SAVOLA GROUP COMPANY
(Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007
with
AUDITORS' REPORT

KPMG Al Fozan & Al Sadhan
Al Dainy Plaza
Al Madinah Road
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 2 658 1616
Fax +966 2 605 0597
Internet www.kpmg.com.sa

INDEPENDENT AUDITORS' REPORT

The Shareholders
Savola Group Company
Jeddah, Saudi Arabia

We have audited the accompanying consolidated financial statements of Savola Group Company ("the Company") and its subsidiaries which comprise the consolidated balance sheet as at December 31, 2007 and the consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 29 which form an integral part of the consolidated financial statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

1) present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at December 31, 2007 and the consolidated results of its operations, cash flows and changes in equity for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company and its subsidiaries; and

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 financial statements.

For KPMG Al Fozan & Al Sadhan

____

Tareq Abdulrahman Al Sadhan
License No. 352

Jeddah, February 24, 2008G
Corresponding to Safar 17, 1429H

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at December 31, 2007

	Note	2007 (SR 000)	2006 (SR 000)
ASSETS			
Current assets:			
Cash and cash equivalents	3	334,533	2,893,980
Trade receivables	4	663,612	1,046,498
Investments	7	947,389	24,438
Inventories	5	1,231,811	1,338,167
Prepayments and other current assets	6	533,994	550,933
Total current assets		3,711,339	5,854,016
Non-current assets:			
Investments	7	4,048,016	2,153,755
Intangible assets	8	316,848	282,830
Property, plant and equipment	9	3,513,801	2,984,402
Total non-current assets		7,878,665	5,420,987
Total assets		11,590,004	11,275,003
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term bank debts	10	1,313,670	1,703,111
Current portion of long-term debts	11	133,185	131,407
Trade payables		781,969	865,928
Accrued expenses and other current liabilities	12	909,742	929,149
Total current liabilities		3,138,566	3,629,595
Non-current liabilities:			
Long-term payables	13	68,803	65,105
Long-term debts	11	456,540	560,051
Employees' termination benefits		153,418	145,170
Total non-current liabilities		678,761	770,326
Total liabilities		3,817,327	4,399,921
EQUITY			
Equity attributable to the Company's shareholders:			
Share capital	14	3,750,000	3,750,000
Statutory reserve	15	902,710	779,708
General reserve		4,000	4,000
Unrealized gains on investments		450,929	54,022
Foreign currency translation adjustments		(92,082)	(103,303)
Retained earnings		2,141,344	1,599,122
Total shareholders' equity		7,156,901	6,083,549
Minority interests		615,776	791,533
Total equity		7,772,677	6,875,082
Total liabilities and equity		11,590,004	11,275,003

The accompanying notes 1 through 29 form
an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2007

	Note	2007 (SR 000)	2006 (SR 000)
Revenues – net		10,409,530	9,096,687
Cost of revenues		(8,705,859)	(7,553,330)
Gross profit		1,703,671	1,543,357
Investment related income – net	7	1,107,735	841,362
Other income – net	16	82,057	97,824
Total income		2,893,463	2,482,543
EXPENSES:			
Selling and marketing	17	(839,516)	(719,220)
General and administrative	18	(456,794)	(345,166)
Impairment of assets & projects costs written off	19	(110,482)	--
Total expenses		(1,406,792)	(1,064,386)
Income before financial charges, Zakat and income-tax and minority interests		1,486,671	1,418,157
Financial charges – net	20	(33,326)	(71,454)
Income before Zakat and income-tax and minority interests		1,453,345	1,346,703
Zakat and income-taxes	21	(115,463)	(45,677)
Net income before minority interests		1,337,882	1,301,026
Share of minority interests in the net income (loss) of consolidated subsidiaries		(107,858)	(152,438)
Net income		1,230,024	1,148,588
Earnings per share	22	3.28	3.07

The accompanying notes 1 through 29 form
an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2007

	2007 (SR 000)	2006 (SR 000)
Cash flows from operating activities:		
Net income	1,230,024	1,148,588
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, amortisation and impairment	403,373	265,975
(Gain) on sale of property, plant and equipment	(1,439)	(1,666)
Investment related income	(1,107,735)	(841,362)
Share of minority interests in net income of consolidated subsidiaries	107,858	152,438
Changes in operating assets and liabilities:		
Trade receivables	(43,516)	(415,189)
Inventories	(731,153)	(215,966)
Prepayments and other current assets	(173,845)	(6,205)
Trade payables	829,385	132,084
Accrued expenses and other current liabilities	308,517	81,534
Employees' termination benefits	36,702	25,105
Total adjustments	(371,853)	(823,252)
Net cash provided by operating activities	858,171	325,336
Cash flows from investing activities:		
Effect on cash flows due to deconsolidation of a subsidiary	(140,750)	--
Additions to investments	(2,799, 122)	(334,889)
Proceeds from sale of investments	1,778,626	2,151,443
Net change in other investments	(18,705)	260,861
Net change in intangible assets	(130,189)	(174,370)
Addition to property, plant and equipment	(1,242,634)	(1,376,583)
Proceeds from sale of property, plant and equipment	--	9,274
Net cash (used in) provided by investing activities	(2,552,774)	535,736
Cash flows from financing activities:		
Net change in restricted deposits against financing	69,490	(11,194)
Net change in short-term bank debts	(143,050)	277,501
Net change in long-term debts	(62,593)	(445,266)
Net changes in minority interests	(100,399)	(21,868)
Net proceeds from issue of new shares	--	2,391,000
Dividends paid	(558,802)	(433,607)
Net cash (used in) provided by financing activities	(795,354)	1,756,566
Net change in cash and cash equivalents	(2,489,957)	2,617,638
Cash and cash equivalents at beginning of the year	2,820,086	202,448
Cash and cash equivalents at end of the year	330,129	2,820,086

Continued…

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended December 31, 2007

	2007 (SR 000)	2006 (SR 000)
Non-cash items:		
Unrealized gains (loss) on available-for-sale investments	396,907	(77,655)
Foreign currency translation adjustments	(11,221)	9,403
Directors' remuneration	2,300	2,400

The accompanying notes 1 through 29 form
an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2007

	Equity attributable to the Company's shareholders								
	Capital (SR 000)	Statutory reserve (SR 000)	General reserve (SR 000)	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)
Balance at December 31, 2005	1,500,000	523,849	4,000	(112,706)	131,677	938,293	2,985,113	660,963	3,646,076
Right shares issued at premium	300,000	2,100,000	--	--	--	--	2,400,000	--	2,400,000
Cost of right shares issued	--	(9,000)	--	--	--	--	(9,000)	--	(9,000)
Bonus shares issued	1,950,000	(1,950,000)	--	--	--	--	--	--	--
Dividends									
- Final (2005)	--	--	--	--	--	(108,000)	(108,000)	--	(108,000)
- Interim (2006)	--	--	--	--	--	(262,500)	(262,500)	--	(262,500)
Net income	--	--	--	--	--	1,148,588	1,148,588	152,438	1,301,026
Transfer to reserve	--	114,859	--	--	--	(114,859)	--	--	--
Unrealized gain on investments adjustments	--	--	--	--	(77,655)	--	(77,655)	--	(77,655)
Foreign currency translation adjustments	--	--	--	9,403	--	--	9,403	--	9,403
Directors' remuneration	--	--	--	--	--	(2,400)	(2,400)	--	(2,400)
Other changes in minority interests	--	--	--	--	--	--	--	(21,868)	(21,868)
Balance at December 31, 2006	3,750,000	779,708	4,000	(103,303)	54,022	1,599,122	6,083,549	791,533	6,875,082
Dividends	--	--	--	--	--	(562,500)	(562,500)		(562,500)
Net income	--	--	--	--	--	1,230,024	1,230,024	107,858	1,337,882
Transfer to reserve	--	123,002	--	--	--	(123,002)	--	--	--
Unrealized gain on investments adjustments	--	--	--	--	396,907	--	396,907	--	396,907
Foreign currency translation adjustments	--	--	--	11,221	--	--	11,221	--	11,221
Directors' remuneration	--	--	--	--	--	(2,300)	(2,300)	--	(2,300)
Other changes in minority interests	--	--	--	--	--	--	--	(283,615)	(283,615)
Balance at December 31, 2007	3,750,000	902,710	4,000	(92,082)	450,929	2,141,344	7,156,901	615,776	7,772,677

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

The accompanying notes 1 through 29 form
an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

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 are principally engaged in the manufacturing and marketing of vegetable oils, food products, retailing, packaging materials and fast food operations. In addition, the Group is also involved in real estate related investment activities:

Directly owned subsidiaries

Name	Country of incorporation	Effective ownership interest (%) at December 31 2007	2006
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	100	100
Utur Packaging Materials Company Limited	Saudi Arabia	100	100
Savola Trading International Limited	British Virgin Islands	100	100
Tayseer FZCO	UAE	100	100
Batool International Trading Company Ltd. (formerly Azizia Panda Trading Company)	Saudi Arabia	100	100
Al-Azizia Panda United Company	Saudi Arabia	100	100
Afia International Company ("AIC")	Saudi Arabia	90.7	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	100
Kamin Al Sharq for Industrial Investments ("Kamin")	Saudi Arabia	100	--
Arabian Sadouk for Telecommunications Co. (Sadouk")	Saudi Arabia	100	--
Almaoun International Holding Company	Saudi Arabia	100	--
Savola Foods Emerging Markets Company Limited ("SFEM")	Saudi Arabia	100	--
Almatoun International for Real Estate Investment Holding Company	Saudi Arabia	100	--

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

Entities majority owned/controlled through Subsidiaries	Country of incorporation	Subsidiary ownership interest (%) at December 31, 2007	2006
AIC			
Malintra Holdings	Luxembourg	100	100
Savola Foods Limited ("SFL")	British Virgin Islands	100	100
Afia International Company – Jordan	Jordan	75	75
Inveskz Inc.	British Virgin Islands	90	90
Afia International – Algeria (under development)	Algeria	100	100
Afia Trading International	British Virgin Islands	100	100
Savola Food International	British Virgin Islands	100	--
Savola Morocco Company	Morocco	--	75
Savola Edible Oils (Sudan) Ltd.	Sudan	--	100
Savola Behshahr Company (deconsolidated in 2007)	Iran	49	49
SFL			
Afia International Company	Egypt	94.5	94.5
Inveskz Inc.			
Turkuaz Edible Oils	Kazakhstan	100	100
SIIC			
United Sugar Company ("USC")	Saudi Arabia	64.8	64.8
USC			
United Sugar Company Egypt (under development)	Egypt	52	51
SPS			
New Marina for Plastic Industries	Egypt	95	70
Al Sharq Company for Plastic Industries. Ltd.	Saudi Arabia	99	99
SFEM			
Savola Morocco Company	Morocco	100	--
Savola Edible Oils (Sudan) Ltd. (last year the above company's ownership through AIC)	Sudan	100	--

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

The Group management is reviewing its operating strategy and restructuring its operations whereby the Group focus more on investment opportunities and greater autonomy will be provided to its operating business units. All operations are being evaluated in line with their profitability and expected returns. During 2007, the Group has set-up various companies inside and outside the Kingdom to re-organize the group structure. Also, there has been transfer of ownership of some entities within the subsidiaries with no impact on the Group's effective ownership in these entities.

As per the Group's accounting policy explained in note 2 (b), the Group assesses its control over companies in which the investments have been made. The Company had determined in prior periods that it had such effective control over Savola Behshahr Company Iran ("SBeC"), (49% participation through AIC) due to its ability to exert operational and financial control over the business through its management structure and thus included in the consolidated financial statements of the Savola Group Company. During the third quarter period ended September 30, 2007, the Group re-assessed its control in SBeC and has established that effective control is now shared with the other shareholder of SBeC i.e. SBeC is now a jointly-controlled entity. This is primarily due to changes in the management structure of SBeC and an increased strategic interest of SBeC's other shareholder. Accordingly, the Group no longer consolidates this entity with effect from August 1, 2007. The Company's investment in SBeC is now accounted for on an equity basis of accounting in line with Saudi accounting standards (refer Note 2).

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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

(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 loses arising from intra-group transactions are eliminated on consolidation.

(c) Trade receivables

Trade receivables 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 agreement.

(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 and jointly-controlled companies

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled companies are those where the Group shares effective controls with other shareholders of the company. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates and jointly-controlled companies on an equity basis of accounting, from the date that significant influence or joint-control commence until the date that such influence or joint-control cease. The Group's investments also include goodwill identified on acquisition, net of any accumulated impairment losses.

When the Group's share of losses exceeds its interest in an associate or jointly-controlled companies, 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 consolidated statements of income currently.

(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. 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.

(iii) Real estate and other investments

Real estate and other investments are recorded at cost.

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. Goodwill is tested annually for impairment and is carried at cost 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.

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

ii) Deferred costs

Deferred costs 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.

Deferred costs 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Company member companies, are accrued and charged to consolidated statement of income currently.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

(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 for cash flows purposes 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:

	2007 (SR 000)	2006 (SR 000)
Cash on hand	11,952	10,749
Cash in transit	940	4,133
Cash at bank on current accounts	317,237	646,232
Short-term bank deposits	--	2,158,972
Cash and cash equivalents for cash flow statement purposes	330,129	2,820,086
Restricted deposits	4,404	73,894
	334,533	2,893,980

Restricted deposits at December 31, 2007 represent time deposits, which are blocked against bank facilities granted to an overseas subsidiary by a commercial bank.

4. TRADE RECEIVABLES

Trade receivables at December 31 comprise the following:

	2007 (SR 000)	2006 (SR 000)
Due from unrelated customers	654,198	1,011,957
Due from related parties (Note 24)	57,430	67,875
Total	711,628	1,079,832
Provision for doubtful accounts	(48,016)	(33,334)
	663,612	1,046,498

5. INVENTORIES

Inventories at December 31 comprise the following:

	2007 (SR 000)	2006 (SR 000)
Raw and packing materials	525,720	550,354
Work-in-process	40,748	63,876
Finished goods	569,914	466,308
Spare parts and consumables	113,299	145,128
Materials in-transit	17,153	151,307
Total	1,266,834	1,376,973
Provision for slow moving items	(35,023)	(38,806)
	1,231,811	1,338,167

6. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2007 (SR 000)	2006 (SR 000)
Prepayments	97,792	62,303
Supplier advances	113,398	100,550
Due from related parties (Note 24)	137,012	3,979
Receivable from government authorities	52,704	166,144
Balance relating to forward contracts	44,250	40,613
Non-trade receivables	28,041	51,267
Employee housing and other advances	29,897	18,730
Assets classified as held for sale (Note 9)	17,681	--
Advances related to investments	--	48,786
Others	13,219	58,561
	533,994	550,933

7. INVESTMENTS

a) Investments at December 31 comprise of the following:

	2007 (SR 000)	2006 (SR 000)
Investments in associates and jointly controlled companies - net	2,119,310	1,709,759
Available for sale (AFS) investments	2,006,449	450,688
Investment in unconsolidated subsidiary	8,804	8,804
Other investments	860,842	8,942
Total	4,995,405	2,178,193
Less: AFS investments held for short-term period classified under current assets	(947,389)	(24,438)
	4,048,016	2,153,755

7. INVESTMENTS (continued)

b) Investments in associates and jointly controlled companies at December 31 comprise the following:

	Ownership interest (%)	2007 (SR 000)	2006 (SR 000)
Al Marai Company Ltd. - Saudi Arabia ("Al-Marai") (2006 - 26%)	25	856,243	552,312
Kinan International for Real Estate Development Company	30	529,998	518,089
Intaj Capital Limited – British Virgin Islands	49	430,097	58,126
Savola Behshahr Company Iran ("SBeC")	49	285,977	--
Al-Seara City Company For Real Estate Development	40	16,000	--
Egyptian Fertilizer Company ("EFC")	30	--	554,828
Afia Xiwang International (AXI)- Hong Kong	44	8,886	11,854
Golden Hope Investments (Asia Pacific) - Cayman Island	40	--	10,550
Other	Various	1,205	4,209
Total		2,128,406	1,709,968
Less: Provision for permanent diminution in the value of investments in associates		(9,096)	(209)
		2,119,310	1,709,759

During the 2nd quarter 2007, the Group disposed off its full ownership interest (30%) in Egyptian Fertilizer Company ("EFC") and, accordingly, recognised net gain of SR 708 million.

Effective from August 1, 2007, SBeC was de-consolidated and categorised as a jointly controlled entity, which is accounted for using equity basis of accounting in these financial statements (refer Note 1).

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

	2007 (SR 000)	2006 (SR 000)
Total assets	10,628,508	9,574,012
Total liabilities	4,797,895	4,301,002
Revenues – net	6,343,187	3,717,358
Net income	774,239	873,373

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.

7. INVESTMENTS (continued)

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

	2007 (SR 000)	2006 (SR 000)
Emaar The Economic City, Saudi Arabia	562,500	406,250
Al-Azizia Commercial Investment Co. ("ACI")	63,813	41,091
Swicorp Joussour Company, Saudi Arabia	193,126	--
Swicorp Company, Saudi Arabia	115,674	--
Taameer Jordanian Holding Company, Jordan	123,947	--
Saudi equity shares investments held for short-term period	947,389	24,438
Total	2,006,449	471,779
Less: Provision for permanent diminution in the value of investments	--	(21,091)
	2,006,449	450,688

The investment in ACI represents 10% ownership interest in a limited liability company engaged in investing activities.

e) Other investments at December 31, 2007 mainly represent investments in real estate projects in Saudi Arabia.

f) Investments related income for the year ended December 31 comprises the following:

	2007 (SR 000)	2006 (SR 000)
Gain on sale of investments – net:		
- Associates	707,997	219,307
- Subsidiary	--	334,715
- AFS investments	12,328	96,457
Gains on dilution of interest in an associate	122,567	--
Share of profit (loss) from associates and jointly controlled company	243,753	181,607
Net adjustment in provision against diminution in value of investments	21,090	4,649
Other	--	4,627
	1,107,735	841,362

8. INTANGIBLE ASSETS

a) Intangible assets at December 31 comprise the following:

	2007 (SR 000)	2006 (SR 000)
Goodwill	238,414	205,132
Deferred costs	78,434	77,698
	316,848	282,830

8. INTANGIBLE ASSETS (continued)

b) **Goodwill**

The movement in goodwill for the year ended December 31 comprise the following:

	2007 (SR 000)	2006 (SR 000)
Balance at beginning of the year	205,132	90,451
Additions during the year	46,411	114,681
Impairment loss (Note 19)	(13,129)	--
Balance at end of the year	238,414	205,132

Additions during the year mainly represent the excess of cost over the fair value of the net assets acquired of New Marina for Plastic Industries, Egypt amounting to SR 31 million.

c) **Deferred costs**

The movement in deferred costs for the year ended December 31 is as follows:

	2007 Total (SR 000)	2006 Total (SR 000)
Cost		
Balance at beginning of the year	198,554	154,957
Additions during the year	83,673	59,673
Adjustments	(8,337)	(16,076)
Balance at end of the year	273,890	198,554
Accumulated amortization		
Balance at beginning of the year	120,856	93,540
Charge for the year	74,600	28,369
Adjustments	--	(1,053)
Balance at end of the year	195,456	120,856
Net balance at December 31	78,434	77,698

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

9. PROPERTY, PLANT AND EQUIPMENT

a) The movement in property, plant and equipment during the year ended December 31, 2007 is analyzed as under:

	Land (SR 000)	Buildings (SR 000)	Leasehold improvements (SR 000)	Plant and equipment (SR 000)	Furniture and office equipment (SR 000)	Motor vehicles (SR 000)	Capital work in progress (SR 000)	Total (SR 000)
Cost:								
Balance at January 1, 2007	512,271	900,544	81,991	2,193,014	515,818	115,288	456,157	4,775,083
Additions	68,718	53,007	66,636	197,957	48,817	21,008	786,491	1,242,634
Transfers from capital work in progress	--	5,131	214	116,119	405	89	(121,958)	--
Deconsolidated subsidiary	(146,142)	(137,857)	--	(235,104)	(15,779)	(13,073)	(19,447)	(567,402)
Assets classified as held for sale	(2,302)	(5,272)	--	(26,745)	343	--	(3,333)	(37,309)
Disposals	--	--	(1,210)	(5,455)	(1,420)	(11,754)	--	(19,839)
Balance at December 31, 2007	432,545	815,553	147,631	2,239,786	548,184	111,558	1,097,910	5,393,167
Accumulated depreciation:								
Balance at January 1, 2007	--	284,901	38,072	1,088,207	297,502	81,999	--	1,790,681
Provision for the year	--	28,674	25,675	155,294	33,667	13,444	--	256,754
Deconsolidated subsidiary	--	(38,721)	--	(84,199)	(8,037)	(8,355)	--	(139,312)
Assets classified as held for sale	--	(1,103)	--	(10,935)	--	--	--	(12,038)
Disposals	--	--	(877)	(4,143)	(943)	(10,756)	--	(16,719)
Balance at December 31, 2007	--	273,751	62,870	1,144,224	322,189	76,332	--	1,879,366
Net book value:								
At December 31, 2007	**432,545**	**541,802**	**84,761**	**1,095,562**	**225,995**	**35,226**	**1,097,910**	**3,513,801**
At December 31, 2006	512,271	615,643	43,919	1,104,807	218,316	33,289	456,157	2,984,402

9. PROPERTY, PLANT AND EQUIPMENT (continued)

b) Additions include SR 25.7 million in respect of interests capitalized during 2007 (2006: SR 31.7 million). The rate used to determine the amount of finance costs capitalized during 2007 was 6.5% (2006: 6.5%).

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

d) 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.

e) See Note 11 with respect to the pledge of certain fixed assets of the Group as collateral to Saudi Industrial Development Fund and commercial banks.

f) During the year 2007 the Group has closed the manufacturing facility in Jordan and related property, plant and equipment have been classified as assets held for sale under current assets. At December 31, 2007, such assets have been re-measured at recoverable amount and impairment adjustment has been made thereagainst detailed as under:

	(SR 000)
Cost	37,309
Accumulated depreciation	(12,038)
Book value:	25,271
Impairment loss adjustment	(7,590)
Realisable value	17,681

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:

	2007 (SR 000)	2006 (SR 000)
Saudi Industrial Development Fund ("SIDF")	48,344	63,979
Commercial banks and financial institutions	541,381	627,479
	589,725	691,458
Presented in the balance sheet:		
Current portion included under current liabilities	133,185	131,407
Non-current portion included under non-current liabilities	456,540	560,051
	589,725	691,458

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, 2007, property, plant and equipment having a value of SR 1,389 million (2006: SR 851 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, 2007, the debts of SR 172 million (2006: SR 325 million) owed by the Company are secured by the promissory notes of the Company whereas the loan of SR 207 million (2006: SR 154 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, 2007, certain foreign subsidiaries' loans amounting to SR 242 million (2006: SR 132 million) are secured by a lien over property, plant and equipment of such subsidiary.

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

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	2007 (SR 000)	2006 (SR 000)
Accrued expenses	246,318	324,659
Unclaimed dividend	149,692	128,144
Accrued Zakat and income taxes (Note 21)	112,449	40,910
Employee related accrual	87,463	60,949
Due to related parties (Note 24)	65,432	113,752
Payable balance related to forward contracts	53,424	19,079
Accrued advertising	27,755	19,290
Directors' remuneration (Note 24)	8,197	5,865
Other	159,012	216,501
	909,742	929,149

13. 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 2008 and, accordingly, they have been classified under non-current liabilities.

14. SHARE CAPITAL AND DIVIDENDS

At December 31, 2007 and 2006, the Company's share capital of SR 3,750 million consists of 375 million fully paid shares of SR 10 each.

The shareholders of the Company in their Annual General Meeting held on April 18, 2007, approved final dividend of SR 93.75 million representing SR 0.25 per share for the year ended December 31, 2006.

The details of interim dividends approved by Board of the directors during the current year are as follows:

Date	Dividend rate	Amount SR (Million)
16 April 2007	SR 0.25 per share	93.75
25 June 2007	SR 0.50 per share	187.50
14 July 2007	SR 0.25 per share	93.75
07 Nov 2007	SR 0.25 per share	93.75

14. SHARE CAPITAL AND DIVIDENDS (continued)

Subsequent to balance sheet date, the Board of Directors, in its meeting held on January 16, 2008, recommended to increase the Company's share capital by SR 1,250 million by issuing one bonus share for every three shares outstanding on the date of next extra-ordinary general meeting. Such bonus share issue is expected to be completed during the first quarter of 2008 after the approval of the shareholders in their next extra-ordinary general assembly meeting and after obtaining regulatory approvals. A transfer of SR 150 million from share premium amount and SR 1,100 million from retained earnings will affect such increase in share capital. Also, the Board of Directors in the same meeting proposed final dividend of SR 0.25 per share for the shares outstanding, including the proposed bonus shares, as of the date of next extra-ordinary general meeting.

15. STATUTORY RESERVE

Statutory reserve at December 31 comprises the following:

	2007 (SR 000)	2006 (SR 000)
From allocation of net profits	752,710	629,708
Share premium (Note 14)	150,000	150,000
	902,710	779,708

In accordance with Company’s 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.

16. OTHER INCOME – NET

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

	2007 (SR 000)	2006 (SR 000)
Product listing and opening fees	30,340	23,763
Scrap sales	19,857	25,765
Rental income	2,828	18,167
Miscellaneous	29,032	30,129
	82,057	97,824

17. SELLING AND MARKETING EXPENSES

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

	2007 (SR 000)	2006 (SR 000)
Staff costs	344,122	292,824
Advertising and sales promotion	160,738	154,758
Rent	106,782	66,025
Depreciation	75,806	85,782
Utilities	54,417	59,335
Repairs, maintenance and consumables	21,367	16,758
Bad and doubtful debts	15,671	5,761
Other	60,613	37,977
	839,516	719,220

18. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2007 (SR 000)	2006 (SR 000)
Staff costs	258,212	197,521
Technical and professional fees	32,188	33,058
Amortization and impairment of intangible assets	27,800	28,369
Travel	13,985	10,964
Depreciation	13,701	13,891
Rent	13,048	7,002
Utilities, telephone and communication	11,957	7,164
Repairs and maintenance	7,693	4,538
Computer-related	5,379	2,712
Insurance	4,914	4,043
Training	4,618	6,789
Other	63,299	29,115
	456,794	345,166

Staff costs for the year ended December 31, 2007 include SR 9.6 million (2006: SR 7.7 million) representing remuneration to the Company's Group Managing Director amounting to SR 6.2 and Ex-Chief Executive Officer amounting to SR 3.4 million in the form of monthly salaries, housing, transportation allowance, performance bonus and other benefits in accordance with the employment contract.

19. IMPAIRMENT OF ASSETS AND PROJECT COSTS WRITTEN OFF

Based on the restructuring process as explained in Note 1, management has decided to close the manufacturing facility in Jordan and has evaluated certain local and foreign operations in trading, manufacturing and real estate activities from impairment of assets point of view. Based on the impairment test carried out by management, impairment loss adjustments of SR 110,482 thousand were charged to statement of income for the year ended December 31, 2007 analyzed as follows:

	SR 000
Impairment of property, plant and equipment	20,359
Project costs and other deferred charges	46,800
Impairment of investment	8,886
Impairment of goodwill	13,129
Provision against doubtful receivables and other current assets	16,209
Valuation adjustment against inventories	5,099
	110,482

20. FINANCIAL CHARGES- NET

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

	2007 (SR 000)	2006 (SR 000)
Bank commission on loans and other borrowings	97,080	118,316
Income earned on short-term bank deposits	(63,754)	(46,862)
	33,326	71,454

21. 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. In view of negative Zakat base, no Zakat is payable by the Company for the year.

Zakat and income-tax charge for the year ended December 31 comprise the following:

		2007 (SR 000)	2006 (SR 000)
Zakat	– current year	12,262	10,504
	– prior years	55,000	3,540
Income-tax	– current year	48,201	31,633
		115,463	45,677
		============	============

21. ZAKAT AND INCOME TAXES (continued)

(b) **Accrued Zakat and income-tax**

The movement in the accrued Zakat and income-tax for the year ended December 31, is analyzed as under:

	2007 (SR 000)	2006 (SR 000)
Balance at beginning of the year	40,910	20,814
Charge for the year	115,463	45,677
Payments and adjustments during the year	(43,924)	(25,581)
Balance at end of the year	112,449	40,910

c) **Zakat Status**

The Company has obtained final Zakat certificates up to the year ended December 31, 1998 and has obtained the provisional Zakat certificate up to the year ended December 31, 2006. The Company has submitted final Zakat return for the year 2006.

During 2004, the Department of Zakat and Income Tax (DZIT) assessed additional Zakat liability of SR 16.8 million for the years 1999 to 2002, against which the Company filed two objection letters with the Zakat Objection Committee ("ZOC"). During 2006 and 2007, ZOC issued its decisions in favour of the Company, according to which the additional Zakat liability in aggregate was reduced to SR 3.3 million. However, the DZIT and the Company filed appeals with Higher Zakat Appeal Committee (HZAC) against the ZOC's decisions. During March 2007, HZAC issued its decision in favour of the DZIT for the assessment years 1999 and 2000 maintaining the liability of SR 4.9 million which was reduced to SR 0.3 million by ZOC. The Company has filed a petition against the HZAC decision with Board of Grievances, the result of which has not been declared yet. The outcome of appeals which are pending at the time of issuance of the accompanying consolidated financial statements are not known.

During 2007, DZIT assessed an additional Zakat liability for the years 2003 and 2004 amounting to SR 4.7 million. The Company has filed its objection to ZOC in this regard which has been transferred to the Second Preliminary Objection Committee. The final Zakat return for the years 2005 and 2006 are under review by DZIT.

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.

21. ZAKAT AND INCOME TAXES (continued)

Taking into consideration the above Zakat status and pursuant to the recent developments in the Zakat regulations a provision of SR 55 million has been made in the accompanying consolidated financial statements relating to prior years.

22. EARNINGS PER SHARE

Earnings per share for the year ended December 31, 2007 have been computed by dividing the net income for such period by the weighted-average number of ordinary shares outstanding during the year ended December 31, 2007 of 375 million shares.

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.

23. COMMITMENTS AND CONTINGENCIES

The Group has outstanding bank guarantees and letters of credit amounting to SR 190 million at December 31, 2007 (2006 - SR 175.7 million), which were issued in the normal course of business. Also see Note 11 with respect to guarantees given for certain loans, Note 21 with respect to Zakat contingencies, and Note 26 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.

At December 31, 2007, a Group member company had commitments to sell in 2008 refined sugar of approximately 163,820 tons (2006 - 168,977 tons to sell in 2007) 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, 2007, the Group had outstanding commitments of SR 230 million (2006: SR 455 million) for investments which principally relates to Swicorp Joussour Company, whose main purpose will be to invest in energy and petrochemical related projects.

At December 31, 2007, the Group had outstanding commitment of SR 225 million approximately for acquisition of Yudum Company in Turkey which is engaged in the manufacture and distribution of edible oil products. Subsequent to December 31, 2007 this acquisition was completed.

The group has investment commitment of approximately SR 20 million in United Sugar Company Egypt.

24. 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 arranges for credit facilities to its affiliated entities through local commercial banks. The Group has some investment related transactions and current account balances with some affiliate companies. 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.

	2007 (SR 000)	2006 (SR 000)
Shareholders of subsidiaries:		
Revenues – net	594,924	746,049
Purchase of technical services	3,639	6,465
Other	-	2,298

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

	2007 (SR 000)	2006 (SR 000)
Due from related parties (included under trade receivables)		
Certain shareholders of USC	57,430	67,875
Due from related parties (included under prepayment and other current assets)		
Dividend receivable from Savola Behshahr Company	73,480	--
Seerah City for Real Estate Development	34,043	--
Savola Behshahr Company	19,399	--
Jeddah Urban Development Company	7,333	--
Afia Wings International Company Limited	2,757	--
Other	--	3,979
Total	137,012	3,979
Due to related parties (included under accrued expenses and other current liabilities):		
Behshahr Industrial Development Company ("BID")	39,317	40,047
Current account with Kinan International for Real Estate Development Company	13,259	55,747
Savola Snacks Foods Company (see Note 7 (c))	10,327	11,321
Seerah City for Real Estate Development	--	6,312
Others	2,529	--
Shareholder of Herfy	--	325
Total	65,432	113,752

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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, 2007 amounting to SR 2.3 million (2006: 2.4 million) 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, 2007 amounting to SR 455 thousand (2006: SR 467 thousand) are charged to expenses and included under general and administrative expenses.

25. SEGMENT REPORTING

During the years ended December 31, 2007 and 2006, 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, 2007 and 2006, 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)
2007				
Property, plant and equipment - net	1,978,901	847,885	687,015	3,513,801
Other non-current assets - net	517,018	91,423	3,756,423	4,364,864
Revenue - net	6,179,934	4,216,917	12,679	10,409,530
Net income before impairment of assets & projects costs written off	259,734	52,633	1,028,139	1,340,506
Impairment of assets & projects costs written off	62,974	--	47,508	110,482
Net income	196,760	52,633	980,631	1,230,024
2006				
Property, plant and equipment	1,944,732	487,826	551,844	2,984,402
Other non-current assets	223,156	86,404	2,127,025	2,436,585
Revenue – net	5,935,555	3,094,971	66,161	9,096,687
Net income	205,747	46,185	896,656	1,148,588

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of December 31, 2007 and 2006, and for the years then ended, summarized by geographic area, is as follows (SR in 000's):

25. SEGMENT REPORTING (continued)

2007	Saudi Arabia (SR 000)	Egypt (SR 000)	Iran (SR 000)	Other countries (SR 000)	Total (SR 000)
Property, plant and equipment - net	2,577,701	653,611	--	282,489	3,513,801
Other non-current assets - net	4,020,874	23,647	285,666	34,677	4,364,864
Revenue - net	7,617,218	1,024,918	1,208,947	558,447	10,409,530
Net income before impairment of assets & projects costs written off	487,606	801,154	57,965	(6,219)	1,340,506
Impairment of assets & projects costs written off	44,859	16,333	528	48,762	110,482
Net income	442,747	784,821	57,437	(54,981)	1,230,024
2006					
Property, plant and equipment - net	2,030,706	331,370	434,078	188,248	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

26. 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, 2007 amounted to SR 114.9 million (2006: SR 36.3 million).

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

	2007 (SR 000)	2006 (SR 000)
Within one year	5,228	8,844
Between two and five years	80,307	65,013
More than five years	386,367	167,375
Total	471,902	241,232

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade receivables, investments, short-term bank debts, 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.

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.

28. FINANCIAL STATEMENT APPROVAL

These financial statements were approved by the Board of Directors on February 23, 2008.

29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year’s presentation.