SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010
with
INDEPENDENT AUDITORS' REPORT

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License No. 46/11/323 issued 11/3/1992

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 (collectively referred as "the Group") which comprise the consolidated balance sheet as at December 31, 2010 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes 1 through 31 which form an integral part of the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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. Management's responsibility includes: designing, implementing and maintaining internal controls 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies 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.

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 Group as at December 31, 2010, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; 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 financial statements.

For KPMG Al Fozan & Al Sadhan

Tareq Abdulrahman Al Sadhan
License No. 352

Jeddah, February 22, 2011G
Corresponding to Rabi-ul-Awwal 19, 1432H

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
As at December 31, 2010

	Note	2010 (SR 000)	2009 (SR 000)
ASSETS			
Current assets:			
Cash and cash equivalents	4	**661,120**	1,091,044
Trade receivables	5	**1,502,934**	1,417,252
Inventories	6	**2,527,070**	2,296,601
Prepayments and other current assets	7	**1,027,688**	828,610
Assets classified as held for sale	8	**191,831**	--
Total current assets		**5,910,643**	5,633,507
Non-current assets:			
Investments	9	**6,107,255**	5,056,387
Intangible assets	10	**1,024,821**	1,029,869
Property, plant and equipment	11	**4,739,217**	5,536,761
Total non-current assets		**11,871,293**	11,623,017
Total assets		**17,781,936**	17,256,524
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term bank debts	12	**2,069,534**	2,227,181
Current portion of long-term debts	16	**709,257**	795,089
Trade payables		**2,075,574**	1,830,283
Accrued expenses and other current liabilities	13	**1,669,413**	1,460,879
Liabilities classified as held for sale	8	**200,350**	--
Total current liabilities		**6,724,128**	6,313,432
Non-current liabilities:			
Deferred gain	14	**111,630**	93,249
Long-term payables	15	**60,397**	61,031
Long-term debts	16	**2,394,807**	1,996,202
Employees' termination benefits		**276,106**	264,699
Total non-current liabilities		**2,842,940**	2,415,181
Total liabilities		**9,567,068**	8,728,613
EQUITY			
Equity attributable to the Company's shareholders:			
Share capital	17	**5,000,000**	5,000,000
Statutory reserve	18	**956,772**	868,102
General reserve		**4,000**	4,000
Unrealized (loss) on investments		**(90,112)**	(21,601)
Effect of acquisition transaction with minority shareholders without change in control		**(45,637)**	49,370
Foreign currency translation account		**(230,426)**	(193,851)
Retained earnings		**1,425,440**	1,254,608
Total shareholders' equity		**7,020,037**	6,960,628
Minority interests		**1,194,831**	1,567,283
Total equity		**8,214,868**	8,527,911
Total liabilities and equity		**17,781,936**	17,256,524

The accompanying notes 1 through 31 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, 2010

	Note	**2010 (SR 000)**	2009 (SR 000)
Revenues - net		**21,029,472**	17,917,202
Cost of revenues		**(17,614,233)**	(14,809,887)
Gross profit		**3,415,239**	3,107,315
Share of profits of associates and jointly controlled entities and dividend income - net		**459,522**	352,799
Other income - net	19	**97,340**	79,877
Total Income		**3,972,101**	3,539,991
EXPENSES:			
Selling and marketing	20	**(1,870,153)**	(1,533,574)
General and administrative	21	**(603,138)**	(628,783)
Total expenses		**(2,473,291)**	(2,162,357)
Income from operations		**1,498,810**	1,377,634
Gains on disposal of investments	9	**195,055**	318,116
Impairment loss on:			
- Assets and liabilities classified as held for sale	8	**(115,000)**	--
- Intangible assets	22	**(102,290)**	(76,706)
- Available for sale investments	23	**(66,426)**	(144,890)
Financial charges - net	24	**(244,260)**	(227,337)
Income before Zakat and income-tax and minority interests		**1,165,889**	1,246,817
Zakat and income-tax	25	**(140,146)**	(63,323)
Net income before minority interests		**1,025,743**	1,183,494
Share of minority interests in the net income of consolidated subsidiaries		**(139,041)**	(231,929)
Net income		**886,702**	951,565
Earnings per share (SR)			
- Income from operations	26	**3.00**	2.76
- Net income	26	**1.77**	1.90

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SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2010

	2010	2009
	(SR 000)	(SR 000)
Cash flows from operating activities:		
Net income	**886,702**	951,565
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, amortisation and impairment	**812,791**	696,454
(Gain) on sale of property, plant and equipment	**(3,075)**	(7,191)
(Gain) on disposal of investments	**(195,055)**	(318,116)
Financial charges - net	**244,260**	227,337
Share of minority interests in net income (loss) of consolidated subsidiaries	**139,041**	231,929
Changes in operating assets and liabilities:		
Trade receivables	**(146,215)**	82,086
Inventories	**(361,006)**	232,215
Prepayments and other current assets	**(132,794)**	32,633
Trade payables	**291,063**	335,365
Accrued expenses and other current liabilities	**252,765**	(148,438)
Employees' termination benefits	**33,820**	25,827
Total adjustments	**935,595**	1,390,101
Net cash provided by operating activities	**1,822,297**	2,341,666
Cash flows from investing activities:		
Additions to investments	**(745,279)**	(400,655)
Proceeds from sale of investments	**280,000**	242,350
Net change in other investments	**(174,523)**	(133,611)
Cash effect of consolidation of a subsidiary	**--**	162,750
Net change in intangible assets	**(143,511)**	(426,524)
Addition to property, plant and equipment	**(478,285)**	(1,264,536)
Herfy de-consolidation cash effect	**(20,062)**	--
Proceeds from sale of property, plant and equipment	**142,546**	319,852
Net cash (used in) investing activities	**(1,139,114)**	(1,500,374)
Cash flows from financing activities:		
Net change in short-term debts	**(157,647)**	(1,571,768)
Net change in long-term debts	**330,912**	1,516,776
Net changes in minority interests	**(416,478)**	440,199
Financial charges - net	**(244,260)**	(227,337)
Net change in restricted deposits against financing	**(8,598)**	(88,802)
Dividends paid	**(625,634)**	(513,002)
Net cash (used in) provided by financing activities	**(1,121,705)**	(443,934)
Net change in cash and cash equivalents	**(438,522)**	397,358
Cash and cash equivalents at beginning of the year	**1,001,185**	603,827
Cash and cash equivalents at end of the year (Note 4)	**562,663**	1,001,185

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended December 31, 2010

	2010 (SR 000)	2009 (SR 000)
Non-cash items:		
Unrealized (loss) gain on available for sale investments	**(68,511)**	105,652
Foreign currency translation account	**(36,575)**	(32,924)
Directors' remuneration	**2,200**	2,200
Assets classified as held for sale	**191,831**	--
Liabilities classified as held for sale	**200,350**	--

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SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2010

	Equity attributable to the Company's shareholders									
	Capital (SR 000)	Statutory reserve (SR 000)	General reserve (SR 000)	Unrealized gains / (loss) on investments (SR 000)	Effect of acquisition transaction with minority shareholders without change in control (SR 000)	Foreign currency translation account (SR 000)	Retained earnings (SR 000)	Total shareholders' equity (SR 000)	Minority interests (SR 000)	Total equity (SR 000)
Balance at December 31, 2008	5,000,000	772,946	4,000	(127,253)	--	(160,927)	900,399	6,389,165	747,515	7,136,680
Dividends	--	--	--	--	--	--	(500,000)	(500,000)	--	(500,000)
Net income	--	--	--	--	--	--	951,565	951,565	--	951,565
Transfer to reserve	--	95,156	--	--	--	--	(95,156)	--	--	--
Unrealised gain on investments Adjustments	--	--	--	105,652	--	--	--	105,652	--	105,652
Foreign currency translation adjustments	--	--	--	--	-- --	(32,924)	--	(32,924)	--	(32,924)
Directors' remuneration	--	--	--	--	--	--	(2,200)	(2,200)	--	(2,200)
Gain on dilution of interest in consolidated subsidiaries	--	--	--	--	49,370	--	--	49,370	--	49,370
Other changes in minority interests	--	--	--	--	--	--	--	--	819,768	819,768
Balance at December 31, 2009	5,000,000	868,102	4,000	(21,601)	49,370	(193,851)	1,254,608	6,960,628	1,567,283	8,527,911
Dividends	--	--	--	--	--	--	(625,000)	(625,000)	--	(625,000)
Net income	--	--	--	--	--	--	886,702	886,702	--	886,702
Transfer to reserve	--	88,670	--	--	--	--	(88,670)	--	--	--
Unrealized loss on investments adjustments	--	--	--	(68,511)	--	--	--	(68,511)	--	(68,511)
Foreign currency translation adjustments		--		--	--	(36,575)	--	(36,575)	--	(36,575)
Directors' remuneration	--	--	--	--	--		(2,200)	(2,200)	--	(2,200)
Acquisition of minority shareholders' interest without change in control	--	--	--	--	(95,007)	--	--	(95,007)	--	(95,007)
Other changes in minority interests	--	--	--	--	--	--	--	--	(372,452)	(372,452)
Balance at December 31, 2010	**5,000,000**	**956,772**	**4,000**	**(90,112)**	**(45,637)**	**(230,426)**	**1,425,440**	**7,020,037**	**1,194,831**	**8,214,868**

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

1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS

Savola Group Company (the "Company"), a Saudi joint stock company, was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978). The Company's commercial registration number 4030019708 was issued in Jeddah on Rajab 21, 1399H (June 16, 1979). The objectives of the Company along with its subsidiaries ("the Group") includes the manufacturing and marketing of vegetable oils and to set up related industries, retail outlets, dairy products, fast foods, packing materials, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities

The Company's head office is located at the following address:

Saudi Business Centre
Madinah Road,
Jeddah, Kingdom of Saudi Arabia

At December 31, the Company has investments in the following subsidiaries (collectively referred as "the Group").

Direct and indirect subsidiaries	Country of incorporation	Ownership interest (%) at December 31 **2010**	2009
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	**100**	100
Utur Packaging Materials Company Limited ("Utur")	Saudi Arabia	**100**	100
Savola Trading International Limited	British Virgin Islands	**100**	100
Tayseer FZCO	UAE	**100**	100
Batool International Trading Company Limited	Saudi Arabia	**100**	100
Al-Azizia Panda United Company ("APU")	Saudi Arabia	**74.4**	74.4
Savola Foods Company ("SFC")	Saudi Arabia	**90**	90
Herfy Food Services Company Ltd. ("Herfy")	Saudi Arabia	**--**	70
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	**4.5**	4.5
United Properties Development Company ("UPDC")	Saudi Arabia	**100**	100
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	**80**	80
Kamin Al Sharq for Industrial Investments ("Kamin")	Saudi Arabia	**100**	100
Arabian Sadouk for Telecommunications Co. ("Sadouk")	Saudi Arabia	**100**	100
Al Maoun International Holding Company	Saudi Arabia	**100**	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	**80**	80
Afia Foods Arabia	Saudi Arabia	**100**	100
United Sugar Company, Egypt	Egypt	**19.1**	18.9
Giant Stores Trading Company ("Giant")	Saudi Arabia	**8**	8
United Company for Central Markets ("UCCM")	Lebanon	**8**	8

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

	Country of incorporation	Subsidiary ownership interest (%) 2010	2009
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	**100**	--
Alawqat Al Kawniah Limited	Saudi Arabia	**100**	--
Aalinah Al Kawniah Limited	Saudi Arabia	**100**	--
Abtkar Al Kawniah Limited	Saudi Arabia	**100**	--
Entities controlled through subsidiaries			
SFC			
Afia International Company ("AIC")	Saudi Arabia	**95.19**	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	**95**	95
Savola Foods Emerging Markets Company Limited ("SFEM")	British Virgin Islands	**95.4**	95.4
Savola Foods for Sugar Company ("SFSC")	Cayman Islands	**95**	95
AIC			
Savola Behshahr Company (SBeC)	Iran	**80**	80
Malintra Holdings	Luxembourg	**100**	100
Savola Foods Limited ("SFL")	British Virgin Islands	**100**	100
Afia International Company – Jordan	Jordan	**97.4**	97.4
Inveskz Inc.	British Virgin Islands	**90**	90
Afia Trading International	British Virgin Islands	**100**	100
Savola Food International	British Virgin Islands	**100**	100
KUGU Gida Yatum Ve Ticaret A.S (KUGU)	Turkey	**100**	100
SFL			
Afia International Company, Egypt	Egypt	**99.92**	94.5
Inveskz Inc.			
Savola Foods CIS (former Turkuaz Edible Oils)	Kazakhstan	**100**	100
KUGU			
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	**100**	100
SIIC			
United Sugar Company ("USC")	Saudi Arabia	**74.8**	64.8
USC			
United Sugar Company Egypt ("USCE")	Egypt	**56.75**	53.45
SFEM			
Savola Morocco Company	Morocco	**100**	100
Savola Edible Oils (Sudan) Ltd.	Sudan	**100**	100
AFIA International Company – Algeria	Algeria	**100**	100
SPS			
New Marina for Plastic Industries	Egypt	**100**	100
Al Sharq Company for Plastic Industries. Ltd.	Saudi Arabia	**93**	93
APU			
Giant Stores Trading Company	Saudi Arabia	**90**	90
United Company for Central Markets ("UCCM")	Lebanon	**90**	14
Giant			
Lebanese Sweets and Bakeries ("LSB")	Saudi Arabia	**95**	95
United Company for Central Markets ("UCCM")	Lebanon	**--**	76

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

During the year of 2010, the Group's subsidiary, Herfy was offered to public subscription through Initial Public offering (IPO) of its 30% existing shares. This resulted in dilution of Group's interest in Herfy from 70% to 49% and loss of control. The Group received gross proceeds of SR 280 million in consideration of its 5.67 million shares at a price of SR 51 per share and realised a net gain on disposal of SR 195 million in statement of income. Herfy was deconsolidated from the date of its listing and has been recognised as an associate in these consolidated financial statements.

During the year, the Group has reached preliminary agreements with certain minority shareholders in its Retail and Foods businesses to acquire their respective stakes against issuance of 46.34 million new shares of the Group along with a net cash settlement of SR 20 million, payable on the closing of the said transaction. At year end, the transaction is not completed subject to approvals by regulatory authorities and shareholders of the Group.

During 2009, the Group reached an agreement with Tate & Lyle, the minority shareholders in United Sugar Company, Saudi Arabia and United Sugar Company Egypt to acquire their 9.68% and 2.58% shares in the two companies, respectively against a total consideration of SR 181.25 million. The transaction has been completed on January 6, 2011 when final part of total transaction consideration amounting to SR 135.96 million (Note 13) was deposited in Escrow account until legal formalities are fully completed. However, in line with Share Purchase Agreement, the Group was entitled for profits effective from January 1, 2010, accordingly such effect has been incorporated in these consolidated financial statements.

Effective September 16, 2009, the Group's subsidiary, Azizia Panda United acquired the operations of Saudi Geant Company Limited ("Geant") for a total consideration of SR 469.3 million, including cash consideration of Saudi Riyals 232 million and a deferred equity consideration of SR 237.3 million. The Company had paid the cash consideration on October 12, 2009 whereas the deferred equity component was settled during 2010, through issuance of 45.7 million new shares of APU at a price of SR 51.92 per share. Also as per the agreement, Geant is entitled to acquire 1% share each year at the fair value for a period of up to 3 years.

2. BASIS OF PREPARATION

(a) Statement of compliance

These 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).

The consolidated financial statements were authorized for issue by the Board of Directors on February 21, 2011.

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

(b) Basis of measurement

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.

2. BASIS OF PREPARATION (continued)

(c) Functional and presentation currency

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.

(d) Critical accounting judgements and estimates

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

(i) Valuation of investments in unquoted private equity funds

Investments in unquoted private equity funds classified under available for sale investments, are carried at cost, less any impairment loss in the absence of reliable fair value (see Note 9)

(ii) Impairment of available for sale investments

The Group exercises judgement to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgement. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(iii) Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

2. BASIS OF PREPARATION (continued)

Impairment for goodwill is determined by assessing the recoverable amount of each cash-generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods for subsequent increases in its recoverable amount.

(iv) Provision for impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

(v) Provision for slow moving inventory items

The Group makes a provision for slow moving inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

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

(i) Subsidiaries

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. Any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interest, if any, result in gains and losses for the Group that are recorded in the income statement if control is lost. Purchase of minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Effective from January 1, 2010, changes in a group's ownership interest in a subsidiary after acquiring control, is accounted as an equity transactions and the carrying amounts of the minority interests is adjusted against the fair value of the consideration paid and any difference is recognised directly in equity under "Effect of acquisitions transaction with minority shareholders without change in control".

(b) Foreign currency translation

The consolidated financial statements are reported in Saudi Riyals, which is the Group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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.

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

Any goodwill arising on the acquisition of foreign subsidiaries and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are translated at the closing rate at the balance sheet date.

(c) Trade receivables

Trade receivables are carried at original invoice amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Group will be able to collect all amounts due according to the original terms of agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. Stores and spares are valued at cost, less any provision for slow moving items.

(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 control with other shareholders of the investee company.

The Group's investments in its associate and jointly controlled companies are accounted for using the equity method of accounting from the date that significant influence or joint-control commence until the date that such influence or joint-control cease. Under the equity method, the investment in the associate and jointly controlled entity are carried in the balance sheet at cost (including goodwill paid on acquisition, net of any impairment losses), plus post-acquisition changes in the Group’s share of net assets of the investee company. Where there has been a change recognised directly in the equity of the associate or jointly controlled company, the Group recognises its share of such changes in its consolidated statement of changes in shareholders’ equity.

When the Group’s share of losses exceeds its interest in an associate or jointly-controlled company, 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.

(ii) Available-for-sale investments

Investments which are not held for trading purposes and where the Group does not have significant influence or control, are classified as investments available for sale. These primarily include Group’s investment of less than 20% in certain listed and unlisted companies and investments funds.

These investments are initially recorded at cost and then re-measured and stated in the consolidated balance sheet at their fair values. Fair value is determined by reference to the market value in the open market if an open market exists. In the absence of an open market and where reliable estimate of the fair value cannot be established by other means the cost is considered to be the fair value for those investments. Any gain or loss arising from a change in their fair value is reported as a separate item under shareholders' equity until the investments are derecognized or impaired. On de-recognition, cumulative gains or losses previously recognized in shareholders' equity are included in the consolidated statement of income. On impairment, the difference between cost and fair value is included in the consolidated statement of income as Impairment of loss on available for sale investments. Reversals of impairment loss in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of income. Dividend income from such investments are recorded when declared.

(iii) *Other investments*

These include the Group's investment in real estate projects which are under development. These are carried at cost net of any impairment loss.

(f) Business combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

The excess of the cost of the business combination over the Group's share in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities at the acquisition date is classified as Goodwill (also see Note 3 (a) (ii)).

(g) 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. Gains or losses on the disposal of an entity are determined taking into account the carrying value of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to these units.

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

(h) Assets and liabilities classified as held for sale

Assets held for sale comprises of non-current assets and liabilities or disposal group, that are expected to be recovered primarily through sale rather than through continuing use. Immediately before classification as held for sale, non-current assets under disposal group are measured at the lower of their carrying amount and fair value less cost to sell. Subsequent to initial recognition, any impairment loss on a disposal group is first allocated to goodwill, (if there is any) and then to remaining assets and liabilities on pro rata basis. However, no loss is allocated to financial assets, which are continue to be measured in accordance with their initial accounting policies. Gains or losses on disposal of such assets or disposal group are recognised in statement of income currently.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment loss if any. 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 are as follows:

	Years
Buildings	12.5 – 33
Leasehold improvements	3 – 33
Plant and equipment	3 – 30
Furniture and office equipment	3 – 16
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 their intended use.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

(k) 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 statements of income.

(l) Revenue recognition

Revenues are recognized upon delivery or shipment of products or providing services to the customers, and are recorded net of trade 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, plastics and related products.

(m) 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 and marketing and general and administrative expenses, when required, are made on a consistent basis.

(n) Derivative financial instruments - Hedge accounting

The company uses derivative financial instruments (commodity future contracts as well as OTC arrangements) to hedge its price risk of raw material in the Sugar business. Derivatives are measured at fair value, and changes in the fair value of a derivative hedging instrument are recognized in statement of income under cost of sales as an adjustment to the carrying amount of hedged item – the inventory.

(o) Operating leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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"). Foreign subsidiaries are subject to tax regulations in their countries of incorporation. Zakat & income taxes are charged to the consolidated statements of income currently.

Deferred tax liabilities and assets are recognized for temporary differences at current rates of taxation. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized.

(q) Dividends

Interim dividends are recorded as a 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.

(r) 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. For purpose of Statement of Cash Flow, cash and cash equivalents excludes restricted deposits.

(s) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(t) Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group’s management and internal reporting structure.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	2010 **(SR 000)**	2009 (SR 000)
Cash on hand	**35,616**	25,113
Cash in transit	**--**	3,398
Cash at bank	**527,047**	972,674
Cash and cash equivalents for cash flow statement purposes	**562,663**	1,001,185
Restricted deposits	**98,457**	89,859
	661,120	1,091,044

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

5. TRADE RECEIVABLES

Trade receivables at December 31 comprise the following:

	2010 **(SR 000)**	2009 (SR 000)
Related parties (Note 28(a))	**145,098**	82,329
Other customers	**1,426,346**	1,417,821
Total	**1,571,444**	1,500,150
Provision for impairment of trade receivables	**(68,510)**	(82,898)
	1,502,934	1,417,252

6. INVENTORIES

Inventories at December 31 comprise the following:

	2010 **(SR 000)**	2009 (SR 000)
Raw and packing materials	**886,004**	984,770
Work-in-process	**135,389**	92,547
Finished goods	**1,237,883**	1,063,912
Spare parts and consumables	**195,958**	196,247
Materials in-transit	**169,920**	70,087
Total	**2,625,154**	2,407,563
Provision for slow moving inventory items	**(98,084)**	(110,962)
	2,527,070	2,296,601

7. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2010 (SR 000)	2009 (SR 000)
Properties classified as held for sale	**175,324**	16,119
Due from related parties (Note 28(a))	**174,816**	149,524
Supplier advances	**163,348**	101,276
Prepayments	**160,811**	159,317
Balance relating to commodity future contracts	**133,112**	49,000
Receivable from government authorities	**57,945**	65,918
Employee housing and other advances	**44,485**	56,929
Non-trade receivables	**24,347**	174,134
Rental income receivable	**4,557**	4,747
Others	**88,943**	51,646
	1,027,688	828,610

Receivable from government authorities represent claims of foreign subsidiaries from various governments on account of value added tax, custom duties and advanced taxes.

8. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During the year, as an outcome of review of its Foods business pruning strategy, the Group has decided to entrench its position in core markets and assess exiting from certain overseas operations. Accordingly, parts of manufacturing facilities within the oil segment are presented as a disposal group held for sale. Efforts to sell the disposal groups have commenced, and a sale is expected during the financial year ending December 31, 2011. At December 31, 2010 the disposal group comprised assets of SR 306.8 million and liabilities SR 200.4 million before recognition of impairment loss amounting to SR 115 million on the remeasurement of the disposal group to its recoverable amount.

	2010 (SR 000)
Asset classified as held for sale at their recoverable amount	
Property, plant and equipment	**47,463**
Inventories	**67,474**
Trade receivable and other current assets	**76,894**
Total	**191,831**
Liabilities classified as held for sale	
Borrowings	**120,704**
Trade payable and other current liabilities	**79,646**
Total	**200,350**

9. INVESTMENTS

a) Investments at December 31 comprise of the following:

	2010 (SR 000)	2009 (SR 000)
Investments in associates and jointly controlled companies - net (Note 9(b))	**4,567,301**	3,373,922
Available-for-sale (AFS) investments (Note 9(c))	**725,572**	835,438
Other investment carried at cost (Note 9 (d))	**814,382**	847,027
Total	**6,107,255**	5,056,387

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

	Effective ownership interest (%)		**2010**	2009
	2010	2009	**SR (000)**	SR (000)
Al Marai Company Ltd.	**29.95**	26.5	**2,759,184**	1,842,089
Kinan International for Real Estate Development Company ("Kinan International")	**30**	30	**582,747**	546,499
Intaj Capital Limited	**49**	49	**383,824**	393,324
Diyar Al Mashreq (Note 9(b)(i))	**30**	30	**239,065**	234,684
Al-Seara City Company for Real Estate Development	**40**	40	**154,800**	134,800
Herfy Foods Services Company (Note 1)	**49**	70	**210,287**	--
Alexandria Sugar Company (Note 9(b)(ii))	**45.5**	45.5	**186,025**	175,372
Knowledge Economic City Development Company	**17**	17	**17,200**	13,200
Emerge Investment Limited	**20**	20	**16,539**	23,233
Al Mojammat Al Mowahadah Real Estate Company	**20**	20	**400**	400
Others	**Various**	Various	**17,230**	10,321
Total			**4,567,301**	3,373,922

(i) Group's investment in jointly controlled entity, Diyar Al Mashreq represents indirect investment in a real estate project, which is currently under development and managed by Kinan International.

(ii) Alexandria Sugar Company (ASC) is a jointly controlled project in which Savola Foods Company is participating with other shareholders to develop a Beet sugar refinery in Egypt. The company is currently under pre-operating phase and its business conduct is governed by the shareholders agreement. All significant business decisions of ASC require consent of all shareholders.

9. INVESTMENTS (continued)

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

	2010 (SR 000)	2009 (SR 000)
Cost:		
Quoted securities	**483,560**	611,453
Unquoted investments	**351,878**	368,745
Total Cost	**835,438**	980,198
Impairment loss on:		
Quoted securities	**(66,426)**	(127,893)
Unquoted investments	**--**	(16,867)
Total impairment loss	**(66,426)**	(144,760)
Revised cost	**769,012**	835,438
Unrealized (loss) on quoted securities	**(43,440)**	--
Carrying value	**725,572**	835,438

The carrying value of Group's unquoted investments at December 31 comprises the following:

	Effective ownership interest (%)		**2010**	2009
	2010	2009	**SR (000)**	SR (000)
Swicorp Joussour Company	**14%**	14%	**208,819**	208,819
Swicorp Company, Saudi Arabia	**15%**	15%	**115,674**	115,674
Dar Al Tamleek	**5%**	5%	**26,500**	26,500
Others			**885**	885
			351,878	351,878

d) Other investments at December 31, 2010 mainly represent investments in real estate projects amounted to SR 804 million (2009: SR 804 million) in Saudi Arabia and long term bank deposits of SBeC amounting to SR 10 million (2009: SR 31 million).

e) Gain on disposal of investments:

During the year, the Group realised net gain of SR 195 million on account of disposal of 21% interest in Herfy and loss of control (Note 1).

During 2009, the Group has recognised a net gain of SR 195 million on account of dilution of its ownership interest in Al-Marai and Gains on disposal of Groups' investments in Azizia Commercial Investment Company (ACI) amounting to SR 33 million. Also Group had realised a net capital gain of SR 85.8 million for disposal of land to Diyar Al Mashriq.

10. INTANGIBLE ASSETS

a) Intangible assets at December 31 comprise the following:

	2010 (SR 000)	2009 (SR 000)
Deferred costs	**188,305**	112,258
Goodwill	**836,516**	917,611
	1,024,821	1,029,869

b) **Deferred costs**

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

	2010 (SR 000)	2009 (SR 000)
Cost		
Balance at beginning of the year	**421,278**	390,559
Additions during the year	**54,708**	30,719
Transfer from property and equipment	**126,000**	--
Balance at end of the year	**601,986**	421,278
Accumulated amortization		
Balance at beginning of the year	**(309,020)**	(250,268)
Charge for the year	**(67,421)**	(58,752)
Write off during the year (Note 22)	**(37,240)**	--
Balance at end of the year	**(413,681)**	(309,020)
Net balance at December 31	**188,305**	112,258

Additions to deferred charges principally represent expense incurred on setting up new retail outlets in Saudi Arabia and amount paid to acquire rights for leased land.

10. INTANGIBLE ASSETS (continued)

c) **Goodwill**

Goodwill at December 31, after adjustment for impairment loss (Note 22) and exchange translation, comprises the following:

	2010 (SR 000)	2009 (SR 000)
Goodwill from acquisition of Geant operations	**222,024**	222,024
Savola Industrial Investments Company	**129,272**	129,272
KUGU Gida Yatum Ve Ticaret A.S	**95,864**	134,795
Al Sharq Company for Plastic Industries. Limited	**89,509**	89,509
Afia International Company, Saudi Arabia	**84,016**	84,016
Giant Stores Trading Company	**75,703**	75,703
Afia International Company, Egypt	**75,141**	79,310
New Marina for Plastic Industries	**37,781**	39,905
Savola Foods Company	**25,981**	25,981
United Company for Central Markets ("UCCM")	**1,225**	1,225
Herfy Foods Services Company Limited	**--**	35,871
	836,516	917,611

11. PROPERTY, PLANT AND EQUIPMENT

a) The movement in property, plant and equipment during the year ended December 31, 2010 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, 2010	890,397	1,747,397	658,412	3,474,916	1,032,886	243,090	446,768	8,493,866
Additions	23,855	49,853	2,325	3,378	51,323	26,567	320,984	478,285
Transfers and impairment	(127,900)	97,071	(195)	59,510	100,873	(203)	(308,349)	(179,193)
Effect of deconsolidation of subsidiary	(69,253)	(80,682)	(80,906)	(157,153)	(51,645)	(36,854)	(14,255)	(490,748)
Disposals	(78,671)	(57,054)	--	(22,709)	(4,305)	(6,086)	--	(168,825)
Balance at December 31	638,428	1,756,585	579,636	3,357,942	1,129,132	226,514	445,148	8,133,385
Accumulated depreciation:								
Balance at January 1	--	433,264	214,735	1,681,054	494,794	133,258	--	2,957,105
Charge for the year	--	135,853	3,606	175,504	123,092	23,599	--	461,654
Effect of deconsolidation of subsidiary	--	(27,515)	(40,234)	(92,725)	(34,147)	(23,853)	--	(218,474)
Disposals	--	(3,562)	--	(17,203)	(3,912)	(4,677)	--	(29,354)
Balance at December 31	--	538,040	178,107	1,746,630	579,827	128,327	--	3,170,931
Less: Net book value of assets held for sale	(136,375)	(64,205)	--	(22,657)	--	--	--	(223,237)
Net book value:								
At December 31, 2010	**502,053**	**1,154,340**	**401,529**	**1,588,655**	**549,305**	**98,187**	**445,148**	**4,739,217**
At December 31, 2009	890,397	1,314,133	443,677	1,793,862	538,092	109,832	446,768	5,536,761

11. PROPERTY, PLANT AND EQUIPMENT (continued)

b) Additions include SR 8 million in respect of interest capitalized during 2010 (2009: SR 12.9 million). The rate used to determine the amount of finance costs capitalized during 2010 was 4% (2009: 4%).

c) Capital work in progress relates to the construction of super markets and hyper markets for APUC and upgrading and enhancing the production facilities of AIC, SPS and some of their 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 the lessor are nominal.

e) See Note 16 with respect to the pledge of certain fixed assets of the Group as collateral to Saudi Industrial Development Fund and commercial banks.

12. SHORT-TERM DEBTS

Short-term debts consist of bank overdrafts, short-term loans and Murabaha financing arrangements 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.

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	2010 (SR 000)	2009 (SR 000)
Accrued expenses	**344,901**	246,587
Accrued Zakat and income tax (Note 25(b))	**166,634**	203,948
Balances related to forward contracts	**214,566**	226,030
Employee related accrual	**250,180**	218,847
Due to related parties (Note 28 (a))	**53,261**	189,933
Unclaimed dividend	**173,487**	167,822
Payable on account of acquisition of minority interest (Note 1)	**135,965**	--
Marketing related accruals	**77,507**	35,991
Provision for dividend (BID)	**18,878**	--
Advances from customer	**34,459**	38,210
Accrued advertising	**17,937**	37,535
Directors' remuneration (Note 28 (b))	**3,486**	6,722
Deferred tax liability of foreign subsidiaries	**10,202**	6,207
Others	**167,950**	83,047
	1,669,413	1,460,879

14. DEFERRED GAIN

During the year Group's real estate subsidiary, Al Matoun sold some of its land and buildings (leased to APU) having a net book value of SR 130.1 million (2009: SR 231.2 million) and realized a net capital gain of SR 25.8 million (2009: SR 62.8 million) from such sale. Concurrently, the third party entered into an operating lease agreement with APU for the lease of same assets for a period of fifteen (2009: eighteen) years. Accordingly, the Group has deferred the gain of SR 25.9 million (2009: SR 62.8 million) over the lease period.

15. 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 2010 and, accordingly, they have been classified under non-current liabilities.

16. LONG-TERM DEBTS

Long-term debts at December 31 comprise the following:

	2010 (SR 000)	2009 (SR 000)
Saudi Industrial Development Fund ("SIDF")	**27,029**	21,134
Commercial banks and financial institutions	**3,077,035**	2,770,157
	3,104,064	2,791,291
Presented in the balance sheet:		
Current portion included under current liabilities	**709,257**	795,089
Non-current portion included under non-current liabilities	**2,394,807**	1,996,202
	3,104,064	2,791,291

SIDF loans

SIDF has provided loans to Herfy, SPS and Swicorp Joussour 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, 2010, property, plant and equipment having a value of SR 200 million (2009: SR 651 million) were charged as security against SIDF loans. The SIDF loan agreements include certain covenants, which among other things require that certain financial ratios be maintained.

16. LONG-TERM DEBTS (continued)

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 capital projects, investments and for working capital requirements. Finance charges on these debts are based on prevailing market rates.

At December 31, 2010, the loan of SR 1,299 million (2009: SR 1,257 million) owed by subsidiaries are secured by a corporate guarantee of the Group and a letter of understanding issued to the commercial banks. At December 31, 2010, certain foreign subsidiaries' loans amounting to SR 434.1 million (2009: SR 336 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.

17. SHARE CAPITAL AND DIVIDENDS

At December 31, 2010 and 2009, the Company's share capital of SR 5 billion consists of 500 million fully paid shares of SR 10 each.

The details of interim dividends approved and final dividend proposed by the Board of Directors are as follows:

Date	Dividend rate	Interim / Final	Amount SR (Million)
April 18, 2010	SR 0.50 per share	Interim	250
July 18, 2010	SR 0.25 per share	Interim	125
October 17, 2010	SR 0.25 per share	Interim	125
January 17, 2011	SR 0.25 per share	Final	125

18. STATUTORY RESERVE

In accordance with the 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 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.

19. OTHER INCOME - NET

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

	2010	2009
	(SR 000)	(SR 000)
Product listing and opening fees	**43,976**	30,008
Provision no longer required, written back	**27,346**	**--**
Scrap sales	**27,282**	34,120
Rental income	**1,401**	1,844
Others - net	**(2,665)**	13,905
	97,340	79,877

Product listing fee represents the fee received from suppliers to list their products in new retail store openings and is recognized in the period it is earned.

20. SELLING AND MARKETING EXPENSES

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

	2010	2009
	(SR 000)	(SR 000)
Staff costs	**682,769**	565,210
Rent	**291,544**	194,667
Advertising and sales promotion	**285,798**	256,214
Depreciation	**243,667**	192,650
Utilities	**137,291**	110,948
Repairs, maintenance and consumables	**83,427**	50,565
Others	**145,657**	163,320
	1,870,153	1,533,574

21. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2010 (SR 000)	2009 (SR 000)
Staff costs	**332,046**	378,338
Amortization of intangible assets	**56,474**	43,329
Depreciation	**26,556**	18,870
Rent	**19,912**	18,994
Technical and professional fees	**39,908**	24,118
Utilities, telephone and communication	**10,674**	14,001
Travel	**12,058**	13,918
Repairs and maintenance	**11,962**	7,272
Training	**9,311**	6,772
Insurance	**7,125**	6,280
Computer-related	**3,291**	3,958
Others	**73,821**	92,933
	603,138	628,783

22. IMPAIRMENT LOSS ON INTANGIBLE ASSETS

In accordance with the requirement of SOCPA standard on “Intangibles Assets”, Group management has carried out an impairment test in respect of the Goodwill carried in the Group’s consolidated financial statements. The recoverable amounts have been determined based on “value in use” and assessment of certain other financial performance indicators.

The key assumptions used for value-in-use calculations are as follows:

1. Budgeted gross margin.
2. Weighted average growth rate
3. Discount rate applied to the cash flow projections.

Management determined budgeted gross margin and weighted average growth rates based on past performance and its expectations of relevant economic development. The discount rates used are pre-Zakat / tax and reflect specific risks relating to the industry. As a result of this assessment an impairment loss of SR 50 million (2009: SR 44.96 million) is recognised in these consolidated financial statements. (Note 10 (c))

The Group has also written off deferred cost related to certain abandoned investment related projects amounting to SR 37 million (Note 10 (b)) and other assets of a subsidiary amounting to SR 15 million (2009: SR 31.7 million).

23. IMPAIRMENT LOSS ON AVAILABLE FOR SALE INVESTMENT

During the year, the Group has re-assessed the fair valuation of certain available for sale equity investments and recognised an impairment loss amounting to SR 66.4 million (2009: SR 145 million) representing the difference between carrying value of these investments and fair value at December 31, 2010.

24. FINANCIAL CHARGES- NET

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

	2010 (SR 000)	2009 (SR 000)
Bank commission on loans and other borrowings	**263,229**	244,468
Income earned on short-term bank deposits	**(18,969)**	(17,131)
	244,260	227,337

25. ZAKAT AND INCOME TAX

a) Charge for the year

The Company and its subsidiaries file separate Zakat and income tax declarations, which are filed on an 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 case 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:

		2010 (SR 000)	2009 (SR 000)
Zakat	– current year	**44,239**	23,564
Income-tax	– current year	**95,907**	39,759
		140,146	63,323

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:

	2010 (SR 000)	2009 (SR 000)
Balance at beginning of the year	**203,948**	88,358
Adjustment due to consolidation of a subsidiary	**--**	111,251
Charge for the year	**140,146**	63,323
Payments and adjustments during the year	**(177,460)**	(58,984)
Balance at end of the year	**166,634**	203,948

25. ZAKAT AND INCOME TAX (continued)

c) Zakat Status

The Department of Zakat and Income Tax (DZIT) issued the final Zakat assessment for the years 1999 and 2000 and claimed additional Zakat differences of SR 4.9 million. The case was transferred to the BOG. The Board of Grievances “BOG”, which issued a final decision supporting the DZIT.

The Department of Zakat and Income Tax (DZIT) issued the final Zakat assessment for the years 2001 and 2002 and claimed additional Zakat differences SR 11.8 million. The Company’s objection was transferred to the Preliminary Objection Committee (POC). The POC issued its decision based on which the Zakat differences were reduced to SR 3 million. The Company filed an appeal with the Higher Appeal Committee (HAC) against the remaining balance of SR 3 million, together with the bank guarantee of the said balance. The HAC issued its decision in favor of the Company, which resulted in waiving the remaining balance of SR 3 million.

The DZIT issued the assessment for the years 2003 and 2004 and claimed Zakat differences of SR 4.3 million. The Company’s case was transferred to the POC, which issued its decision and reduced differences to SR 3.5 million. The Company filed an appeal with the HAC and submitted a bank guarantee for SR 3.5. The outcome of the above pending appeals has not been finalized at the time of issuance of these consolidated financial statements.

The Company submitted final Zakat returns for the years 2005 to 2009 and obtained the restricted Zakat certificate for the year 2007. The DZIT did not issue the final Zakat assessment for the years 2007 and 2008 to date.

The DZIT implemented a new process for reviewing Zakat and tax returns starting from the year 2009 whereby the DZIT automatically issues a preliminary self assessment after the submission of Zakat return. The DZIT issued the preliminary assessment for the year 2009 and claimed additional amount of SR 1.297 million which the Company objected but settled in order to obtain the Zakat certificate. Under the scheme, DZIT may conducting a field audit for the files on a sample basis, within five years. If the DZIT does not review the tax returns within 5 years then, this is considered a clearance for the Company.

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 61.8 million. This amount mainly resulted from application of Ministerial Resolution No. 1005 against consolidated financials of one of the subsidiaries for the year 2005 to 2007.

The companies objected to such assessments and filed their cases and the matter is pending with the DZIT and Appeal Committees.

25. ZAKAT AND INCOME TAX (continued)

c) Income tax status

The Group's foreign subsidiaries are obliged to pay income tax as per applicable tax laws of their countries of incorporation. Some of the subsidiaries are currently tax exempt. Tax paying subsidiaries determine their liabilities based on applicable corporate rates to the adjusted taxable income for the year. Certain subsidiaries are also obliged to pay quarterly advances tax determined on prior year tax liability bases.

Certain subsidiaries have received final tax assessments for certain years and provisional tax assessments for other years. They have also received queries from departments of income tax after their assessment or inspections for open years, for which replies have been filed.

The group management believes that there are no significant amounts under protest with departments of income tax in any foreign operation.

26. EARNINGS PER SHARE

Earnings per share for the year ended December 31, 2010 and 2009 have been computed separately by dividing the income from operations (including minority's share) and net income for such period by the weighted-average number of ordinary shares outstanding during the year of 500 million shares.

27. COMMITMENTS AND CONTINGENCIES

The Group has outstanding bank guarantees and letters of credit amounting to SR 212.7 million at December 31, 2010 (2009 - SR 786 million), which were issued in the normal course of business. Also see Note 12 with respect to guarantees given for certain loans, Note 25 with respect to Zakat contingencies, and Note 30 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, 2010, one of the subsidiaries had commitments to sell in 2010 refined sugar of approximately 252,616 tons (2009: 196,731 tons to sell in 2010) 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, 2010, the Group had outstanding commitments of SR 214 million (2009: SR 204 million) for investments.

28. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions mainly represent sale of products in the ordinary course of business to entities related to certain consolidated subsidiaries. The terms of such transactions are mutually agreed between the parties. 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.

	2010 **(SR 000)**	2009 (SR 000)
Shareholders of subsidiaries:		
Revenues - net	**897,397**	588,863
Rent charged by subsidiary shareholder	**--**	600
Salaries and management fee charged by subsidiary shareholder	**--**	4,815

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

	2010 **(SR 000)**	2009 (SR 000)
Due from related parties (included under trade receivables)		
Certain shareholders of USC	**145,098**	82,329
Due from related parties (included under prepayment and other current assets)		
Intaj Capital Limited	**70,560**	70,560
Beet Sugar Industries	**68,571**	--
Al Muhaidib Holding Company	**19,922**	--
Alexandria Sugar	**3,640**	--
Akwan Global	**3,474**	142
Afia Wings International Company	**2,757**	2,757
Savola Sugar Company	**2,617**	--
Shareholders of an associate	**1,600**	40,000
Seerah City for Real Estate Development	**--**	30,265
Hasoon International	**1,106**	1,107
Pronto Digital	**569**	569
Saudi Retail	**--**	3,736
Others	**--**	388
	174,816	149,524

28. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due to related parties (included under accrued expenses and other current liabilities):

	2010	2009
Abdul Qadir Mohadib Company	**23,248**	23,316
Behshahr Industrial Development Company ("BID")	**11,150**	--
Herfy Foods Service	**8,357**	--
Knowledge Economic City Development	**5,014**	--
Kinan International for Real Estate Development Company	**3,492**	19,395
Kinan Arabia for Real Estate	--	50,000
Al Mojammat Al Mowahadah	**2,000**	--
Savola Snacks Foods Company	--	10,327
Ahmed Hammad Al Saeed	--	1,330
Al-Mohadib Holding Company	--	21,942
Al-Mohadib and Sons	--	59,800
Diyar Al Mashreq	--	3,823
	53,261	189,933

b) Board of Directors' remuneration for the years ended December 31, 2010 amounting to SR 2.2 million (2009: SR 2.2 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 equity. Attendance allowances to the directors and members of various board committees for the year ended December 31, 2010 amounting to SR 750 thousand (2009: SR 554 thousand) are charged to expenses and included under general and administrative expenses.

29. SEGMENT REPORTING

During the years ended December 31, 2010 and 2009, 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, 2010 and 2009, and for the years then ended, summarized by business segment area, are as follow:

2010	**Manufacturing/ wholesale (SR 000)**	**Retail (SR 000)**	**Investments and other activities (SR 000)**	**Total (SR 000)**
Property, plant and equipment -net	**2,600,793**	**2,132,134**	**6,290**	**4,739,217**
Other non-current assets - net	**871,237**	**585,448**	**5,675,391**	**7,132,076**
Revenues - net	**12,793,186**	**8,236,286**	**--**	**21,029,472**
Net income	**299,643**	**147,287**	**439,772**	**886,702**
2009				
Property, plant and equipment -net	2,881,190	2,650,149	5,422	5,536,761
Other non-current assets - net	824,648	417,860	4,843,748	6,086,256
Revenue - net	9,997,106	7,920,096	--	17,917,202
Net income	477,573	136,783	337,209	951,565

29. SEGMENT REPORTING (continued)

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas (see Note 1). Selected financial information as of December 31, 2010 and 2009 and for the years then ended, summarized by geographic area, is as follows:

2010	**Saudi Arabia (SR 000)**	**Egypt (SR 000)**	**Iran (SR 000)**	**Other countries (SR 000)**	**Total (SR 000)**
Property, plant and equipment – net	**3,153,017**	**785,074**	**538,598**	**262,528**	**4,739,217**
Other non-current assets-net	**6,158,711**	**272,291**	**135,108**	**565,966**	**7,132,076**
Revenue – net	**13,633,180**	**2,439,329**	**2,609,836**	**2,347,127**	**21,029,472**
Net income	**914,465**	**(2,806)**	**85,370**	**(110,327)**	**886,702**

2009	Saudi Arabia (SR 000)	Egypt (SR 000)	Iran (SR 000)	Other Countries (SR 000)	Total (SR 000)
Property, plant and equipment - net	3,674,247	793,471	658,118	410,925	5,536,761
Other non-current assets – net	5,111,511	294,589	--	680,156	6,086,256
Revenue – net	11,817,035	2,100,731	1,822,149	2,177,287	17,917,202
Net income	832,118	41,567	134,376	(56,496)	951,565

30. 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, 2010 amounted to SR 270 million (2009: SR 236 million).

At December 31, 2010, the Group’s obligations under operating leases are analyzed as under:

	2010 (SR 000)
Within one year	**393,729**
Between two and five years	**1,547,722**
More than five years	**4,544,906**
	6,486,357

31. 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, certain other assets and 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, Turkish Lira and Egyptian Pound. Against some of these group is exposed to currency risk. Other transactions in foreign currencies are not material.

Market price risk is the risk that the fair value of a Group's available for sale investments fluctuates due to changes in market prices. The Group's holds investment in certain listed equities in Saudi and Jordanian stock exchange which carries market price risk. The Group endeavours to minimize risk through diversification across various sectors of the Saudi stock market and limiting its exposures to segments which are related to Group activities.

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.