi Arabia, new product development and allowed the Group to focus on more advanced and innovative marketing methods across all its divisions.

The Group was a founder investor in 2006 in the Knowledge Economic City in Madinah and King Abdul Aziz Economic City in Rabigh. These huge projects will strengthen further the Group's expansion strategy in its real estate division.

The investment division entered into negotiations with Egyptian Fertilizer Company (EFC) to acquire all the outstanding shares of the company to make it a wholly owned subsidiary of the Group for SR 3 billion. However at the time of writing, the board has accepted an offer from Abraaj Capital to realize this investment, which it felt was in shareholders' best interests.

The Group's plans to pursue growth in its main operating divisions – edible oils, retail, sugar, plastics, real estate and franchising – continue alongside the further development of the investment division. The Group is exploring new sectors such as petrochemicals and telecommunications, which will better balance the investment portfolio of the Group and take advantage of its inherent experience and management strengths.

Turning to management issues, it is with great regret that I report to you the resignation of Dr. Abdulraouf M. Mannaa, the Managing Director and CEO of the Group, effective at the end of the first quarter of 2007. Dr. Mannaa has contributed greatly to the development of the Group during his tenure. On behalf of the Board, I would like to express my sincere appreciation and gratitude. He is moving to pursue new challenges which will also contribute the development of the national economy.

In his stead, it is with great pleasure that I welcome Dr. Sami Baroum who has been appointed by the Board as Group Managing Director effective 1st April 2007. Dr. Baroum, as you all know, is one of Savola's outstanding leaders having held numerous senior positions throughout the Group over the past fifteen years; most recently as President of Retail and Real Estate Division.

The Board prays to Almighty Allah to grant further success to Dr. Mannaa in his new post and to guide our colleague, Dr. Baroum, in his efforts to continue the further development of your company in line with its strategic plans approved by the Board of Directors.

On behalf of the Board and myself, I would like to extend my thanks and appreciation for your support and trust over the last year. I hope to report, insha'Allah, next year on an even more successful and flourishing Group.

ADEL M. FAKEIH
CHAIRMAN

BOARD OF DIRECTORS' REPORT

ENG. ADEL M. FAKEIH
Chairman

PRINCE NAIF BIN SULTAN

MR. IBRAHIM M. AL ISSA

DR. ABDULRAOUF MANNAA
Managing Director

MR. ABDULAZIZ K. AL GHUFAILY

DR. ABDULLAH TILMISANI

MR. AMMAR A. AL KHUDAIRI

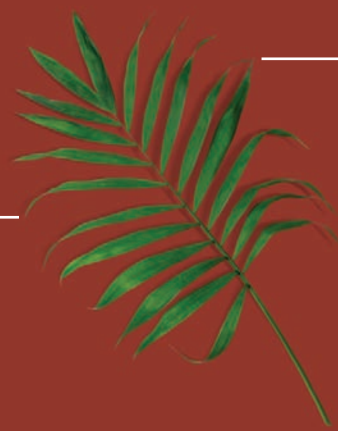
DR. GHASSAN A. AL SULAIMAN

DR. MAJED A. AL GOSSABI

MR. MOHAMMAD A. AL FADL

MR. MOUSA OMRAN AL OMRAN

MR. YOUSSEF M. ALIREZA



BOARD OF DIRECTORS' REPORT

The following operational review of the Board of Directors provides a view of The Savola Group's activities for 2006. This annual report includes the audited final accounts for the fiscal year ending 31 December 2006, notes to the accounts and was prepared in line with the requirements of the corporate governance and other relevant regulations issued by the Capital Market Authority (CMA). It is also in line with internal corporate governance policies which the Group has been adopting since 2004 as a strategic approach to enhance the company transparency and internal control mechanisms.

This section highlights the main activities of the Group and its various divisions according to the geographic distributions of the subsidiaries and performance analysis, contributions and impact of the Group's overall performance to the Group, equity percentage and Savola' administrative role. These fulfill the requirements of corporate governance regulations and disclosures stipulated in article 27 of joint stock registration & listing rules and the Directors Report guidelines established by the Capital Market Authority.

The Group has acquired the trust of more than 162,000 shareholders, which is a powerful reflection of the Group's fundamental strength. Furthermore, it shows the Group's potential to grow and its ability to deliver outstanding performance in both the short and the long-term.

Net profits for 2006 reached SR1.15 billion compared to SR1.2 billion for 2005, another exceptional year. However, 2005 net profits included exceptional capital gain of SR 711 million from the sale of 30% of the Group's holding in Al Marai in the third quarter of the year. Operational profits for the year rose 57% from SR 305.8 million in 2005 to SR 478.9 million testament to improved operational performance both home and abroad in an increasingly competitive landscape and the rise of some raw material prices. This a significant foundation on which to continue to grow your company over the coming years.

The Board has approved the budget and fiscal plans for 2007. This forecasts an increase in net operational profits, before capital gains, of 12% over 2006 and is based on a continuation of the Group's expansion plans for its operating divisions throughout MENACA.

The Group continues with its plans to implement best practice in corporate governance, an increasingly important element for any international company. The Group is committed to increased levels of transparency, disclosure and accountability at all levels within the Group. This will become more apparent in 2007 through a more active investor relations program.

The Group is guided by a clearly articulated set of ethics and values, enshrined in a code of conduct called 'the Balanced Way'. An integral part of this approach is our commitment to Corporate Social Responsibility (CSR) in which the group commits to contribute in developing the community and environment for society's benefit. The Group is particularly active in community welfare programs. There is a more detailed report on our CSR program later in the report.

SAVOLA DIVIDENDS DISTRIBUTION POLICY

The Board regards the present stage undergone by the Group is for the implementation of the growth and expansion strategy which is adopted by Savola inside and outside Saudi Arabia. Therefore the Group needs at this stage to finance its capital projects besides covering the costs of developing its internal governance, management, information systems and culture, transferring them to the new companies, developing its products, marketing approaches, increase of its workforce. In order to enable the Board make balance between the financial needs of the disclosed strategy and payment of dividends to the shareholders, the Board is of the opinion to apply the following:

DISTRIBUTION OF CASH DIVIDENDS

It is a company policy to distribute cash dividends on quarterly basis. Savola is the first Saudi public listed company that has applied the policy of distributing quarterly dividends. The distribution of dividends will be declared when the quarterly financial statements are approved by the Board, in light of the quarterly results approved by the Board. It then decides the percentage of dividends to be distributed for each owned share as well as the maturity date.

As implementation of this policy the Group distributed cash dividends for 2006 as follow:

Dividends distributed for the first three quarters of 2006	SR 262.50 Million
Recommended dividends to be distributed for the 4th quarter 2006	SR 93.75 Million
Total cash dividends distributed and to be distributed for the full year	SR 356.25 Million

DISTRIBUTION OF FREE SHARES

It is a company policy to distribute free shares to the shareholders regularly and consistently as a general strategic policy and direction in order to make the shareholders maximize their benefit of the reserves achieved by the company. This gives the opportunity for The Savola Group to finance its expansion projects, marketing policies, development of new products and enhancement of manpower to develop its profitability and performance over the long and short term.

As implementation of this policy the Group granted free shares during 2006 as follows:

MECHANISM	DUE DATE	CAPITAL BEFORE	CAPITAL AFTER INCREASE
The Group granted two shares for every three owned shares	April, 2006	SR 1.8 Billion	SR 3 Billion
The Group granted one share for every four owned shares	October, 2006	SR 3 Billion	SR 3.75 Billion

OILS & FATS

DIVISION

AFIA

The Savola Group manages and runs its business in the Oils & Foods Division through its subsidiary, Afia International Company (AfiaIntl), formerly Savola Edible Oils Company. Afia is 90.6 % owned by The Savola Group with the remainder owned by Saudi traders. The company specialises in edible oils, fats and foods industries. It dominates the Saudi oil market and exports its products globally. Its seven business units cover over 30 markets in the Middle East, North Africa and Central Asia (MENACA).

Afia continued its growth momentum in 2006 increasing its combined turnover to SR 3.7 billion compared to SR 2.9 billion last year, an increase of 27%. The company produced and sold 1180 KMT compared to 1003 KMT in 2005, an increase of 18%.

The company achieved particularly strong growth in the year delivering on its profit target for the year, despite the fact that 27% of last year's profit was generated from the sales of its interests in Morocco and Egypt. The company maintained its market leadership in its major markets despite strong competition.

Afia increased its paid up capital from SR 250 million to SR 500 million in 2006 through the granting of one free share for every owned share, doubling the total shares to 50 million share.

Afia submitted its application to the CMA to float 30% of its share capital to the public. The application is still in process with the CMA. However, due to the current stock market performance, the Board is looking at alternatives, which may better serve shareholders' interests.

Afia International Company operates and manages the following subsidiaries and factories having controlling interest in each:

AFIA INTERNATIONAL – ARABIA (GCC)

A wholly owned subsidiary of Afia, Arabia managed to maintain its overall leadership position, approximately 60% of the market, during the year despite fluctuating raw material costs and increasing competition from cheaper imported brands and local manufacturers. Profits reached an all-time high of SR130.3 million, an increase of 9% over 2005's SR120 million (driven by improved systems and processes implemented during the year).

SAVOLA BEHSHAHR IRAN (SBC)

Savola Behshahr Company, a joint venture between AfiaIntl, 49%, and Behshahr Industrial Development Company, 51%, owns and operates two manufacturing units, BIC and MMC, under AfiaIntl management control.

2006 was another strong year for SBC as its market share increased to 40%. Turnover was SR 1.57 billion compared to SR1.1 billion in 2005. However, profitability was down 6.3% from SR 90.7 million in 2005 to SR 85 million in 2006 due to competition and increases in raw material prices.

AFIA INTERNATIONAL EGYPT (PREVIOUSLY SAVOLA SIME EGYPT)

2006 saw strong volume and profit growth for Afia Intl Egypt (AIE). The company further strengthened its ghee market dominance to 53% and held its hard won leadership of the liquid oil market, increasing its share to 35%. Profitability rose by 44%, reaching SR 28.1 million in 2006 from SR 19.5 million for 2005 on turnover of SR 726.8 million compared with SR 579.9 million for last year. Savola and its subsidiary, AIC, own 94.5% of AIE.

AFIA INTERNATIONAL COMPANY – JORDAN (COVERING LEVANT COUNTRIES)

Rising energy costs, GMP standards-related expenses and the situation in Iraq continue to have an impact on operations. The company strengthened its market share and volumes, while higher costs continued to exert pressure on revenues resulting in a net loss of SR11.7 million as turnover fell from SR198.5 million in 2005 to SR98.1 million this year. The management is reviewing the operating model in the light of these results to ensure that the company delivers its expected ROI in 2007 and beyond.

Afia Intl-Jordan is 75% owned by AfiaIntl and 25% by the public through its listing on the Jordanian stockmarket.

SAVOLA MOROCCO COMPANY (SMC)

During the year AfiaIntl increased its shareholding in Savola Morocco through a capital increase, the remaining 25% is owned by Golden Hope (a major Malaysian upstream edible oils player).

In its second year of operation, the company continues to grow according to plan. Growth was seen in volume, market share and brand equity as turnover grew by 89% to reach SR219.6 million compared to 2005's SR 115.9 million. Market share rose to 20% as the Moroccan plant nears full capacity.

Despite the tough competition involved in market entry, the company reduced its loss by 20%, to SR 34.7 million against a loss of SR 42.9 million in 2005. The management is reviewing the operating model to deliver the expected ROI.

However, the company is engaged in a costly price war initiated by the key competitor, who continues to sacrifice market share, especially in its high margin premium brands. This poses serious challenges to profitability, but despite of these very adverse conditions efforts are being made to overcome the issues currently being faced by the company. We are confident that, by Grace of Almighty God, our operations in Morocco will improve and we will emerge as the market winner.

SAVOLA KAZAKHSTAN COMPANY

Savola Kazakhstan is 90% owned by AfiaIntl and the remaining 10% owned by a local company. 2006 was a year of streamlining operations and introducing the brands. Company turnover for 2006 reached SR 61.8 million compared to SR41.5 million for last year, a 49% increase. Although turnover increased, the business profitability faced pressure from the dumping of Russian sunflower oil products. The company reduced its loss from SR 12 million for 2005 to SR 5.7 million for 2006. We are confident that 2007 will see this new business deliver a profit.

SAVOLA SUDAN

AfiaIntl bought out the remaining 11% of shares in Savola Sudan in 2006. The company launched the full range of its products (Alarabi, Shams, Safa, Altayeb, Shabah, Sudani) in the market in May. The value for money brands took-off while the premium brands, Alarabi and Shams, have seen slow growth, which we attribute to limited consumer purchasing power and the slower than anticipated implementation of the distribution network.

We are confident that with improved distribution and keener pricing of the premium brands in line with the market, 2007 will see a major improvement in the business volume and profitability. Company turnover increased significantly from SR 3.7 million to SR 44.1 million, but despite the increase in sales the company incurred losses of SR 18.6 million for 2006 compared to SR 11.4 million for last year.

EXPANSION PROJECTS

The Division is looking for mergers and acquisitions opportunities in basic foods categories where it can leverage its strong marketing and distribution network across the 30 markets it covers. Several opportunities have been initially approved by the Board of Directors for further exploration and final recommendations are expected in the near future.

SUGAR

DIVISION

The Division had a successful year. As outlined in its business development plans, it continued to look for promising new investment opportunities in MENA. It also continued to identify and secure new sources of raw sugar to maintain abundant supplies to fuel its growth. The development of the new refinery in Egypt remained on schedule.

This was the first year of operations without the import sugar tariff, which was removed in January 2006, which added to the competitive challenges. Nevertheless, the Division maintained its market share in the Kingdom by controlling production costs, while maintaining its high quality and launching new products successfully into the market.

There remains a gap in supply and demand in the Middle East and to a lesser extent, globally. The Division is looking at the development of new refineries, and merging with or buying existing plants. The Division expects to increase production at its KSA refinery from 1.2 million tonnes to 1.5 million tonnes by the end of 2008 and will maintain its efforts to bring about further reductions in production cost directly or through economies of scale as it expands in the region.

The Division manages the following companies:

UNITED SUGAR COMPANY

United Sugar Company (USC) is a limited liability company, located in Jeddah Islamic Sea Port, 41%-owned by The Savola Group and operates in partnership with Tate & Lyle. The Savola Group appoints all of USC's management and Board of Directors, except for two seats on the Board, which are appointed by Tate & Lyle (international partner).

The removal of the sugar protection tariff and the cap on sugar exports from the EU made the Kingdom an exceptionally challenging competitive landscape. However, USC was prepared for the changes and achieved record breaking performances in sales and profitability. Market dominance was sustained with well-orchestrated efforts to reposition and re-launch established brands and support them with attractive pricing. Additional competitive benefits came from improved management systems and economies of scale from increased capacity.

Net profit for the year rose 14% over 2005 to SR 104.6 million from SR92 million. Sales rose to SR 1.9 billion over SR 1.4 billion in 2005. This turnover is based on nearly a doubling of sales volume in 2003, when the company first broke its one million tonnes record. USC accounts for over 85% of the volume of sugar sold in the Kingdom and Saudi Arabia remains its principal market. However, export sales to neighbouring markets also rose by 17%.

Sales of retail products, represented by the company's brands (Nawaem and the new brands, Safa and Nahar) reached 200 tonnes, a rise to 76% in proportion to 3% sales volume in 2005. USC markets the following brands Al Osra, Ziyada, Nawaem and recently introduced two new brands, Safa and Nahar.

The challenges will continue in 2007, but the company is well placed to continue to grow its operations domestically and internationally, insha'Allah

UNITED SUGAR COMPANY OF EGYPT (USCE)

Construction of the new refinery in Economic Zone – Sokhna Port – North West Suez Gulf progressed on schedule and the company expects to begin partial operations by November 2007. USC owns 51% of the business, which will refine and pack white sugar. All the products will be produced to European specifications and will allow USCE to compete aggressively in both the Egyptian and neighboring markets.

All the necessary permits and licenses were obtained from the Egyptian authorities. USCE signed a renewable 25 year lease on 128,000 sq m for the plant with Sokhna Development Company (Amiral). The company also signed a technical cooperation agreement with Tate & Lyle, a co-shareholder in USCE, for the design and specification of the refinery. Construction was awarded to a leading Egyptian contactor, following a public tender. The entire project is managed by executives from Savola, Tate & Lyle and USCE.

The final complement of employees is expected to be 500 all of whom will be Egyptians as part of The Savola Group's plans to integrate with the communities in which it operates. The majority will undergo training at USC's refinery in Jeddah prior to working at the USCE plant.

The plant will be implemented in three phases as follows:

Phase 1: Refinery, Utilities and Infrastructure installed to process imported raw sugar to produce 750,000 tonnes of sugar a year. The refinery will produce a single blended grade of refined sugar, packed in 1 kg, 50kg and 1000kg bags

Phase 2: Production capacity will be expanded to 1,000,000 tonnes of sugar a year.

Phase 3: Production capacity will be further expanded to 1,250,000 tonnes of sugar a year.

PLASTICS

DIVISION

Savola Plastics Division (SPD) owns and operates six manufacturing plants (two in Jeddah, three in Riyadh and one in Alexandria, Egypt).

SPD showed significant growth in sales and net profit compared to 2005. Sales increased by 143% and net income increased by almost 148% over the year 2005. Main factors of that level of performance are organic growth in SPS, the turn around of Al-Sharq and the acquisition of New Marina Plastics, Egypt.

2006 was a year of change, expansion and growth which saw the Division increasing in importance to the Group.

Steep increases in raw material (HDPE) prices of 16% as demand for plastics resin far outstripped supply, posed a major challenge. The SPD sales team managed the price impact on customers efficiently while generating significant growth in revenue. During the year, the division successfully kept pace with the dairy division's move to PET and introduced Savola systems and processes to the newly acquired subsidiaries.

The year was notable for some other achievements of the division. It successfully acquired New Marina Plastics in Egypt, SPD's first overseas investment, established a separate divisional office, grew significantly some key customer accounts including securing new contracts from several multi-national companies.

SAVOLA PACKAGING SYSTEMS (SPS)

The SPS is limited liability company 100% owned and managed by the Savola Group. Sales grew by 26% through increases in the dairy & juices and water segments. As a result, net income (unconsolidated) for the year grew to SR20.2 million from SR 14.4 million in 2005, a remarkable 40% increase.

AL-SHARQ PLASTICS INDUSTRIES CO. ("AL-SHARQ")

2006 was a turn around year at ASP as sales grew 11%. Net income rose to SR7.3 million in 2006 from SR 3.5 million in 2005, which is a 109% increase. Major contributors to that change were growth in the films business, cost cutting and increased capacity utilization. Al-Sharq is 99% owned by SPS.

NEW MARINA PLASTICS CO. (NMP)

NMP is 70% owned by SPS and, in its first year under Savola management, became a significant contributor to SPD income. Sales increased by 15% and net income was SR 15.3 million for 2006.

RETAIL DIVISION

Panda

The Savola Group manages and runs its retail business through its wholly owned subsidiary Al-Azizia Panda United Company Ltd.

Panda continued successfully to grow during 2006 achieving a remarkable increase in profitability of 395% as net profit grew from SR4.4. million to SR21.8 milllion. Sales rose to SR 2.8 billion in 2006 compared to SR 2.2 billion for 2005. Panda's sales area also increased by 31% to 140,000 square meters during 2006 as the company opened two new hypermarkets in KSA and one in Dubai as well as four new supermarkets in KSA. Paid up capital increased 300% from SR 75 million to SR 250 million.

Customers rose by five million to 38 million, a rise of 14% over 2005. Panda continued to position itself as a 'low price' retailer in a highly competitive market. Optimal margin management with better buying and pricing strategies, using a sophisticated software package has kept Panda ahead of its rivals in this sector, according to market research.

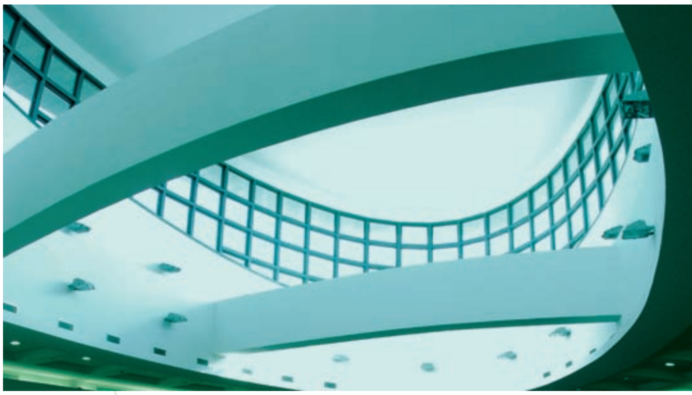
In recognition of our competitive edge as a local retailer with international standards, Panda was selected as the 'Best Retailer in KSA' in 2006 by "Arabian Business Magazine".

In addition to strengthening our position in the main cities, Panda has also tapped into new midsize cities. New supermarkets were opened in Taif and Makkah with both stores showing outstanding results. During 2007, Panda will continue this approach, opening stores in new midsize cities and rural towns such as Madinah, Abha, Hail, Yanbu and Bisha.

Another key part of Panda's plans to provide best value for its customers was the introduction of over 140 new private or own label 'Panda' products. 'Panda' products offer quality with lower prices whilst increasing the margin compared to market-leader branded products. There are now more than 140 items in 32 categories many of them market leaders. 2007 will see more aggressive growth of our own label products.

Panda had extended its social responsibility programme by recruiting people with special needs and female employees. In addition Panda introduced a program called "Leave The Change For Them" encouraging customers to donate their transaction change to charity. This program provided more than SR1 million to the 'Disabled Children's Association' during 2006.

2007 will be a year full of challenges in terms of new store openings and refurbishments. Panda plans to open 12 supermarkets and four hypermarkets as well as refurbish 20 existing stores. This huge plan involves the recruitment of thousands of new employees during the year. However, the Panda team has demonstrated successfully over the last few years its capability to grow the business at a fast pace and is therefore ready for the exciting challenges ahead.



REAL ESTATE

DIVISION

The Savola Group sold 70% of its shareholding in Modern Marafiq Real Estate Company to strategic investors, achieving a significant capital gain for its shareholders. A wholly owned subsidiary of the Group – Modern Marafiq for Real Estate Development Company Limited (Modern Marafiq), was used for this purpose. The company is now 30% owned by Savola Group and has three seats out of nine on its board of directors.

MODERN MARAFIQ FOR REAL ESTATE DEVELOPMENT COMPANY LIMITED

The first general assembly of Modern Marafiq was held on 16 December, 2006 wherein a new Board of Directors was elected. The first board meeting was also held on the same day.

2006 saw the company record revenues of SR 137.4 million against SR 89.6 million for the previous year with contributions from Jamea Plaza (Jeddah), in its first full year of operations, and from the Rimal Centre (Riyadh) and Roshan Mall (Jeddah), which opened during the year. Net profit for the year was SR 32 million in comparison to SR 31 million in 2005.

OPENING OF NEW MALLS

The Company opened three new malls in 2006 as follows:

- **Rimal Centre –** Located at the East Ring Road in Riyadh, this is company's second mall in Riyadh, after Azizia Mall, and was built at a total cost of SR 366 million. It offers a gross leasable area (GLA) of more than 100,000 sq m and includes reputable anchor tenants including HyperPanda and IKEA. The mall had a soft opening in March 2006 followed by the grand opening in August 2006.

- **Roshan Mall –** Located in the north part of Jeddah, this mall was built at a total cost of SR 200 million. It offers a GLA of around 35,000 sq m and the key anchor tenant in this mall is HyperPanda. The mall had a soft opening in April 2006 with the grand opening in August 2006.

- **Sharaie Mall –** Located in Makkah, this supermarket mall was opened in mid - December 2006 and it offers a GLA of around 9,000 sq m out of which 3,000 sq m has been leased to Panda supermarket.

PROJECT DEVELOPMENT

Meanwhile, during the year the following developments moved steadily towards their projected openings.

- **Aliat Al Madina –** Located at the west ring road (around 5km from the Holy Prophet's (PBUH) mosque), this mall will be the prime regional shopping centre in Medina Munawwarah offering a GLA of around 60,000 sq m. The estimated cost of the project is SR 245 million and it is expected to come online in May 2007.

- **Dana Mall –** This mall is located in Yanbu and is expected to start operations in June 2007. It offers a GLA of around 30,000 sq m. The mall is being built as a single storey structure on land leased from the Yanbu Royal Commission.

- **Huwaylat Center –** Located in Jubail, this supermarket mall will open in two phases. In the first phase (May 2007) a Panda supermarket will open while in the second phase (November 2007) the remaining part of the mall will open. The estimated GLA of this mall is around 11,000 sq m.

NEW BUSINESS DEVELOPMENT

The company was successful in securing the bid for a residential project in Yanbu with a value of around SR 350 million. Two large sites (the Jamea Plaza and Andalusia projects) were purchased for approximately SR 80 million. Five additional sites were also secured during the year for development of small supermarkets.

An aggressive growth strategy has been approved by the company's board in order to tap in the potential opportunities available in the Kingdom. As a result, several significant projects are under review by the company.

The company plans to secure Islamic financing for around SR 1 billion to fund its projects in 2007.

KING ABDULLAH ECONOMIC CITY – RABIGH

The Savola Group became a founder partner in King Abdullah Economic City – Rabigh, which was recently launched by the Custodian of the Two Holy Mosques. This city will make a significant contribution to the national economy. The Savola Group has invested SR 350 million in the city through its subsidiary, Arabian Adeem Company, which is wholly owned by the group.

KNOWLEDGE ECONOMIC CITY – MADINAH

The Savola Group led a consortium of four developers to develop the Economic Knowledge City – Madinah. This city is expected to include vital and important knowledge clusters such as technical colleges, schools for knowledge and Islamic civilization studies a center for medical studies and other vital areas. The development will include residential and hotel premises of different levels , which will accommodate nearly 200, 000 people. The total investment value for this project is estimated at SR25 billion and will be implemented in stages over the next ten years.

The four partners have incorporated a limited liability company to oversee the first stage of development of the project. The Savola Group holds 40% of the equity in the name of Madinat Al Sira for Real Estate Development Ltd at SR10 million rising to SR50 million This amount will be allocated for financing the initial feasibility studies and running the business affairs of the company in respect of the initial studies and contracts pending the incorporation of a joint stock company to run the project. The capital of the proposed joint stock company is expected to amount SR 2.7 billion and will be raised in part through public subscription.

FRANCHISING DIVISION

The Savola Group runs its franchising business through its subsidiary "Azizia Panda Trading Company – APTC (ltd)", which is located in Jeddah and 100% owned and managed by the Savola Group.

This fledgling Division continues to grow successfully. It now has a portfolio of ten brands, which include two new additions during the year. It opened 22 stores during the year and now has a total of 28 stores in shopping malls in Jeddah, Riyadh, Makkah and Taif.

Turnover grew by just over four times to SR18 million in 2006 from SR 4 million last year. However, margins remain low as the division invests in marketing and promoting the brands, consequently the net loss for the year was SR8.1 million compared to a loss of SR4.5 million in 2005. Nevertheless the Division remains on budget.

The brands in the Division include Mugg & Bean, Jacqueline Riu, Bonia, Carlo Rino, Skiny, Venice Beach, Marc O'Polo and Textura. Two more international brands were signed, Yves Rocher from France and Tom Tailor from Germany. The board is pleased to report that consumers have responded well to the brands in a competitive environment.

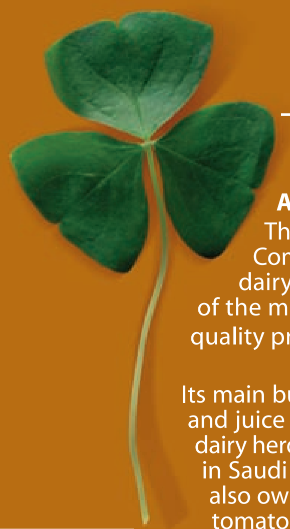
Yves Rocher is one of the world's leading cosmetics brands, specializing in botanical beauty products. It is the number one ranking brand in France and the second in Europe for skin care products. It has over 1,600 outlets in 90 countries.

Tom Tailor offers modern casual wear for men and women and has 450 boutiques around the world.

The Division has ambitious expansion plans in 2007 intending to open a further 50 outlets in malls in eight cities in the Kingdom.

INVESTMENTS

DIVISION



ALMARAI COMPANY

The Savola Group owns 26% of Almarai's share capital (Saudi Joint Stock Company listed on the Saudi Stock Exchange). Almarai is one of the leading dairy and food companies in the Middle East whose mark has become one of the most familiar trade marks in the Arab world with a reputation for high quality products.

Its main business activity is focused on production of the fresh and quality dairy and juice products. Almarai is one of the world's largest dairy companies with a dairy herd of 45,000 cows. Almarai has over 40% share of the fresh dairy products in Saudi and Gulf markets besides being the largest Saudi exporter of foods. It also owns the leading brands in the fresh milk, yoghurt, cheese, fruit juices and tomato paste. The company produces and markets over 200 different brands. Almarai's sales reached SR2,757 million in 2006 compared to SR2,146 million in 2005 and its net profits reached about SR465 million in 2006 compared to SR386 million in 2005.

In 2006, Almarai's board approved the third strategic five-year plan which requires capital investment of approximately SR 4 billion between 2006 and 2011. This significant investment will be made to further strengthen Almarai's position as the market leader in the GCC as well as to ensure the Company's strong profit growth and return on investment.

Also in 2006, Almarai signed a Memorandum of Understanding with Western Bakeries Company Limited and International Baking Services to acquire 75% of the shares of the companies through the issuance of new Almarai shares.

Moreover, in an effort to boost its shareholders' value and diversify its income sources, Almarai and other Saudi entities have signed a consortium agreement with MTC (Kuwait) to compete for the third mobile licence in the Kingdom.

HERFY FOOD SERVICES COMPANY

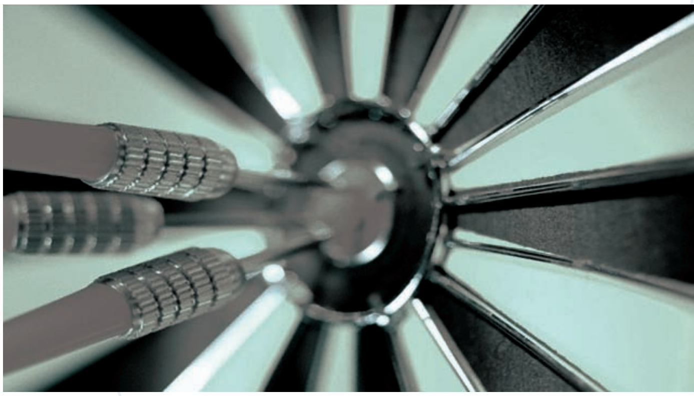
Herfy Food Services Company (70% owned by The Savola Group) is a leading fast food company in Saudi Arabia. In 2006, Herfy continued its successful expansion plan where it opened 17 new restaurants in Riyadh, Jeddah, Al-Khobar, Abha, Khamis Mushayt, Qassim and Tabuk in 2006. It is now present in most regions of the Kingdom with120 restaurants. Herfy now has the largest share of the Quick Service Restaurant market in Saudi Arabia exceeding the foreign franchises and local restaurants.

In 2006, Herfy's sales reached SR 323.9 million, increasing by SR59.2 million or 22% compared to 2005's sales. Net profits reached SR47.5 million in 2006 compared to SR40.2 million in 2005.

Herfy plans to launch its own brand of meat products in 2007. Herfy's meat plant supplies all its restaurants, but has capacity to expand production. The factory is ranked as one of the most advanced in the Middle East in terms of technology and production lines, and has expanded its lines with various chicken burger products. Herfy is working and coordinating with the authorities towards floating its shares for public subscription.

EGYPTIAN FERTILIZER COMPANY (EFC)

The Egyptian Fertilizer Company is one of the most efficient producers of urea fertilizers in Egypt. In 2006, it continued to grow through its expansion projects, which were completed successfully. Its annual output capacity has increased from 600,000 tons to 1,200,000 tons of urea. The expansion plan was successfully executed before its scheduled deadline at cost below the approved budget, despite the foreign exchange impact of rising urea prices (denominated in US$). In 2006, EFC (30% owned by the Savola Group) generated profits SR375 million. At the time of writing, The Savola Group has sold its stake in EFC to a consortium led by Abraaj Capital.



STRATEGIC MANAGEMENT CENTER

The Strategic Management Center provides management advice and support to the Group's business units in a variety of areas including human resources, IT shared services and Corporate Governance.

STRATEGIC MANAGEMENT CENTER (SMC)

The SMC was established to retain and attract talented professionals to work in the Group, train and motivate them to achieve the company's present and future objectives. It manages the human resources development of the group following international best practice and standards. Human Resources is given the highest priority in the Group's development plans. A review of the SMC's most notable achievements during the year follows.

PERFORMANCE MANAGEMENT & HUMAN RESOURCES DEVELOPMENT SYSTEM

The Performance Management & Human Resources Development System is a system developed by the Group using the latest techniques to evaluate the performance of its management and remunerate them accordingly. Approximately 300 managers from the Group and its subsidiaries were trained during the year (16 training courses were held). This system was applied from January 2007 and works around three main phases as follows: 1) On-going development and training for improved performance; 2) Linking remuneration and promotion to performance review; and 3) Establishing career plans to motivate and retain staff.

The Group has established a program to identify and encourage the second generation of executives through training and close working with senior colleagues. Training the next generation of executives in this way will help to secure the Group's long-term competitive edge and secure shareholders' interests. This Executive Succession Plan was developed by professional advisors and applied from early 2007.

TRAINING & SAUDIZATION PROGRAMS

The Group continued in 2006 to apply its training courses for graduates and non-graduates as part of its Saudization program. Specialized training courses were conducted in marketing, production and other administrative skills for staff working at all levels with the Group in Saudi Arabia and overseas.

The results of the Saudization program are impressive. Saudi nationals accounted for 65% of the staff at Group headquarters by the end of 2006. This success is mirrored in the divisions: 48% in Afia International Company, 46% in United Sugar Company, just under 36% in both the Retailing and Franchising Divisions and 40% in the Plastics Division.

Particularly noteworthy was the Retail Division, which trained over 3,500 Saudi employees in 2006 to support the expansion strategy and to localize the business. Following intensive training courses and a focus on attracting staff from inside the company, the number of Saudi staff holding supervisory and managerial positions has increased significantly. Savola's proud to be ranked as the first retail company in Saudi Arabia to employ Saudi general managers for its large stores (hypermarkets) and Saudi regional managers for Panda supermarkets. The retail division will maintain the programme in 2007.

In addition, Herfy signed a contract with the Human Resources Development Fund in May 2006 to hire 300 Saudi young nationals at an average rate of 25 applicants a month. This contract will end in 2007. Herfy will employee over 1,000 Saudi nationals by 2008.

BLENDED LEARNING PROGRAMS

The Savola Group introduced new training methods involving a continuous learning system, which utilize blended and multi-media learning approaches. This type of training makes use of the technological revolution and employs various training methods such as e-training via database, online training, compact discs and distance learning. In addition, an electronic library is available to staff. The library covers all administrative and technical topics that may be needed by employees to develop their administrative and technical competencies on the job training and class learning.

IT SHARED SERVICES CENTER

The IT Shared Services Center continues to provide services in the field of information technology and electronic solutions for the corporate head office and group subsidiaries. The IT Shared Services Center is a resource for the group and does not represent a direct business focus for the group. Accordingly, The Savola Group sold its Subsidiary (Royah IT Company) to Al-Mala'az Group Company, a specialized communications and IT company.

CORPORATE GOVERNANCE

The Savola Group continued in 2006 to apply the Corporate Governance approach which it adopted in 2004. Corporate Governance is a vital part of building an international company. It provides the means to manage and monitor the relationships between the Board and it sub-committees, the Company and its shareholders with transparency, accountability and full disclosure. Levels of Authority (LOA) were established to define responsibilities for the Board and sub-committees in strategic decision-making. A special Committee for Corporate Governance was established in 2004 to manage the program's implementation.

It is the Group's intention to follow international best practice in Corporate Governance and act as a champion of Corporate Governance with other leading Saudi business concerns. Good Corporate Governance practices will enhance shareholder value, attract investors and business partners and contribute positively to the Group's short and long-term performance. As part of this initiative, the Group intends to introduce an international standard investor relations program, which will support its business development plans and investment strategy in the Kingdom and overseas.

Currently, the Group is fully compliant with the requirements of the CMA and Ministry of Commerce and Industry for transparency and disclosure. The functions performed by the Group in this respect include:

- Publication of the quarterly financial statements and closing accounts at website www.tadawul.com within the timeframe stipulated by the CMA.
- Preparation of the Board of Director's report according to the requirements of disclosure and the guidelines and standards designed by the CMA.
- Adherence to the new announcement wording as regulated by the CMA, essential information to be included as well as the publication of timings for those announcements.
- The internal Corporate Governance manual was developed and approved by the Board and it is currently being applied and reviewed periodically according to the best practices.
- The Corporate Governance Dept. in the Group is currently preparing an electronic site to allow investors to obtain the information directly.
- The Board has filled in and signed the declarations, statements and disclosure forms as required by the CMA.
- The Group was not subject to any penalty, fine or reserve restriction imposed by the CMA, supervisory, control, regulatory or court authority during the year.

SAVOLA ETHICS AND VALUES

It is worth reiterating the guiding principles that provide the foundation for The Savola Group's actions as an organization and in its relationship with all its stakeholders, internal and external. Below is a brief outline of the Balanced Way – Ethics and Values. A more detailed explanation can be found on the Group's website.

The Balanced Way framework helps guide the Group on a daily basis, it also provides The Savola Group with a firm foundation on which to build a clearly differentiated competitive advantage in its commercial dealings.

The Savola Group believes that corporations operate more efficiently and successfully if their behaviour and actions are guided by an ethical framework; a moral contract with stakeholders. This framework provides a balancing force between the competing interests of the various stakeholders.

ETHICS

The Savola Group engages in three kinds of relationships – with its partners, its customers and its employees. These relationships are governed by four ethical principles.

Honesty (Amanah), which concerns itself primarily with those who have a financial interest in the Group such as shareholders, investors, joint venture partners and banks (Murabaha), requiring rigorous financial discipline and responsibility by the Group on their behalf.

Conscientiousness (Taqwa), which focuses on external groups such as suppliers, customers and civil society, obliges the Group to behave respectfully towards all as a good corporate citizen.

Caring justice (Birr), which is the manner in which the Group behaves towards employees. Treating those that work for Savola with decency and human dignity; rights to which the Group believes all are entitled.

Personal Control (Mujahadah), which focuses on the individual's drive for self-improvement and personal discipline, ensuring each employee is able to achieve their full potential.

VALUES

There are eight values that the Group fosters among all its employees. These the Group hopes will encourage success in their personal and business lives.

They break out into four internal values and four external values. The internal values are Confident Humility (Tawado), Apprenticeship (Iq'tida), Fierce Resolve (Azm) and Relentless Pursuit of Perfection (It'qan).

The external values are Trusting (Ishan Al-Dhan), Accepting (Qabool), Approaching (Iq'bal) and Caring (Mu'azarah).

These values help employees establish a sound, stable set of attitudes and behaviours that allow them to become aware of their own performance, help them to work with others and develop as professionals.

The Group is actively engaged in developing internal communications and training programmes to ensure all employees are fully aware of its Ethics and Values and their relevance to their own and the Group's performance.

FUTURE DIRECTION OF THE GROUP

It is the opinion of the Board that The Savola Group may capitalize on the wider economic growth in the MENACA region by building a diversified investment portfolio.

The benefits of a carefully executed and managed investment strategy to the Group's financial performance are clear. The extraordinary gains of 2005 and 2006 are testament to this. The financial standing of the Group is better than it has ever been and it has strength and depth in its managers throughout the group.

The potential benefits to shareholders and Savola are obvious, in the Board's opinion. Therefore, the Board is reviewing the current structure of the Group to ensure it is aligned with this new strategy. The Group MD, Dr. Sami Baroum is leading this process.

The Group will become a diversified strategic holding company by the end of 2007.

The Group's efforts will be focused on exploring the wider investment opportunities available in the region, either directly or indirectly in strategic partners, who complement Savola management's skills.

In 2007, therefore, the Group will undergo substantial change as it realigns its operating structure to this strategy. A special projects group will be established, working in close cooperation with external professional advisers, to frame the investment strategy and identify potential acquisitions, guided by the Ethics and Values of the Group.

The Board is confident that, with Allah's Blessing, the Group will manage this transition successfully and in 2007 shareholders will bear the first fruits of this new strategy.

CORPORATE SOCIAL RESPONSIBILITY CSR

Savola Bridges

Our Social Responsibility

Corporate Social Responsibility (CSR) forms a significant component of The Savola Group's broader engagement with civil society. The CSR programmes are managed and run by the Savola Social Responsibility Programs Department, which reports to the Board of Directors. The Group's CSR activities fall under two categories, Savola Pledges (Mawatheek), which represent commitments between the Group and concerned stakeholders, and Savola Bridges (Jassour), the activities that ensure the implementation of these promises. The activities are based firmly on the principles of the Group as expressed in 'The Balanced Way' and articulated in the Group's Ethics & Values, the guiding principles for how the Group behaves. The Savola Group has several initiatives underway within the community including those that support poor families, institutions that cater to people with special needs, educational, training, environmental and other functional programs for a wide variety of people in the community. The following is a brief description of the activities.

NATIONAL INITIATIVE IN SOCIAL RESPONSIBILITY

Savola was a Gold Sponsor and an active strategic partner in the National Initiative for Social Responsibility, which was launched in May 2006 under the patronage of His Royal Highness Prince Sultan Bin Abdulaziz at a CSR conference. The aim of the twelve month initiative is to broaden the awareness of CSR throughout the Kingdom and to ensure that the concept is firmly implanted in the business life of Saudi Arabia.

COMMUNITY SERVICES LEARNING PROGRAM

Savola worked closely with King Abdulaziz University – Girls Section, to help female undergraduates prepare themselves for the labor market. The program formed part of the academic curriculum and provided students with practical training and advice to ensure their successful entry into their working life and the community at large.

Heart & Soul

SPECIAL NEEDS EMPLOYMENT OFFICE

The Group completed all the administrative, technical and logistical formalities to establish the office to provide equal opportunities for all. It is designed to help those with special needs gain the skills and experience for them to enter the labor market and become an active part of the community. The office helped secure 81 jobs across a wide variety of industries and found 44 participants training programs, which led to employment opportunities. Nineteen companies registered with the office and work closely with it.

IBSAR CHARITABLE SOCIETY

Savola Group signed an agreement with the Ibsar Charitable Society to support rehabilitation programs for the blind, 18 trainees out of 32 people were trained. Training will resume in 2007 for the remainder of the visually impaired members of the society.

JEDDAH INSTITUTE FOR SPEECH & HEARING (JISH)

In 2006, The Savola Group signed a memorandum of understanding with JISH. Under the agreement, Savola will finance hearing examinations, speech and language skills tests for one year to help rehabilitate a number of hearing-impaired children and provide electronic hearing aids. A specialized medical committee selects the children eligible for the program.

UNITED HANDS TEAM

The Savola Group signed an agreement in 2006 with the United Hands Team. The United Hands Team operates under the umbrella of the World Forum for Islamic Youth to provide medical care, prescription pharmaceuticals and provide medical consultations free of charge to patients, who cannot afford treatment. The Group also provides orientation courses to the patients.

VOCATIONAL TRAINING

The Savola Group signed an agreement with the Vocational Typing Learning Center to train 30 orphans in the skills need for the printing and publication trades. This program encourages self-reliance and helps orphans become more active in the community. The program provides instruction in the basic theories and principles of typing, and basic skills on the operation and maintenance of printing presses.

The Board has approved the 2007 budget and the Group continues to develop its CSR programs on the Pledges and Bridges platforms across a wide variety of fields and with the cooperation of a variety of organisations. These programs include support and finance for people with special needs, the continued support for poor families, the promotion of sustainable environmental practices, and medical, health and social programs, which include scientific research and development initiatives.

The Group's CSR activities also include promoting employees' welfare and interests to help them lead productive lives and play an active role in their communities.

CORPORATE

INFORMATION

Managing Director's Profile

Dr. Sami Mohsen Baroum

ACADEMIC QUALIFICATIONS

- Ph.D. in Operations Management and MIS, Indiana University, Bloomington, Indiana, Aug. 92.
- MBA (with Distinction), Wharton School of Business, University of Pennsylvania, Philadelphia, Pennsylvania, Dec. 85.

EXECUTIVE LEADERSHIP POSITIONS IN SAVOLA

- Managing Director of the Savola Group, 1st April 2007
- President Retail and Real Estate Divisions; Aug. 2003-Apr. 2005
- President Packaging Division; Nov 98-June 2000
- Executive Vice President and Chief Financial Officer; Apr. 95-Jun. 2000
- Chief Information Officer; Sep. 96-Jun.2000
- Group Treasurer; Jan. 94- Mar. 95

OTHER EXECUTIVE LEADERSHIP POSITIONS (APR.2005 MAR. 2006)

- Acting Managing Director, Seera City Real Estate Dev. Co (The Knowledge Economic City) and CEO of Al-Rubaia Real estate Company

College of Engineering, King Abdulaziz University; Aug. 81- Oct. 93

- Assistant Professor of Industrial Engineering, College of Engineering; Sep. 92-Oct. 93.

ACTIVE BOARD MEMBERSHIPS

- Modern Marafeq (Savola Real Estate Co.) – Member
- Al-Azizia Panda United - Member
- Venture Capital Bank, Bahrain - Member
- Seera City Real Estate Dev. Co (The Knowledge Economic City)- Member
- Broadband Access Networking Co. (Board Chairman)
- Techno Media - Member

PREVIOUS BOARD MEMBERSHIPS

- Savola Sime Egypt Co
- Savola Packaging Systems Co
- United Properties Company
- Vice Chairman for the retail committee of Jeddah Chamber of Commerce.
- Member of the IT committee of Jeddah Chamber of Commerce

GROUP'S MANAGEMENT STRUCTURE:
THE BOARD OF DIRECTORS:

According to the Group articles of association, the Board of Directors comprises from twelve members. The Board of Directors establishes the corporate overall strategies, plans, policies, financial objectives, approves its financial provisions and budgets, monitors the performance and progress of the corporate affairs, evaluates the Board performance and overall activities, in addition to evaluation of the performance of the company and senior management regularly. Protects, and takes cares of the interests of the shareholders and other relevant parties. Moreover, the Board ensures compliance with the applicable rules and regulations besides all requirements stipulated by the corporate articles of association and the internal administrative governance regulation.

In support to its mandate and responsibilities, the Board of Directors held nine (9) meetings during 2006, out of which six (6) scheduled meetings and three (3) un-scheduled (exceptional) meetings. The following table outlines the position of the board meetings and members in 2006:

SR.	MEMBER NAME	SCHEDULED MEETINGS (6)	NON-SCHEDULED MEETINGS (3)	TOTAL NO. OF MEETINGS ATTENDED DURING 2006
1.	Eng. Adel M. Fakeih	5	3	8
2.	Prince Naif Bin Sultan	2	0	2
3.	Mr. Ibrahim M. Al Issa	5	2	7
4.	Dr. Abdulraouf Mannaa	6	3	9
5.	Mr. Abdulaziz K. Al Ghufaily	6	3	9
6.	Dr. Abdullah Tilmisani	6	2	8
7.	Mr. Ammar A. Al Khudairi	4	2	6
8.	Dr. Ghassan A. Al Sulaiman	2	3	5
9.	Dr. Majed A. Al Gossabi	2	1	3
10.	Mr. Mohammad A. Al Fadl	6	2	8
11.	Mr. Mousa Omran Al Omran	5	3	8
12.	Mr. Youssef M. Aliriza	5	2	7

Other Board memberships in Joint Stock Companies that the Board members still assuming their membership, and type of membership in Savola:

SR.	MEMBER NAME	TYPE OF MEMBERSHIP IN SAVOLA	JOIN STOCK COMPANIES
1.	Eng. Adel M. Fakeih (Chairman of The Board)	Non-executive (represents Gov. partner, and ex-former executive)	N/A
2.	Prince Naif Bin Sultan	Independent	Almarai (Listed)
3.	Mr. Ibrahim M. Al Issa	Non-executive (relative of controlling partner)	Taiba Co. (Listed), Saudi Fransi Bank (Listed), Almarai (Listed)
4.	Dr. Abdulraouf Mannaa	Executive	Almarai (Listed), Emmar (Listed) Afia Int. (Closed)
5.	Mr. Abdulaziz K. Al Ghufaily	Non-executive (represents Gov. partner)	Industrialization & Energy Services Co (Taqa) (Closed)
6.	Dr. Abdullah Tilmisani	Independent	N/A
7.	Mr. Ammar A. Al Khudairi	Independent	N/A
8.	Dr. Ghassan A. Al Sulaiman	Independent	Arabian Cement (Listed), Afia Int. (Listed)
9.	Dr. Majed A. Al Gossabi	Independent	Red Sea Co. (Listed)
10.	Mr. Mohammad A. Al Fadl	Independent	SIDC (Listed), Arabian Cement (Listed)
11.	Mr. Mousa Omran Al Omran	Independent	Saudi Fransi Bank (Listed), Afia Int. (Closed)
12.	Mr. Youssef M. Aliriza	Independent	Afia Int. (Closed)

B) BOARD OF DIRECTORS COMMITTEES:

The Savola Group Board of Directors has established five sub-committees whose members are appointed by the Board of Directors. These sub-committees assume principal and important roles through assisting the Board to undertake its statutory duties, to ensure optimum performance and effective decision making processes and ulitilization of the various Board members' expertise. These five sub-committees undertake very essential roles in planning, making strategic decisions, ensure their appropriateness, enhance the transparency and disclosure policies, in addition to enhancement of the social responsibility towards the community.

In this respect, the following Board sub-committees continued their functions in the fiscal year 2006 as follows:

AUDIT & RISK COMMITTEE:

These committee members are non-executive directors including officers in the financial and accounting affairs. The committee continued its meeting during 2006 for performing its duties where it has developed the plans of the internal control, risk management, monitored application and progress as well as monitoring the works of the external auditor. The committee has reviewed the performance of the internal control in 2006, discussed and approved the 2007 fiscal year plan in the field of internal control and risk management. The committee furnishes the Board of Directors with regular reports in this respect.

To ensure the independence and professionalism of the external auditing, the Group appointed KPMG Al Fozan & Al Sadhan (formerly known as KPMG Al Fozan & Banaga), as external auditors, to review and audit the Group accounts for the fiscal year 2006. The Group has also appointed Ernest & Young to undertake the functions of the internal audit. (These offices are international houses of expertise in the field of auditing) to ensure application of the best international standards applied in the field of internal auditing and control and risk management for the company and its subsidiaries. The names of the audit committe members and number of meetings attended by each of them out of three meetings held in 2006 are as follows:

SR.	MEMBER NAME	POSITION	ATTENDED MEETING
1.	Mr. Ibrahim M. Al Issa	Chairman of the Committee (Board member)	3
2.	Mr. Saleh A. Al-Essai	Member of the Committee (Group Shareholder)	1
3.	Mr. Abdulaziz K. Al Ghufaily	Member of the Committee (Board Member)	3
4.	Mr. Ammar A. Al Khudairi	Member of the Committee (Board Member)	2
5.	Mr. Mohammad A. Al Fadl	Member of the Committee (Board Member)	2
6.	Dr. Muhammad H. Ikhwan	Committee Coordinator	3
7.	Mr. Mahmoud Abdul Ghaffar	Committee Secretary	3

Accordingly, the Board declares that the records were prepared and maintained properly and that the internal control system is based on sound grounds and that there is not any doubt regarding the issuer's declaration to continue its business activity. The Board also commits to furnish the Saudi Capital Market Authority with any further information that may be required should the auditor present reservation on the annual financial statements.

OTHER BOARD COMMITTEES

COMPENSATION COMMITTEE (3 MEETINGS WERE HELD)		CORPORATE GOVERNANCE COMMITTEE (3 MEETINGS WERE HELD)	
Mr. Youssef Aliriza	Chairman	Dr. Ghassan A. Al Sulaiman	Chairman
Dr. Abdulraouf Mannaa	Member	Dr. Abdullah M. A. Tilmisani	Member
Mr. Ammar Al Khudairi	Member	Mr. Mohammad A. Al Fadl	Member
Dr. Ghassan A. Al Sulaiman	Member	Mr. Musa Al Omran	Member
Mr. Musa Al Omran	Member	Dr. Ayman Hashim	Coordinator
Dr. Ayman Hashim	Coordinator	Mr. Mahmoud Abdul Ghaffar	Secretary
Mr. Mahmoud Abdul Ghaffar	Secretary		
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (3 MEETINGS HELD)		**INVESTMENTS COMMITTEE (4 MEETINGS HELD)**	
Dr. Ghassan A. Al Sulaiman	Chairman	Eng. Adel M. Fakeih	Chairman
Eng. Adel M. Fakeih	Member	Dr. Abdulraouf Mannaa	Member
Dr. Abdulraouf Mannaa	Member	Mr. Mohammad A. Al Fadl	Member
Dr. Abdullah M. A. Tilmisani	Member	Mr. Ammar Al Khudairi	Member
Mr. Mohammad A. Al Fadl	Member	Dr. Ghassan A. Al Sulaiman	Member
Dr. Mohammad A. Kashgari	Member	Mr. Musa Al Omran	Member
Mr. Mahmoud Abdul Ghaffar	Coordinator & Secretary	Mr. Youssef M. Aliriza	Member
		Dr. Muhammad H. Ikhwan	Coordinator
		Mr. Mahmoud Abdul Ghaffar	Secretary

C) Executive Board Team:

The Executive Board (EXB) of Savola Group comprises of eleven members, the EXB membership includes all Presidents of the Divisions in addition to the Vice Presidents in HQ and Group CFO. The EXB members are appointed by the Group's Managing Director who acts also as chairman for the EXB. The EXB mandate and role are implement the strategies, plans and policies declared by the Boards of the Group and subsidiaries, follow-up and monitor the performance of the different Divisions and to ensure their complete adherence to the established plans and policies and to what extent they comply with the risk management and internal control plans. In addition, it develops and implements the different operational and advanced management systems that help in monitoring, evaluating and implementing the plans and to ensure that the company's business activities are in compliance with the applicable rules, regulations and ethics.

The EXB held fourteen meetings during 2006. The names of the EXB members are detailed below (according to aliphatic order):

SR.	NAME	POSITION	
1.	Dr. Abdulraouf M. Mannaa	Chief Executive Officer (CEO)	Managing Director
2.	Eng. Azhar Kangi	President, Plastic Division	EXB Member
3.	Eng. Zouhair Eloudghiri	President, Oils & Foods Division	EXB Member
4.	Abdulmalik Fathaddin	President, Real Estate Division	EXB Member
5.	Dr. Mohammad Amin Jefri	President, Franchising Division	EXB Member
6.	Dr Mohammad Amin Kashgari	President of Retail Division	EXB Member
7.	Dr. Mohammad Hassan Ajlan	President of Sugar Division	EXB Member
8.	Dr. Ayman Arab Hashim	VP, Strategic Management Center	EXB Member
9.	Dr. Muhammad Hassan Ikhwan	VP, Merger & Acquisition	EXB Member
10.	Mr. Mahmoud Abdul Ghaffar	VP, Corporate Affairs & Board Secretary	EXB Member & Secretary
11.	Nouman Farrukh	Group Deputy CFO	EXB Member

8) Other

a) Board Directors and Senior Executives Remuneration:

According to Savola's Articles of Association and in compliance with the directives of the Ministry of Commerce and Industry (MOCI) in this respect, the total provision allocated as remuneration to the board directors for the fiscal year ended 31st December, 2006 amounted SR 2.4 million. The Board members also received amount of SR 467.1 thousand, which represented: Board attendance fees and travel and accommodation expenses for the Group main Board, in addition to the amounts paid to the Board Committees (Audit and Risk Management Committee, Investment Committee, Remuneration & Succession planning Committee, Corporate Governance Committee and Corporate Social Responsibility Committee) plus the remuneration paid to the board secretary.

It is worthy to mention that the Chairman did not receive any remuneration in 2006 for his board membership. However the annual remuneration and meetings attendance fees for his membership totaling SR224 thousand has been paid in certified cheque in the name and account of the General Investment Fund which His Excellency Eng. Adel Fakeih represents its membership in the Group Board.

On the other hand, the total remuneration received by the Managing Director for the year 2006 amounted SR 7.7 million. This amount represents the monthly salary, transportation allowance, medical insurance coverage, performance annual bonus and board annual budgeted bonus, Board & committees meetings attendance allowance and subsidiaries Boards meetings which the CEO represent their membership in-home and abroad according to the contract signed with him.

The total sums paid to the Group's senior executives (ten members) including the Group Chief Financial Officer (CFO) whose names are listed above in (item 4-c) reached SR 14.3 million. This figure includes salaries, other allowances and the annual performance bonus.

b) Board declaration as required by the Corporate Governance by laws:

According to the rules of registration, enrollment and corporate governance regulation issued by the Capital Market Authority stipulate to disclose in the Board annual report all items as required by the annual report form established by the CMA and should any requirements are not applicable, then indication should be made accordingly in the report and to clarify in the disclosure form number 4 and to inform the CMA accordingly. Therefore, it is worthy to mention that the Savola Group has disclosed herein the applicable requirements and that the board declares that the following subjects are not applicable to the Group and that the Board discloses them if applicable or in the event of happening:

- At present, the Group does not apply any Employees Shares Option Plans (ESOP) and that it does not have any debts instruments transferable to shares.
- Savola has neither preferred shares nor shares with special priority in voting, whether to shareholders or directors or employees. All shares of Savola Group are ordinary ones of equal nominal value and gives equal voting rights and other rights as per regulations.
- Neither agreement nor assignment holds with the shareholders or any of executives in the Group, employees or subsidiaries to assign from any right of profits or any other material interest.
- The company does not receive any notices from its shareholders in respect of any change to their equities during the fiscal year 2006, except the notices of the Board of Directors and executive department.
- Nominations and Compensation Committee: There is a committee of Compensation and Succession Planning entailing from the Board of Directors as stated above. However, at present there is no Board committee in charge of nominations as such requirement was provided earlier in the Corporate Governance Regulation, the Board of Directors will discuss the possibility of adding the nomination responsibilities and mandate to any of its existing committees (Compensation and Succession Planning or Corporate Governance Committee) during the year 2007.

c) Recommendation from the Board of Directors:

The AGM approved in its meeting held on 18th April 2007 with absolute majority the recommendations made by the Board, as follow:

1) Approved the Board of Directors' Report for 2006.
2) Approved of the Final Accounts and the Auditors' Report for the year ended 31/12/2006.
3) Absolved the Board of Directors from any liability pertaining to the company management for year 2006.
4) Appointed KPMG as External Auditors for 2007.
5) Ratified dividends distribution for the year 2006, which reach SR 356.25 million.
6) Ratified Dr. Sami Baroum membership in the Savola Group Board of Directors effective 1st April 2007.

PROGRAMS ESTABLISHED BY THE GROUP FOR ITS EMPLOYEES' INTEREST AND WELFARE.

HOUSING LOANS SCHEME FOR EMPLOYEES OF SAVOLA

This plan provides interest-free loans to help employees buy or build houses for them and their families. A variety of criteria are applied for staff to qualify, including distinguished performance. Loans range in value from a minimum of SR500,000 to a maximum of SR1,200,000 for an employee. The loan amount is deducted from the employees' salaries in monthly installments, as stipulated by Home Loan Policy. Outstanding loan values, as on 31st January 2006, were SR 12 million, taking the total sum already paid to SR 40 million since the plan started in 1992. The program is approved by the Board of Directors and supervised by a committee formed by the Group's Managing Director.

EMPLOYEES COOPERATIVE TAKAFUL PROGRAM

The Savola Group signed a contract with Bank Al Jazirah whereby the bank pays compensation to the equivalent of two years' salary to the employee (with a minimum amount of SR50,000). The compensation is paid in the event of the employee's death for any reason, total disability, permanent or partial disability, according to terms and conditions agreed by both parties in this respect. The Group contributes each year to the program and SR 1.04 million paid in 2006. The Program is compliant with Islamic Shari'ah and approved by the Islamic Shari'ah Advisory council of the Bank.

EMPLOYEES TAKAFUL FUND

As part of its commitment to Caring Justice (Birr) and to promote solidarity and cooperation among employees, Savola has established "Takaful Fund". The fund assists junior staff (i.e. non-managers) in overcoming any financial emergencies they or their families might encounter. This program is financed through voluntary, nominal contributions, deducted monthly from the different grades of the Group's staff in Saudi Arabia, who wish to contribute to this Fund. Savola contributes to the value of 35% of each employee's total contribution. The total deductions made from staff payments and Savola's contribution amounted to SR 352.8 thousand in 2006 over SR. 318.9 thousand in 2005. This fund is administered by a committee and governed by a set of criteria and policies.

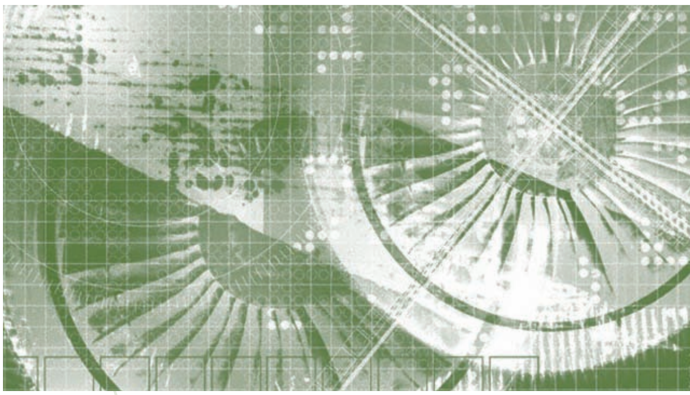
THANKS AND APPRECIATION:

The Board would like to take this opportunity to extend its thanks and appreciation to the Custodian of the Two Holy Mosques and to His Royal Highness Crown Prince HRH Sultan Bin Abdulaziz Al Saud for their special endeavours in furthering the welfare and the stability of the country. The Board also extends its appreciation and thanks to the Government of the Custodian of the Two Holy Mosques for its continuous support and encouragement to industrial and private sector.

The Board also would like to thank all Saudi citizens for the trust and loyalty they have placed in the Group and in its products.

The Board of Directors further would like to thank the Group's Esteemed Shareholders for their trust and kind support and Mo'azrah. Many thanks also go to the Group and subsidiaries Management and their employees who have made possible another successful year. Many thanks to them all for their dedication and continued efforts. Finally, we are proud to re-confirm to you that the group is facing the future with great confidence and steadfastness and is committed – with the help of Almighty Allah- to achieve its ultimate Goals, mainly to serve our stakeholders interests, the national economy and the local community.

THE SAVOLA GROUP BOARD OF DIRECTORS



FINANCIAL

AUDITORS' REPORT

The Shareholders
Savola Group Company
Jeddah, Saudi Arabia

We have audited the consolidated balance sheet of Savola Group Company (the Company) and its subsidiaries as at December 31, 2006 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the accompanying notes 1 through 30 which form an integral part of these consolidated financial statements.

These consolidated financial statements have been prepared by the Company's management in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us, together with all the information and explanations which we required. Our audit was conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary to obtain a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements. The consolidated financial statements for the year ended December 31, 2005 were audited by other auditors, whose report dated March 5, 2006 expressed an unqualified opinion on those statements.

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

1. Present fairly in all material respect the financial position of Savola Group Company and its subsidiaries as at December 31, 2006, and the results of its operations, cash flows and changes in equity for the year then ended in conformity with generally accepted accounting standards appropriate to the circumstances of the Company and its subsidiaries.

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

For KPMG Al Fozan & Al Sadhan:

Tareq Abdulrahman Al Sadhan
License No. 352

Jeddah, February 22, 2007

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2006

	NOTES		2006 (SR 000)		2005 (SR 000)
ASSETS					
Current assets:					
Cash & Cash equivalents	3	SR	2,893,980	SR	265,148
Accounts receivable	4		1,325,617		942,875
Investments	7		24,438		328,642
Inventories	5		1,338,167		1,122,201
Prepayments and other current assets	6		271,814		284,739
Total current assets			**5,854,016**		**2,943,605**
Non-current assets:					
Investments	7		2,153,755		1,104,186
Intangible assets	8		282,830		151,868
Property, plant and equipment	9		2,984,402		3,917,612
Total non-current assets			**5,420,987**		**5,173,666**
TOTAL ASSETS		**SR**	**11,275,003**	**SR**	**8,117,271**
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term bank debts	10	SR	1,703,111	SR	1,425,610
Current portion of long-term debts	11		131,407		195,072
Accounts payable	12		1,339,968		1,230,510
Accrued expenses and other liablilities	13		455,109		427,823
Total current liabilities			**3,629,595**		**3,279,015**
Non-current liabilities:					
Long-term payables	14		65,105		128,212
Long-term debts	11		560,051		941,652
Employee's termination benefits			145,170		122,316
Total non-current liabilities			**770,326**		**1,192,180**
Total liabilites		**SR**	**4,399,921**	**SR**	**4,471,195**
Equity					
Equity attributable to the Company's shareholders:					
Share capital	15	SR	3,750,000	SR	1,500,000
Statutory reserve	16		779,708		523,849
General reserve			4,000		4,000
Unrealized gains on investments			54,022		131,677
Foreign currency translation adjustments			(103,303)		(112,706)
Retained earnings			1,599,122		938,293
Total shareholders' equity			**6,083,549**		**2,985,113**
Minority interests			**791,533**		**660,963**
Total equity		**SR**	**6,875,082**	**SR**	**3,646,076**
TOTAL LIABILITIES AND EQUITY		**SR**	**11,275,003**	**SR**	**8,117,271**

THE ACCOMPANYING NOTES 1 THROUGH 30 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2006

	NOTES		2006 (SR 000)		2005 (SR 000)
Revenues - net		SR	9,096,687	SR	6,912,030
Cost of revenues			(7,553,330)		(5,700,362)
Gross profit			**1,543,357**		**1,211,668**
Expenses:					
Selling and marketing	17		(719,220)		(553,023)
General and administrative	18		(345,166)		(352,869)
Total expenses			**(1,064,386)**		**(905,892)**
Operating income			**478,971**		**305,776**
Other Income (Expenses):					
Investment related income - net	19		841,362		1,098,864
Other income - net	20		97,824		57,780
Financial charges - net	21		(71,454)		(91,432)
Income before Zakat and income tax and minority interests			**1,346,703**		**1,370,988**
Zakat and income tax	22		(45,677)		(30,780)
Net income before minority interests			**1,301,026**		**1,340,208**
Share of minority interests in the net income of consolidated subsidiaries			(152,438)		(138,034)
NET INCOME		**SR**	**1,148,588**	**SR**	**1,202,174**
Earnings per share	**23**	SR	3.07	SR	3.37

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

		2006 (SR 000)		2005 (SR 000)
Cash flows from operating activities:				
Net income	SR	1,148,588	SR	1,202,174
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Depreciation, amortisation and impairment		265,975		282,471
(Gain) on sale of property, plant and equipment		(1,666)		(4,326)
Adjustments to intangible assets		--		4,138
Investment related income		(841,362)		(1,098,864)
Share of minority interests in net income of consolidated subsidiaries		152,438		138,034
Changes in operating assets and liabilities:				
Accounts receivable		(415,189)		(324,787)
Inventories		(215,966)		(149,476)
Prepayments and other current assets		(6,205)		(136,464)
Accounts payable		132,084		459,163
Accrued expenses and other current liabilities		81,534		92,365
Employees' termination benefits		25,105		15,940
Total adjustments		(398,637)		(43,259)
Net cash provided by operating activities	SR	325,336	SR	480,368
Cash flows from investing activities:				
Net change in restricted deposits	SR	(11,194)	SR	(32,700)
Additions to available-for-sale investments		(334,889)		(411,831)
Proceeds from sale of available-for-sale investments		604,446		525,519
Net proceeds from sale of other investments – net		1,546,997		935,480
Net change in other investments		260,861		(513,209)
Dividends received from associates		--		100,825
Net change in intangible assets		(174,370)		(42,081)
Addition to property, plant and equipment		(1,376,583)		(988,048)
Proceeds from sale of property, plant and equipment		9,274		16,494
Net cash provided by (used in) investing activities	SR	524,542	SR	(409,551)

Continued…

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

		2006 (SR 000)		2005 (SR 000)
Cash flows from financing activities:				
Net change in short-term bank debts	SR	277,501	SR	433,447
Net change in long-term debts		(445,266)		(87,407)
Net changes in minority interests		(21,868)		(109,469)
Net proceeds from issue of new shares		2,391,000		--
Dividends paid		(433,607)		(338,726)
Net cash provided by (used in) financing activities		**1,767,760**		**(102,155)**
Net change in cash and cash equivalents	**SR**	**2,617,638**	**SR**	**(31,338)**
Cash and cash equivalents at beginning of the year		202,448		233,786
Cash and cash equivalents at end of the year	**SR**	**2,820,086**	**SR**	**202,448**
Non-cash items:				
Unrealized (loss) gains on available-for-sale investments	SR	(77,655)	SR	110,819
Foreign currency translation adjustments		9,403		(51,335)
Directors' remuneration		2,400		2,400
Payable related to acquisition of a subsidiary credited to liabilities		--		57,328
Net excess of the fair value of a subsidiary's underlying net assets over its purchase price		--		48,570

FOR THE YEAR ENDED

EQUITY ATTRIBUTABLE

	Capital (SR 000)		Statutory reserve (SR 000)		General reserve (SR 000)	
Balance at December 31, 2004	SR	1,000,000	SR	403,631	SR	254,000
Bonus shares issued during the year		500,000		--		(250,000)
Dividends:						
- Final (2004)		--		--		--
- Interim (2005)		--		--		--
Net income for the year		--		--		--
Transfer to reserve		--		120,218		--
Unrealized gain on investments adjustments		--		--		--
Foreign currency translation adjustments		--		--		--
Directors' remuneration		--		--		--
Other changes in minority interests		--		--		--
Balance at December 31, 2005	**SR**	**1,500,000**	**SR**	**523,849**	**SR**	**4,000**
Right shares issued at premium	SR	300,000	SR	2,100,000	SR	--
Cost of right shares issued		--		(9,000)		--
Bonus shares issued		1,950,000		(1,950,000)		--
Dividends:						
- Final (2005)		--		--		--
- Interim (2006)		--		--		--
Net income		--		--		--
Transfer to reserve		--		114,859		--
Unrealized gain on investments adjustments		--		--		--
Foreign currency translation adjustments		--		--		--
Directors' remuneration		--		--		--
Other changes in minority interests		--		--		--
Balance at December 31, 2006	**SR**	**3,750,000**	**SR**	**779,708**	**SR**	**4,000**

OF CHANGES IN EQUITY

DECEMBER 31, 2006

TO THE COMPANY'S SHAREHOLDERS

Foreign currency translation adjustments (SR 000)	Unrealized gains on investments (SR 000)	Retained earnings (SR 000)	Total shareholders' equity (SR 000)	Minority interests (SR 000)	Total equity (SR 000)
SR (61,371)	SR 20,858	SR 453,737	SR 2,070,855	SR 632,398	SR 2,703,253
--	--	(250,000)	--	--	--
--	--	(75,000)	(75,000)	--	(75,000)
--	--	(270,000)	(270,000)	--	(270,000)
--	--	1,202,174	1,202,174	138,034	1,340,208
--	--	(120,218)	--	--	--
--	110,819	--	110,819	--	110,819
(51,335)	--	--	(51,335)	--	(51,335)
--	--	(2,400)	(2,400)	--	(2,400)
--	--	--	--	(109,469)	(109,469)
SR (112,706)	**SR 131,677**	**SR 938,293**	**SR 2,985,113**	**SR 660,963**	**SR 3,646,076**
--	SR --	SR --	SR 2,400,000	SR --	SR 2,400,000
--	--	--	(9,000)	--	(9,000)
--	--	--	--	--	--
--	--	(108,000)	(108,000)	--	(108,000)
--	--	(262,500)	(262,500)	--	(262,500)
--	--	1,148,588	1,148,588	152,438	1,301,026
--	--	(114,859)	--	--	--
--	(77,655)	--	(77,655)	--	(77,655)
9,403	--	--	9,403	--	9,403
--	--	(2,400)	(2,400)	--	(2,400)
--	--	--	--	(21,868)	(21,868)
SR (103,303)	**SR 54,022**	**SR 1,599,122**	**SR 6,083,549**	**SR 791,533**	**SR 6,875,082**

Note: Statutory reserve is created from allocation of profits and share premium amount.

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, 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's head office is located at the following address:

Saudi Business Center
Madinah Road
P.O. Box 14455
Jeddah 21424
Kingdom of Saudi Arabia

At December 31, the Company has investments in the following consolidated subsidiaries (collectively described as "the Group"), which operate under separate commercial registrations and are principally engaged in the manufacturing and marketing of vegetable oils, food products, retailing, packaging materials and fast food operations. Also, the Group is involved in real estate related activities.

Directly owned subsidiaries	Country of Incorporation	Effective ownership of interest (%) 2006	2005
Name			
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 ("Royah")	Saudi Arabia	--	100
Savola Trading International Limited	British Virgin Islands	100	100
Tayseer FZCO	UAE	100	100
Azizia Panda Trading Company	Saudi Arabia	100	100
Al-Azizia Panda United Company ("APUC")	Saudi Arabia	100	100
Afia International Company ("AIC"), formerly Savola Edible Oils Company Ltd.	Saudi Arabia	90.6	90.6
Herfy Food Services Company Ltd. ("Herfy")	Saudi Arabia	70	70
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	63.5	63.5
United Properties Development Company ("UPDC")	Saudi Arabia	70	70
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	100	--

1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS (continued)

Entities majority owned/controlled through subsidiaries	Country of Incorporation	Effective ownership of interest (%)	
		2006	2005
AIC			
Malintra Holdings	Luxembourg	100	100
Afia International Company Jordan	Jordan	75	75
Savola Morocco Company	Morocco	75	60
Savola Foods Limited ("SFL") (formerly known as Savola Sime Foods Limited)	British Virgin Islands	100	100
Savola Edible Oils (Sudan) Ltd.	Sudan	100	89
Inveskz Inc.	British Virgin Islands	90	90
Savola Behshahr Company ("SBeC")	Iran	49	49
Afia International – Algeria	Algeria	100	--
Afia Trading International	British Virgin Islands	100	--
SFL			
Afia International Company (formerly Savola Sime - Egypt)	Egypt	94.5	75
SBeC			
Behshahr Industrial Company	Iran	81.2	81.2
Margarine Management Company	Iran	54.1	53.2
SIIC			
United Sugar Company ("USC")	Saudi Arabia	64.8	64.8
USC			
United Sugar Company Egypt ("USCE") (under development)	Egypt	51	51
SPS			
New Marina for Plastic Industries ("NMP")	Egypt	70	--
Al Sharq Company for Plastic Industries. Ltd. ("Al Sharq")	Saudi Arabia	99	99

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. Due to certain uncertainties surrounding the completion of this transaction, Al Sharq was not consolidated at December 31, 2005, but was accounted for at cost in 2005 consolidated financial statements. During 2006, such uncertainties were resolved and accordingly Al Sharq has been consolidated in 2006 financial statements.

1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS (continued)

During 2006, the Company setup AAC as a limited liability company in Saudi Arabia for the purpose of dealing in real estate and related activities and AIC established Afia International Algeria (Algeria) and Afia Trading International (British Virgin Islands) for the purpose of manufacturing and trading in edible oil, respectively. Also, SPS acquired 70% effective ownership interest in New Marina for Plastic Industries Company, an Egyptian closely held Joint Stock Company registered in Arab Republic of Egypt, principally engaged in manufacturing and selling of plastic products.

During 2006, the Company disposed its interest in Royah and 70% of its ownership interest in a wholly owned subsidiary Modern Marafiq for Real Estate Development ("Marafiq"). Accordingly, Marafiq has been de-consolidated with effect from September 1, 2006 and recorded as part of investments in associated companies (Note 7(b)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA). Significant accounting policies adopted by the Group are summarized as follow:

(a) Basis of preparation

The consolidated financial statements are prepared under the historical cost basis (except for available-for-sale investments which are stated at their fair values), using the accrual basis of accounting and the going concern concept.

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency. All financial information presented in SR has been rounded to the nearest thousand.

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries set forth in Note 1 above. Associates are accounted for using the equity method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

(c) 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.

(d) Inventories

Inventories are valued at the lower of cost (determined principally by using the weighted average method) and net realizable value. Cost of finished goods and work-in-process includes the cost of raw materials, direct labour and appropriate production overheads. Inventories in transit are valued at cost.

(e) Investments

(i) Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity basis of accounting, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. The Group's share of profits or losses of the investee companies is credited or charged to the income currently.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Available-for-sale investments

The Company has less than 20% equity investments in locally listed companies and various companies which are not for trading purposes and where the Group does not have any significant influence or control and, accordingly, these are classified as investments available for sale. Those investments which management intends to dispose of within a period of one year are classified as current assets. Other investments are classified in these financial statements under non-current assets. All investments are initially recorded at cost and then re-measured and stated in the balance sheet at their fair values. Fair value is determined by reference to the market value in the open market if exists. In the absence of an open market, the cost is considered to be the fair value for these investments. Unrealized gains and losses arising from the fair value adjustment are reported as a separate item under shareholders' equity attributable to equity holders of the Company. On disposal, such unrealized gains or losses are included in the consolidated statement of income currently. Realized gains and losses on sale of investments are taken to the consolidated statement of income currently. Dividend income from such investments is recorded when declared.

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

(iii) Investments in unconsolidated subsidiaries

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

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

(f) Intangible assets

i) Goodwill

Goodwill represents the excess cost of investments over the fair value of the net assets acquired in a business combination. Until December 31, 2005, this cost was being amortized using the straight-line method over a period not exceeding 20 years. In accordance with a recent amendment to the generally accepted accounting standard issued by SOCPA with respect to goodwill amortization, the Company has changed its goodwill amortization policy. Effective January 1, 2006, goodwill is tested annually for impairment and is carried at cost, being the net book value as of December 31, 2005, net of accumulated impairment losses. Impairment losses on goodwill are not reversed once recorded. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii) Deferred charges

Deferred charges mainly 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred charges also include Saudi Industrial Development Fund (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.

iii) Premium on leased land

Premium on leased land represents amount paid by the Group to a third party to acquire the rights to lease the land from a government agency. Such amount is amortized using the straight-line method over the life of leased land or 20 years, whichever is lower.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment. Land is not depreciated. The estimated useful lives of assets are as follow:

	Years
Buildings	12.5 – 33
Leasehold improvements	3 – 25
Plant and equipment	3 – 30
Furniture and office equipment	4 – 11
Motor vehicles	4 – 10

Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

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

(h) Impairment of assets

Property, plant and equipment and other non-current assets 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(i) Employees' termination benefits

Employees' termination benefits, calculated in accordance with labour regulations of the countries of incorporation of the Group member companies, are accrued and charged to 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 balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Revenue recognition

Revenues are recognized upon delivery or shipment of products or providing services to the customers, and are recorded net of discounts. Revenues also include: (a) rental income which is recognized over the lease terms, and (b) promotional and display income which is recognized as earned.

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

(k) Operating leases

Payments under operating leases are recognized in the statement of income on a straight-line basis over the lease terms.

(l) 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. Selling and marketing expenses are those arising from the Group's efforts underlying the marketing, selling and distribution functions. All other expenses are classified as general and administrative expenses. Allocations of common expenses between cost of revenues and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

(m) Zakat and income tax

The Company and its Saudi Arabian subsidiaries are subject to Zakat and income tax 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 and income tax are charged to consolidated statement of income currently. Additional Zakat and income tax payable, if any, on the finalization of the Group's assessments are accounted for when determined.

(n) Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currencies of the Group at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Group at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the consolidated statement of income currently.

The Company's books and accounts are maintained in Saudi Arabian Riyals. Assets and liabilities of foreign subsidiaries are translated into Saudi Arabian Riyals at the exchange rates in effect at the date of the consolidated balance sheet. The components of foreign subsidiaries' equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates of the related items originated. The elements of foreign subsidiaries' income statement are translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries' financial statements into Saudi Arabian Riyals are reported as a separate component of equity attributable to shareholders of the Company in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Dividends

Interim dividends are recorded as liability 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.

(p) Cash and cash equivalents

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Cash on hand	SR	10,749	SR	7,755
Cash in transit		4,133		1,942
Cash at bank on current accounts		646,232		174,485
Short term bank deposits		2,158,972		18,266
Cash and cash equivalents for cash flow statement purposes		**2,820,086**		**202,448**
Restricted deposits		73,894		62,700
	SR	**2,893,980**	**SR**	**265,148**

Short term bank deposits at December 31, 2006 mainly represent Sharia'a compliant Islamic deposits of SR 2.15 billion having average maturity of 30 days. The effective rate of return on such deposits in the year 2006 was 4.7 % per annum.

Restricted deposits represent time deposits, which were blocked against bank facilities granted to certain overseas subsidiaries by commercial banks.

4. ACCOUNTS RECEIVABLE

Accounts receivable at December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Trade receivables	SR	1,011,957	SR	702,086
Due from related parties (Note 25)		71,854		152,169
Other accounts receivable		275,140		118,531
Total		**1,358,951**		**972,786**
Provision for doubtful accounts		(33,334)		(29,911)
	SR	**1,325,617**	**SR**	**942,875**

5. INVENTORIES

Inventories at December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Raw and packing materials	SR	550,354	SR	495,337
Work-in-process		63,876		62,870
Finished goods		466,308		396,428
Spare parts and consumables		145,128		120,296
Materials in-transit		151,307		82,320
Total		**1,376,973**		**1,157,251**
Provision for slow moving items		(38,806)		(35,050)
	SR	**1,338,167**	**SR**	**1,122,201**

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other currrent assets at December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Supplier advances	SR	100,550	SR	161,046
Prepayments		93,973		69,268
Employee housing and other advances		18,730		18,394
Other		58,561		36,031
	SR	**271,814**	**SR**	**284,739**

7. INVESTMENTS

a) Investments at December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Investments in associates – net	SR	1,709,759	SR	923,627
Investment in unconsolidated subsidiary		8,804		8,804
Available for sale (AFS) investments		450,688		348,642
Other investments		8,942		151,755
Total		**2,178,193**		**1,432,828**
Less: AFS investments classified under current assets		(24,438)		(328,642)
	SR	**2,153,755**	**SR**	**1,104,186**

7. INVESTMENTS (continued)

The movement in the investments for the year ended December 31 are as follows:

		2006 (SR 000)		2005 (SR 000)
Balance at beginning of the year	SR	1,432,828	SR	802,601
Share of profit from associated companies - net (Note 19)		181,607		171,707
Additions to investments		804,041		982,368
Investments disposed off, net of related provisions		(541,866)		(505,631)
Investment consolidated		(143,500)		(28,211)
Investment de-consolidated (Note 1)		518,089		--
Dividends received from an associated company		--		(100,825)
Net unrealised (loss)/gain adjusted to shareholders' equity		(77,655)		110,819
Movement in provision		4,649		--
Balance at end of the year	**SR**	**2,178,193**	**SR**	**1,432,828**

b) Investments in associates at December 31 comprise the following:

	Effective Ownership Interest (%)		2006 (SR 000)		2005 (SR 000)
Egyptian Fertilizer Company ("EFC")	30	SR	554,828	SR	476,516
Al Marai Company Ltd. - Saudi Arabia ("Al-Marai") (2005 - 28%)	26		552,312		446,288
Marafiq (Note 1)	30		518,089		--
Intaj Capital Limited – British Virgin Islands	49		58,126		--
Afia Xiwang International (AXI)- Hong Kong	49		11,854		--
Golden Hope Investments (Asia Pacific) - Cayman Island	40		10,550		--
Shandong Xiwang Savola Oils and Fats Company Ltd. ("Shandong") – China			--		5,472
Other	Various		4,209		209
Total			**1,709,968**		**928,485**
Less: Provision for permanent diminution in the value of investments in associates			(209)		(4,858)
		SR	**1,709,759**	**SR**	**923,627**

During December 2006, the Board of Directors approved the proposal for acquiring 100% ownership interest in Egyptian Fertilizer Company. The matter is under negotiation with the existing shareholders of EFC.

During 2006, the Company transferred its 25% share of investments in Shandong Xiwang Savola Oils and Fats Company Ltd. ("Shandong") – China to a newly incorporated associate Afia Xiwang International (AXI) - Hong Kong at cost.

Following is a summary of the combined information of the significant associates as of December 31, and for the year then ended:

7. INVESTMENTS (continued)

	Effective Ownership Interest (%)		2006 (SR 000)		2005 (SR 000)
Total assets		SR	9,574,012	SR	6,733,905
Total liabilities			4,301,002		3,881,986
Revenues – net			3,717,358		2,783,236
Net income			873,373		748,203

c) Investment in unconsolidated subsidiary represents Company's investment in Savola Snack Foods Company Ltd. ("SSFC"). Currently, SSFC is under liquidation process and no significant gain or loss is expected upon liquidation.

d) Available for sale investments at December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Emaar The Economic City,	SR	406,250	SR	--
Al-Azizia Commercial Investment Co. ("ACI")		41,091		41,091
Short term equity shares investments		24,438		328,642
Total		**471,779**		**369,733**
Less: Provision for permanent diminution in the value of investments		(21,091)		(21,091)
	SR	**450,688**	**SR**	**348,642**

During 2006, the Group acquired 2.9% ownership interest in Emaar, the Economic City Company (a joint stock company) formed for the development of King Abdullah Economic City in Rabigh, Saudi Arabia.

The investment in ACI represents 10% ownership interest in a limited liability company engaged in investing activities. The Company made a provision of SR 21 million against this investment at December 31, 2006 and 2005 as management believes there is a permanent diminution in its value.

e) Other investments at December 31 comprise the following:

	Effective Ownership Interest (%)		2006 (SR 000)		2005 (SR 000)
Al Sharq (Note 1)		SR	--	SR	143,500
Other			8,942		8,255
		SR	**8,942**	**SR**	**151,755**

8. INTANGIBLE ASSETS

a) Intangible assets at December 31 comprise the following:

	Effective Ownership Interest (%)		2006 (SR 000)		2005 (SR 000)
Goodwill		SR	205,132	SR	90,451
Other intangible assets			77,698		61,417
		SR	**282,830**	**SR**	**151,868**

8. INTANGIBLE ASSETS (continued)

		2006 (SR 000)		2005 (SR 000)
b) Goodwill				
The movement in goodwill for the year ended December 31 comprise the following:				
Balance at beginning of the year	SR	90,451	SR	141,278
Additions during the year		114,681		3,722
Amortisation during the year		--		(10,743)
Impairment losses		--		(43,806)
Balance at end of the year	**SR**	**205,132**	**SR**	**90,451**

Balance at beginning of the year represents net book value of goodwill after adjustment of accumulated amortisation as of that date (Note 2) (f) (i).

Additions during the year mainly represent the excess of cost over the fair value of the net assets acquired of Al-Sharq amounting to SR 96 million.

c) Other intangible assets
The movement in other intangible assets for the year ended December 31 is as follows

		Deferred charges SR 000		Premium on leased land SR 000		2006 Total SR 000		2005 Total SR 000
Cost								
Balance at beginning of the year	SR	142,157	SR	12,800	SR	154,957	SR	134,385
Additions during the year		59,673		--		59,673		42,081
Adjustments		(3,276)		(12,800)		(16,076)		(21,509)
Balance at end of the year		**198,554**		**--**		**198,554**		**154,957**
Accumulated amortization								
Balance at beginning of the year		93,540		--		93,540		72,809
Additions during the year		28,369		--		28,369		33,004
Adjustments		(1,053)		--		(1,053)		(12,273)
Balance at end of the year		**120,856**		**--**		**120,856**		**93,540**
Net balance at December 31	**SR**	**77,698**	**SR**	**--**	**SR**	**77,698**	**SR**	**61,417**

Additions to deferred charges during the year principally relate to expense incurred by the Group on setting up new retail outlets and other projects.

Premium on leased land is related to Marafiq which was deconsolidated during the year 2006 (Note 1).

9. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the year ended December 31, 2006

	Land (SR 000)		Building (SR 000)		Leasehold improvements (SR 000)	
Cost:						
Balance at January 1, 2006	SR	1,216,002	SR	757,560	SR	322,702
Additions		164,052		166,309		43,164
Transfers from capital work in progress		--		84,803		416,968
Acquisitions of subsidiaries		9,412		53,218		--
Reclassification		2,996		107,750		14,151
Disposal of subsidiary – Marafiq		(880,191)		(268,775)		(712,527)
Other disposals		--		(321)		(2,467)
Balance at December 31, 2006		512,271		900,544		81,991
Accumulated depreciation:						
Balance at January 1, 2006		--		236,351		86,934
Charge for the year		--		43,302		24,167
Acquisitions of subsidiaries		--		15,067		--
Reclassification		--		27,953		(37,978)
Disposal of subsidiary – Marafiq		--		(37,632)		(35,038)
Other disposals		--		(140)		(13)
Balance at December 31, 2006		--		284,901		38,072
Net book value:						
At December 31, 2006	**SR**	**512,271**	**SR**	**615,643**	**SR**	**43,919**
At December 31, 2005	SR	1,216,002	SR	521,209	SR	235,768

is analyzed as under:

Plant and equipment (SR 000)		Furniture and office equipment (SR 000)		Motor vehicles (SR 000)		Capital work in progress (SR 000)		Total (SR 000)	
SR	1,754,931	SR	270,095	SR	106,020	SR	986,803	SR	5,414,113
	187,291		125,288		20,612		531,063		1,237,779
	131,983		11		--		(633,765)		--
	304,677		4,625		4,889		4,839		381,660
	(178,179)		170,526		(8,172)		(188,730)		(79,658)
	--		(51,552)		(100)		(244,053)		(2,157,198)
	(7,689)		(3,175)		(7,961)		--		(21,613)
	2,193,014		515,818		115,288		456,157		4,775,083
	897,185		194,185		81,846		--		1,496,501
	109,960		49,855		10,322		--		237,606
	210,406		2,874		5,106		--		233,453
	(124,553)		62,876		(7,956)		--		(79,658)
	--		(10,446)		(100)		--		(83,216)
	(4,791)		(1,842)		(7,219)		--		(14,005)
	1,088,207		297,502		81,999		--		1,790,681
SR	**1,104,807**	**SR**	**218,316**	**SR**	**33,289**	**SR**	**456,157**	**SR**	**2,984,402**
SR	857,746	SR	75,910	SR	24,174	SR	986,803	SR	3,917,612

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions include SR 25.7 million in respect of interests capitalized during 2006 (2005: SR 31.7 million). The rate used to determine the amount of finance costs capitalized during 2006 was 6.5% (2005: 4.8%).

Capital work in progress relates to the construction of sugar refinery in Egypt (USCE), construction of super markets for APUC and upgrading and enhancing the production facilities of AIC, SPS and their certain subsidiaries.

Under the terms of land lease agreements with Jeddah Industrial City, Jeddah Islamic Port and Riyadh Industrial City, certain subsidiaries have renewable operating leases for lands on which their production facilities are located. Annual lease and service charge payments to lessor are nominal.

See Note 12 with respect to the pledge of certain fixed assets of the Group as collateral to Saudi Industrial Development Fund and commercial banks.

10. SHORT-TERM BANK DEBTS

Short-term bank debts consist of bank overdrafts, short-term loans and a Murabaha financing arrangement from various commercial banks and other financial institutions. Such debts bear financing charges at the prevailing market rates. Some of these short-term bank debts are secured by corporate guarantees of the Group.

11. LONG-TERM DEBTS

Long-term debts at December 31 comprise of the following:

		2006 (SR 000)		2005 (SR 000)
Saudi Industrial Development Fund ("SIDF")	SR	63,979	SR	127,183
Commercial banks and financial institutions		627,479		1,009,541
	SR	**691,458**	**SR**	**1,136,724**
Presented in the balance sheets as:				
Current portion included under current liabilities	SR	131,407	SR	195,072
Non-current portion included under non-current liabilities		560,051		941,652
	SR	**691,458**	**SR**	**1,136,724**

11. LONG-TERM DEBTS (continued)

SIDF Loans

SIDF has provided loans to USC, Herfy, Al Sharq and SPS to finance the manufacturing facilities and expansion projects. The loans are secured by a charge on property, plant and equipment and personal/corporate guarantees of the shareholders. At December 31, 2006, property, plant and equipment having a value of SR 851 million (2005: SR 593 million) were charged as security against SIDF loans. The SIDF loan agreements include certain covenants, which among other things, require certain financial ratios to be maintained.

Commercial banks and financial institution debts

The Group has obtained loans and Murabaha financing from various commercial banks and financial institutions in order to finance the capital projects, investments and for working capital requirements. Finance charges on these debts are based on prevailing market rates.

At December 31, 2006, the debts of SR 325 million (2005: SR 674 million) owed by the Company are secured by the promissory notes of the Company whereas the loan of SR 154 million (2005: SR 186 million) owed by a subsidiary are secured by a corporate guarantee of the Company and a letter of understanding issued by the subsidiary to the commercial bank assigning its rights, benefits and title to the dividend distribution on its shareholding in certain of its subsidiaries. At December 31, 2006, certain foreign subsidiaries' loans amounting to SR 132 million (2005: SR 149 million) are secured by a lien over property, plant and equipment of such subsidiaries.

The financing agreements include certain covenants, which, among other things, require certain financial ratios to be maintained.

12. ACCOUNTS PAYABLE

Accounts payable at December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Trade payables	SR	865,928	SR	1,026,862
Unclaimed dividend		128,144		95,920
Other payables		232,144		69,722
Due to related parties (Note 25)		113,752		38,006
	SR	**1,339,968**	**SR**	**1,230,510**

13. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other current liabilities at December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Accrued expenses	SR	404,898	SR	343,488
Directors' remuneration (Note 25)		5,865		5,135
Payable relating to acquisition of Al-Sharq (Note 1)		--		57,328
Accrued Zakat and income tax		40,910		20,814
Other		3,436		1,058
	SR	**455,109**	**SR**	**427,823**

14. 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 amounts have not yet been claimed by the respective shareholders for several years. In the opinion of management, such amounts are unlikely to be paid during 2007 and, accordingly, they have been classified under non-current liabilities.

15. SHARE CAPITAL

The Company's share capital of SR 3,750 million at December 31, 2006 (2005 - SR 1,500 million) consists of 375 million fully paid and issued shares of SR 10 each (2005: 30 million shares of SR 50 each).

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. As a result, the share capital increased to SR 1.8 billion (divided into 36 million shares of SR 50 each) and the share premium amount increased to SR 2,100 million, (net of related expenses of SR 9 million).

In accordance with the Capital Market Authority's announcement dated March 27, 2006, the Company's shares were split into five shares for every one share by reducing the par value of each fully-paid and issued share from SR 50 to SR 10 effective April 15, 2006. Accordingly, the Company's fully-paid and issued shares increased from 36 million shares to 180 million shares as of that date.

The shareholders of the Company, in the annual general assembly meeting held on April 15, 2006, resolved to increase the Company's share capital by issuing two bonus shares for every three shares outstanding as of that date. As a result, the share capital increased to SR 3 billion and number of shares increased to 300 million shares. A transfer of SR 1.2 billion from share premium amount affected such increase in share capital.

The shareholders of the Company in the extraordinary general assembly meeting held on October 11, 2006, resolved to increase the Company's share capital by issuing one bonus shares for every four shares outstanding as of that date. As a result, the share capital increased to SR 3.75 billion and number of shares increased to 375 million shares. A transfer of SR 75 million from share premium amount affected such increase in share capital.

15. SHARE CAPITAL (continued)

Subsequent to December 31, 2006, the Company's Board of Directors in its meeting held on January 20, 2007, proposed 2006 final dividend of SR 93.75 million (representing SR 0.25 per share) which is subject to approval by the shareholders in their meeting scheduled to be held on April 18, 2007.

16. STATUTORY RESERVE

Statutory reserve at December 31 comprises the following:

		2006 (SR 000)		2005 (SR 000)
From allocation of net profits	SR	629,708	SR	514,849
Share premium (Note 15)		150,000		9,000
	SR	**779,708**	**SR**	**523,849**

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year 10% of its net income to a statutory reserve until such reserve equals 50% of its share capital. Statutory reserve also includes the share premium amount which represents the difference between the par value and the issuance value of the new shares issued.

Statutory reserve is not available for distribution to the shareholders. However, the statutory reserve can be used for meeting the Company's losses or for increasing its capital. If the reserve exceeds one half of the company's capital, the general meeting may resolve to distribute such excess as dividends among the shareholders in the years during which the Company fails to achieve sufficient net profits for distribution of the minimum dividends prescribed in Company's articles of association.

17. SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the year ended December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Staff costs	SR	292,824	SR	196,826
Advertising		154,758		150,627
Rent		66,025		69,152
Depreciation		85,782		65,930
Utilities		59,335		42,298
Bad and doubtful debts		5,761		8,866
Repairs, maintenance and consumables		16,758		8,467
Other		37,977		10,857
	SR	**719,220**	**SR**	**553,023**

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000
Staff costs	SR	197,521		196,031
Amortization and impairment of intangible assets		28,369		43,747
Technical and professional fees		33,058		24,151
Travel		10,964		10,078
Depreciation		13,891		9,272
Training		6,789		7,386
Utilities, telephone and communication		7,164		5,832
Insurance		4,043		4,750
Computer-related		2,712		4,318
Rent		7,002		2,802
Repairs and maintenance		4,538		2,688
Other		29,115		41,814
	SR	**345,166**	**SR**	**352,869**

Staff costs for the year ended December 31, 2006 include SR 7.7 million (2005: SR 4.6 million) represent remuneration to the Company's Chief Executive Officer in the form of monthly salaries, housing, transportation allowance, performance bonus and other benefits in accordance with the employment contract.

19. INVESTMENTS RELATED INCOME – NET

Investments related income for the year ended December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000
Gain on sale of investments – net:				
- Associates	SR	219,307	SR	712,215
- Subsidiaries (Note 1)		334,715		16,366
- AFS investments		96,457		193,812
Share of profit from associated companies – net		181,607		171,707
Net excess of fair value underlying net assets over its purchase price		--		48,570
Reversal of provision against diminution in value of investment		4,649		--
Other		4,627		--
Impairment of goodwill		--		(43,806)
	SR	**841,362**	**SR**	**1,098,864**

20. OTHER INCOME-NET

Other income for the year ended December 31 comprises the following:

		2006 (SR 000)		2005 (SR 000)
Product listing and opening fees	SR	23,763	SR	10,075
Scrap sales		25,765		29,682
Rental income		18,167		11,459
Miscellaneous		30,129		6,564
	SR	**97,824**	**SR**	**57,780**

21. FINANCIAL CHARGES- NET

Financial charges-net for the year ended December 31 comprise the following:

		2006 (SR 000)		2005 (SR 000)
Bank commission on loans and other borrowings	SR	118,316	SR	107,006
Income earned on bank deposits		(46,862)		(15,574)
	SR	**71,454**	**SR**	**91,432**

22. ZAKAT AND INCOME TAXES

a) **Charge for the year**

The Company and its subsidiaries file separate Zakat and income tax declarations, which are filed on unconsolidated basis using the equity method of accounting. Significant components of Zakat base of each Saudi 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 property, plant and equipment, investments and certain other items.

b) **Accrued Zakat and income tax**

The following is a summary of movements in the accrued Zakat for the years ended December 31, which is included in accrued expenses and other current liabilities:

		2006 (SR 000)		2005 (SR 000)
Balance at beginning of the year	SR	20,814	SR	40,936
Charge for the year		45,677		30,780
Payments and adjustments during the year		(25,581)		(50,902)
Balance at end of the year	**SR**	**40,910**	**SR**	**20,814**

22. ZAKAT AND INCOME TAXES (continued)

c) **Zakat Status**

The Company has obtained final Zakat certificates through the year ended December 31, 1998. The Company has submitted final Zakat return for the year 2005.

During 2004, the DZIT assessed an additional Zakat liability of SR 16.8 million for the years 1998 to 2002, against which the Company filed two objection letters with the Zakat Objection Committee ("ZOC"). During 2005 and 2006, ZOC issued its decisions in favour of the Company, according to which the additional Zakat liability in aggregate was reduced to SR 3.0 million. However, the DZIT and the Company filed appeals against the ZOC's decision, the outcome of which is pending at the time of issuance of the accompanying consolidated financial statements.

During 2006, DZIT assessed an additional Zakat liability for the years 2003 and 2004 amounting to SR 4.7 million. The Company is in the process of filing its objection to ZOC in this regard.

The Saudi subsidiaries 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.

Some Saudi consolidated subsidiaries received assessments from the DZIT concerning their Zakat declarations for the open years, in which the DZIT assessed additional Zakat liabilities of approximately SR 19.3 million. The companies objected to such assessments and filed their cases and matter is pending with the DZIT and Appeal Committees.

The aforementioned additional assessments totalling SR 27.0 million (2005: 35.7 million) have not been provided for in the accompanying consolidated financial statements as managements of the related Group companies believe that no additional Zakat liability will ultimately be payable.

23. EARNINGS PER SHARE

Earnings per share for the year ended December 31, 2006 have been computed by dividing the net income for such periods by the weighted-average number of ordinary shares outstanding during the year ended December 31, 2006 of 374 million shares, including the effect of share split that took place on April 15, 2006 (see Note 15).

Earnings per share for the year ended December 31, 2005 have been computed by dividing the net income for such periods by 356.25 million shares to give a retroactive effect of the bonus shares issued and the effect of rights issue of 6 million new shares issued during the year ended December 31, 2006, and the share split that took place on April 15, 2006.

24. COMMITMENTS AND CONTINGENCIES

The Group has outstanding bank guarantees and letters of credit amounting to SR 175.7 million at December 31, 2006 (2005 - SR 125.6 million), which were issued in the normal course of business. Also see Note 11 with respect to guarantees given for certain loans, Note 22 with respect to Zakat contingencies, and Note 27 with respect to leases.

The Company has also given a corporate guarantee against an SIDF loan to an associated company in proportion to its ownership interest in the associated company.

24. COMMITMENTS AND CONTINGENCIES (continued)

At December 31, 2006, a Group member company had commitments to sell in 2007 refined sugar of approximately 168,977 tons (2005 - 106,202 tons to sell in 2006) at prices, which would approximate the prevailing market prices at the contract date. The raw sugar price of committed sale contracts is hedged through forward contracts.

At December 31 2006, the Company had outstanding commitments of SR 455 million (2005: SR 375 million) for investments principally relating to Swicorp Josour Company (under development stage), whose main purpose will be to invest in energy and petrochemical related projects.

25. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions mainly represent sale of products in the ordinary course of the business to entities related to certain consolidated subsidiaries. The terms of such transactions are mutually agreed between the parties and determined with reference to the market prices. One of the consolidated subsidiaries was provided technical services by its foreign shareholder. The Company also arranges for credit facilities to its affiliated entities through local commercial banks. All related party transactions are approved by the management.

During the year ended December 31, the Group had the following significant transactions with its related parties.

	2006 (SR 000)	2005 (SR 000)
Shareholders of subsidiaries:		
Revenues – net	SR 746,049	SR 691,252
Purchase of technical services	6,465	13,765
Sale of land	--	7,292
Other	2,298	1,249
Others:		
Payments made to suppliers on behalf of Al-Sharq	--	82,765

25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) The balances with related parties at December 31, principally resulting from the aforementioned transactions, are as follows:

		2006 (SR 000)		2005 (SR 000)
Due from related parties:				
Al-Sharq	SR	--	SR	82,765
Certain shareholders of USC		67,875		49,594
Golden Hope Plantations Berhard Company		--		10,253
Shareholder of Herfy		--		7,784
Other		3,979		1,773
Total	**SR**	**71,854**	**SR**	**152,169**
Due to related parties:				
Current account with Marafiq	SR	55,747	SR	--
Behshahr Industrial Development Company ("BID")		40,047		26,685
Savola Snacks Foods Company (see Note 9 (b))		11,321		11,321
Seerah City for Real Estate Development		6,312		--
Shareholder of Herfy		325		--
Total	**SR**	**113,752**	**SR**	**38,006**

The balance due to BID represents amount to be settled by AIC based on mutual agreement between the parties.

c) Board of Directors' remuneration for the years ended December 31, 2006 and 2005 amounting to SR 2.4 million each has been calculated in accordance with the Company's Articles of Association and is considered as appropriation shown in the statement of changes in shareholders' equity. Attendance allowances to the directors and members of various board committees for the year ended December 31, 2006 amounting to SR 467 thousand (2005: SR 523 thousand) are charged to expenses and included under general and administrative expenses.

26. SEGMENT REPORTING

During the years ended December 31, 2006 and 2005, the principal activities of the Group were related to the manufacturing, wholesale, marketing and retail trading in various types of food and related products. Selected financial information as of December 31, 2006 and 2005, and for the years then ended, summarized by business segment area, are as follow:

	MANUFACTURING WHOLESALE (SR 000)		RETAIL (SR 000)		INVESTMENT AND OTHER ACTIVITIES (SR 000)		TOTAL (SR 000)	
2006								
Property, plant and equipment	SR	1,944,732	SR	1,024,509	SR	15,161	SR	2,984,402
Other non-current assets		223,156		604,968		1,608,461		2,436,585
Revenue – net		5,935,555		3,161,132		--		9,096,687
Net income		205,747		61,012		881,829		1,148,588
2005								
Property, plant and equipment	SR	1,461,620	SR	2,437,579	SR	18,413	SR	3,917,612
Other non-current assets		215,162		105,397		935,495		1,256,054
Revenue – net		4,407,569		2,488,873		15,588		6,912,030
Net income		171,679		54,823		975,672		1,202,174

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of December 31, 2006 and 2005, and for the years then ended, summarized by geographic area, is as follows (SR in 000's):

	Saudi Arabia (SR 000)		Egypt (SR 000)		Iran (SR 000)		Other Countries (SR 000)		Total (SR 000)	
2006										
Property, plant and equipment - net	SR	2,030,706	SR	331,370	SR	434,078	SR	188,248	SR	2,984,402
Other non-current assets - net		1,824,731		589,507		5,513		16,834		2,436,585
Revenues - net		6,270,278		766,015		1,567,421		492,973		9,096,687
Net income (loss)		1,045,202		93,257		81,557		(71,428)		1,148,588
2005										
Property, plant and equipment - net	SR	3,256,846	SR	89,163	SR	427,108	SR	144,495	SR	3,917,612
Other non-current assets - net		745,702		502,097		8,076		179		1,256,054
Revenues - net		4,908,271		579,881		1,064,341		359,537		6,912,030
Net income (loss)		1,110,228		85,123		87,159		(80,336)		1,202,174

27. LEASES

The Group has various operating leases for office space, restaurants, supermarkets, retail outlets, employees' accommodations and vehicles. Rental expenses for the year ended December 31, 2006 amounted to SR 36.3 million (2005: SR 38.6 million).

At December 31, the Group's obligations under operating leases are analyzed as under:

		2006 (SR 000)		2005 (SR 000)
Within one year	SR	8,844	SR	332,994
Between two and five years		65,013		172,349
More than five years		167,375		190,300
Total	**SR**	**241,232**	**SR**	**695,643**

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade and other accounts receivable, investments, short-term bank borrowings, accounts payable, 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 Group has no significant concentration of credit risks. Cash and cash equivalents 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.

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risk arise mainly from short term bank deposits and bank debts and long term debts, which are at floating rates of interest. All deposits and debts are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

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 Group's future commitments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi riyal, United States dollar, Iranian Riyal and Egyptian Pound. Other transactions in foreign currencies are not material.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 accompanying consolidated financial statements are prepared under the historical cost method, except for the revaluation of the available-for-sale securities at fair value through equity, and the consolidation of foreign subsidiaries at fair values, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

29. FINANCIAL STATEMENT APPROVAL

These financial statements were approved by the Board of Directors on February 21, 2007.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the Current year's presentation.

FIVE YEAR DATA

COMPARISON OF NET INCOME FOR THE PERIOD OF FIVE YEARS (2002 - 2006) (SR 000)

	2006	2005	2004	2003	2002
Revenue	9,096,687	6,912,030	5,601,979	4,127,801	3,641,258
Cost of sales	(7,553,330)	(5,700,362)	(4,683,822)	(3,324,614)	(2,846,213)
Gross profit	1,543,357	1,211,668	918,157	803,187	795,045
General & Administrative	(345,166)	(352,869)	(241,724)	(211,271)	(225,436)
Marketing, Selling & Distribution	(719,220)	(553,023)	(453,865)	(376,278)	(364,523)
Operating income	478,971	305,776	222,568	215,638	205,086
Other income-net	97,824	57,780	62,558	19,591	18,213
Investment income	841,362	1,098,864	362,773	174,985	94,266
Financing costs	(71,454)	(91,432)	(55,308)	(30,379)	(32,296)
Net income before zakat, income taxes and minority interests	1,346,703	1,370,988	592,591	379,835	285,269
Zakat and foreign income taxes	(45,677)	(30,780)	(19,174)	(7,005)	(9,042)
Minority interests	(152,438)	(138,034)	(71,043)	(71,749)	(68,665)
Net income	**1,148,588**	**1,202,174**	**502,374**	**301,081**	**207,562**

COMPARISON OF THE GROUP CONSOLIDATED BALANCE SHEET FOR A PERIOD OF FIVE YEARS (2002 - 2006) (SR 000)

	2006	2005	2004	2003	2002
Current assets-(A)	5,854,016	2,943,605	2,140,573	1,111,070	1,007,880
Current liabilities-(B)	3,629,595	3,279,015	2,204,097	1,404,753	1,004,337
Working Capital-(C=A - B)	2,224,421	(335,410)	(63,524)	(293,683)	3,543
Current assets	5,854,016	2,943,605	2,140,573	1,111,070	1,007,880
Other non-current assets	2,436,585	1,256,054	866,380	809,681	600,666
Property, plant and equipment (Fixed Assets)	2,984,402	3,917,612	3,187,985	2,026,529	1,863,088
Total assets	**11,275,003**	**8,117,271**	**6,194,938**	**3,947,280**	**3,471,634**
Current liabilities	3,629,595	3,279,015	2,204,097	1,404,753	1,004,337
Long-term loans	560,051	941,652	1,059,274	141,054	210,131
Other liabilities	210,275	250,528	228,314	181,179	155,439
Total liabilities	4,399,921	4,471,195	3,491,685	1,726,986	1,369,907
Paid-up capital	3,750,000	1,500,000	1,000,000	800,000	628,571
Retained earnings and reserves	2,333,549	1,485,113	1,070,855	1,049,842	1,089,118
Shareholders' equity	6,083,549	2,985,113	2,070,855	1,849,842	1,717,689
Minority interests	791,533	660,963	632,398	370,452	384,038
Total liabilities and shareholders' equity	**11,275,003**	**8,117,271**	**6,194,938**	**3,947,280**	**3,471,634**

HEAD QUARTERS

CHAMBER OF COMMERCE MEMBERSHIP NO. 3012 C.R. 4030019708 JEDDAH
A SAUDI JOINT STOCK COMPANY WITH A CAPITAL OF SR 1,500,000,000 FULLY PAID UP

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Peace and prayers
be upon our Prophet Mohammed,
to his Honest Companions,
and to those who follow them
with favor up to the
day of judgement

The Savola Group

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