2010
ANNUAL REPORT

Focused Growth

The Savola Group

بسم الله الرحمن الرحيم

In The Name Of Allah, The Most Merciful, The Most Beneficent

Introduction:

The Savola Group is a leading publicly listed company in Saudi Arabia operating across the Middle Eastern, North African and Central Asian regions in Foods, which includes Edible Oil and Sugar, Retail and Plastics sectors. The Group also has significant investments in leading publicly listed Saudi companies, investment funds and real estate businesses. This report covers the activities and performance of its key sectors, investments and real estate operations, and their contribution to the results of The Group.

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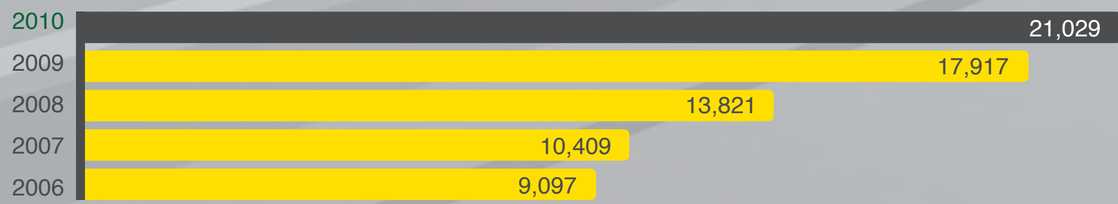
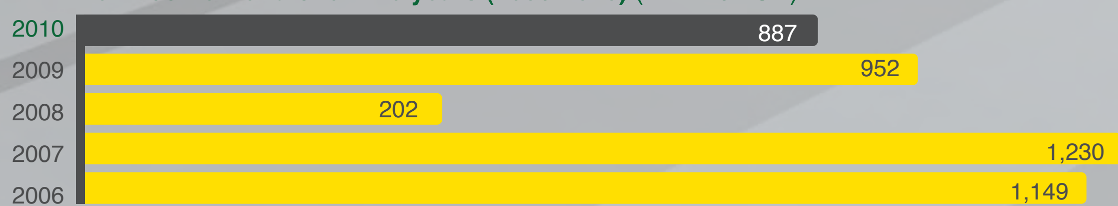


Net Income trend over five years (2006-2010) (In Million SR)



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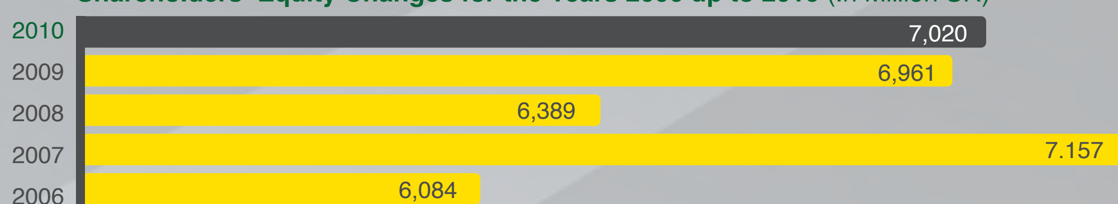
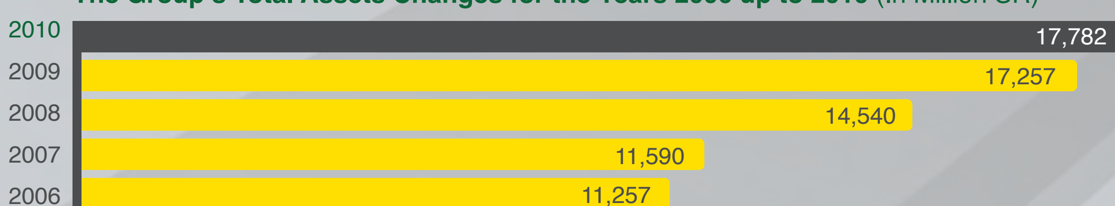
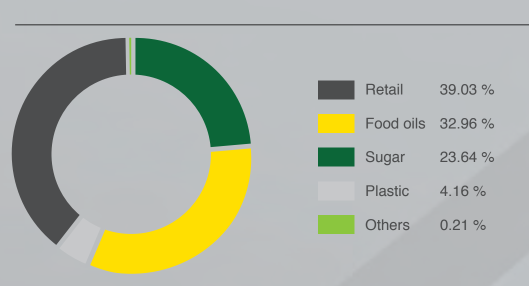


The Group's Total Assets Changes for the Years 2006 up to 2010 (In Million SR)



Sector contribution in The Group's overall revenues/sales for 2010:



Net Revenues

21,029 Million SR

Net Income

887 Million SR

Total Assets

17,782 Million SR

Board of Directors Report

Dear Respected Shareholders,

Your Board has the honor to present this Annual Report for the fiscal year ending December 31, 2010, which includes messages from the Chairman & Managing Director, that summarize The Groups' performance and its strategic direction. It also includes the agenda of the Annual General Meeting scheduled for 28th March 2011, and covers the overall consolidated performance of The Group, its subsidiaries and associates in all business sectors and areas of activities, locally and overseas. The report also includes The Group's activities in its role as a corporate citizen and in compliance with corporate governance policies. In addition to this, the report also includes a thank you note to the government, shareholders & employees.

This report has been prepared in conformity with the requirements of the Capital Market Authority's (CMA) Corporate Governance and Disclosure Standards, as stipulated in Article 27 of the Joint Stock Companies Registration and Listing Rules, and follows the Directors Report Guidelines established by the CMA and other international guidelines. It also includes the Audited Financial Results, the Related Notes, and the Auditors' Report for the fiscal year ending 31st December 2010 as stipulated by the regulations.

We are confident that this report reflects The Group's overall performance and business development. We will be pleased to receive and address your questions and queries related to the contents of this report during the Annual General Meeting indicated above.

Board of Directors

The Savola Group

February 21st, 2011

Board of Directors

Mr. Mohammad A. Al Fadl

Mr. Yousef M. Alireza

Mr. Ibrahim M. Al Issa

Mr. Sulaiman A. Al Muhaidib
Chairman

Dr. Ghassan A. Al Sulaiman

Mr. Abdulaziz K. Al Ghufaily

H.E. Eng. Abdullah M. Rehaimi

Mr. Mousa O. Al Omran

Mr. Ammar A. Al Khudairy

Dr. Abdulraouf M. Mannaa
Managing Director

Dr. Sami M. Baroum

Board of Directors

Mr. Mohammad A. Al Fadl

Mr. Yousef M. Alireza

Mr. Ibrahim M. Al Issa

Mr. Sulaiman A. Al Muhaidib
Chairman

Dr. Ghassan A. Al Sulaiman

Chairman's Message

Dear Savola Group Shareholders,

It gives me immense pleasure to present you The Savola Group Annual Report for the year ending December 31, 2010.

First of all, I would like to extend my appreciation and gratitude towards our previous Chairman, H.E. Eng. Adel M. Fakeih, Minster of Labor, for his great efforts and wise vision that contributed significantly in strengthening Savola's operations locally and regionally . During the term of his leadership, the company's net profit grew exponentially from around SR 60 million in the nineties to just under SR 1 billion in 2009. Despite the additional pressure from his appointment as the Mayor of Jeddah Municipality in March 2005, he continued to be the Chairman of The Savola Group's Board, supporting and nurturing The Group, till his appointment as Minster of Labor in August 2010 by a Royal Decree. We pray that Allah Almighty rewards him for all his efforts and support extended to The Group and its shareholders and, we also wish him every success in his new role and hope that the Almighty "Allah" blesses him in all his efforts to do the best for our beloved country and its citizens.

The Group achieved excellent results for the Fiscal year 2010, attained by robust competitive advantage, a strong financial position, sound corporate culture, management style, and technical expertise. Net Income for the year ending December 31, 2010 was SR 887 million, compared to SR 952 million reported in 2009; the decrease of 6.8% was mainly due to the impairment provision made during the last quarter of the year. Despite the slight downturn in net income, The Group has retained its position in the market by focusing on its core businesses, leveraging its competitive advantage and by strategically managing available cash flows.

In line with The Group's long standing policy, Savola has continued distributing quarterly dividends to its shareholders throughout the year, resulting in total dividend payments of SR 625 million to shareholders in 2010, which included an additional payment of SR 125 million, paid out from the proceeds of a capital gain realized during the year.

The Group has achieved an enviable milestone; employing more than 5,500 Saudi Nationals, with a record 40% Saudiazation level within the Kingdom. The majority of The Groups' executive and leadership positions are staffed by competent and qualified Saudi citizens. The company is also proud that its shareholders base has reached more than 160 thousand.

Continuing its leadership role in Corporate Governance and Transparency, The Group previously announced that it is expected to report SR 1 billion as net income forecast for 2011 (before capital gains). The Group also reported that it is expected to achieve net income of SR 160 Million (before capital gain) for the 1st quarter ending 31st March, 2011. In this context, I would also like to inform you, our esteemed shareholders, that The Savola Group has been ranked second among the top companies of the Arab world according to a study on governance and transparency, conducted by Standard & Poor's (S&P), Hawkamah Institute and the International Finance Corporation (IFC) in early February 2011

In conclusion, I would like to take this opportunity to sincerely thank you, our shareholders, and the Custodian of the Two Holy Mosques and his government, for the continued support offered and for your unwavering trust in our various endeavors, and I look forward to presenting positive and commendable results for the year 2011 InshaAllah.

Sulaiman A. AlMuhaidib

Chairman of the Board of Directors

Managing Director's Message

Dear Esteemed Shareholders,

It is an honor to present to you the results for the year ending December 31, 2010 through this Annual Report. To begin with, I would like to extend our sincere congratulations on behalf of the entire Savola Group Board, and all its employees to HE Eng. Adel M. Fakeih (Ex-Chairman) on his appointment as Minister of Labor in August 2010 by a Royal Decree. I would also like to extend our thanks and appreciation for his tireless efforts and wise vision that contributed significantly to the successful formation and growth of The Group, from the time it was a startup edible oils company importing and refining raw vegetable oil. His sincere efforts and continued support resulted in Savola's outstanding achievements and expansion of its business activities in KSA and overseas, enlarging The Group's portfolio to include business in Foods, which comprises of Edible Oils and Sugar, as well as Retail and Plastics sectors. The Group also expanded its portfolio in strategic investments and in the real estate sector. We wish His Excellency all the success in his important role as Minister of Labor, and in all his future endeavors, and pray to Almighty Allah to bless his efforts to do the best for our beloved Kingdom.

I am pleased to report to you that The Savola Group has achieved revenues for 2010 amounting to SR 21.1 billion, a whopping 17.3% increase over last year. The Group generated total net income before capital gains and exceptional items of SR 933 million compared to SR 855 million for last year, and SR 920 million forecasted for 2010.

The Group's highly successful 'Focus Growth' strategy aimed at ensuring wider existence and tangible growth in its key businesses, namely, Foods sector (which includes edible oils and sugar and more recently, the sweeteners category),Retail sector(which expanded to reach 161 stores including 124 stores in KSA), Plastics sector (which has become regional players) and a strong Real Estate portfolio, while managing diligently other strategic investments inside Saudi Arabia as well as the overseas market. This has strengthened Savola's position in the market, while simultaneously preserving the pioneering role of The Group. Savola has taken serious and confident steps towards realizing this gradual expansion of core competencies by re-focusing on successful businesses and re-assessing its position by pruning low performing ones.

All of these accomplishments would not have been possible without the relentless efforts to justify The Group's ambition to be the most successful holding company in the Kingdom. This objective is being fulfilled by administering a balanced growth strategy in its core businesses and making use of The Group's strong assets which include a strong financial position, qualified and dedicated human resources and accumulative experience of the past decades.

To enhance corporate social responsibility and as part of its role in community development, The Group continues its efforts to train and employ persons with disabilities, through The Savola Center for Empowering Persons with Disabilities. During the past year, The Center launched its first pilot program by training and employing 100 disabled persons; it will continue focusing on this initiative during the coming year as well. More than SR 9 million has been paid by Panda, the retail arm of The Group, to the Disabled Children Association through "Leave the Change for Them" campaign, which is organized by the sector. It has also implemented a number of CSR programs detailed in the following pages of this Annual Report.

I would finally like to take this opportunity to extend my sincere thanks and appreciation to all of our esteemed shareholders, and our esteemed Board members for their keen insight and vision. I would also like to thank all Savola employees, both local and overseas for their outstanding efforts in 2010, and by the grace of Almighty Allah, look forward to even greater successes by the end of 2011.

Sincerely,

Dr. Abdulraouf M. Mannaa

Group Managing Director

Executive Board

Dr. Abdulraouf Mohammed Mannaa
Managing Director

Mr. Abderrahim Maaraf
Senior Vice President – Edible Oils Sector

Eng. Mohammed H. Al-Klaiby
Senior Vice President – Sugar & Sweetener Sector

Dr. Ayman A. Hashem
Senior Vice President – Corporate Strategy & HR Development

Mr. Mahmoud M. Abdul Ghaffar
Senior Vice President – Corporate Affairs
& Board Secretary

Mr. Nouman Farrukh Mohammed
Chief Financial Officer (CFO)

Eng. Azhar M. Kangi
Chief Executive Officer – Plastic Sector

Mr. Muwaffaq M. Jamal
Chief Executive Officer – Retail Sector

02

Directors’ Annual Report

1) AGM Agenda
2) 2010 Performance Summary Review and Financial Analysis
3) Performance Review by Sector
4) Corporate Citizenship
5) Corporate Governance & Transparency

1) AGM Agenda

Below is the Shareholders Assembly Meeting agenda, which will be discussed and ratified by the esteemed AGM No. (34) for 2010 scheduled on 28th March 2011:

1) Approval of the Board of Directors' Report for the year ended December 31, 2010.

2) Approval of the Final Accounts and Auditors' Report for the year ending December 31, 2010, which is enclosed with this report.

3) Ratification of the Board of Directors' recommendation to distribute SR 125 million (SR 0.25 per share) as dividends for the fourth quarter of 2010, in addition to the total dividends distributed to shareholders for the first three quarters of 2010 at the rate of SR 1 per share (SR 500 million). Therefore the total dividends for 2010 amount to SR 1.25 per share, raising the total dividends paid to SR 625 million (i.e. 12.5% of company share capital).The maturity date for the fourth-quarter dividends will be for those shareholders registered in the company books at the close of trading on the date of the General Assembly Meeting on 28th March 2011 as mentioned above.

4) Absolve the Board Members from any liability pertaining to the management of the company for the year 2010.

5) Appointing, and specifying fees of The Group's external auditor, nominated by the Audit Committee, for auditing The Group's quarterly accounts and balance sheet for the 2011 fiscal year.

6) Ratification of the Board of Directors' resolution to appoint H. E. Eng. Abdullah Mohammed Noor Rehaimi as a Board Member of The Savola Group, effective 21st September 2010 for a period of three years, representing the General Investment Fund in the Board membership. He replaces H.E Eng. Adel M. Fakeih, who represented the General Investment fund in The Group Board membership, until his appointment by a royal decree as Minister of Labor in August 2010.

2) Performance Summary Review and Financial Analysis for 2010

- **Major Financial Highlights & Analysis**
- **2010 Summary Review and Comparison Figures**
- **Details of Long and Short-term Loans**
- **Summary of Payments Made to the Government**
- **Dividends Policy**

a) Major Financial Highlights & Analysis for 2010

a-1) Major Financial Highlights:

- Sales/revenues grew by 18 percent to reach SR 21.1 billion.
- Net income (before capital gain & exceptional items) reached SR 933 million, which is also above the full year forecast of SR 920 million and 9% above SR 855 million achieved in 2009.
- Net profit for the year reached SR 887 million as compared to last year's net profit of SR 951 million.
- Operating profit for 2010 amounted to SR 1.50 billion, increase of 8.7% compared to last year's SR 1.38 billion.
- Gross profit for 2010 reached SR 3.4 billion, increase of 9.7% compared to last year's SR 3.1 billion.
- Total dividends of SR 625 million distributed and recommended to be distributed for 2010.
- The Savola Group ranks second among the top companies of the Arab world in the area of corporate governance and transparency according to a study conducted by S&P, Hawkamah Institute for Corporate Governance, and IFC in early February 2011.
- The Group continues to expand its CSR programs, aiming to contribute to the development of the community and society.

a-2) Forecast for 2011:

In line with The Group's policy of enhancing its disclosures and transparency of results with its entire shareholders, investors and other stakeholders, The Group announces its projected Net Income [before capital gains and exceptional items] to be SR 1 billion for the year 2011 compared to SR 933 million achieved in 2010. This will be the first time in the history of The Group that it expects its consolidated net income of SR 1 billion to be generated from its local and overseas core operations and its strategic investments. The Group's net income forecast (before capital gain and exceptional items) for the 1st quarter ending 31st March, 2011 is expected to reach SR 160 million, Insha'Allah, as previously announced to the Saudi stock market (Tadawul website).

a-3) Summary Analysis:

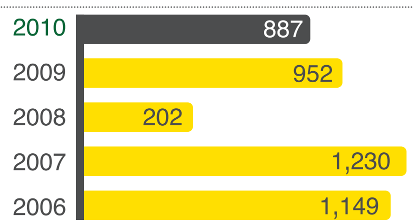
The decrease in The Group's consolidated net income from SR 951 million in 2009 to SR 887 million in 2010, is mainly attributed to the outcome of the review of the Foods business strategy, which primarily aims to entrench its position in the core markets, while re-assessing certain overseas operations. In this respect, The Group recorded impairment provisions of SR 115 million in certain overseas operations in the Foods Sector, and SR 168 million with respect to its investment in Emaar Economic City, a portion of the goodwill which resulted during the acquisition of the Turkish business, and certain other project expenses. It must be noted that the net income, before capital gains and exceptional items of SR 933 million, exceeded the 2010 full year forecast of SR 920 million.

b) Overall Financial Performance Review for 2010:

b-1) Consolidated income statement, five-year comparison (2006-2010):

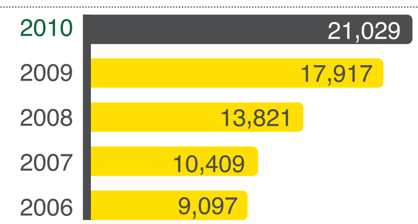
Income (Saudi Riyals in thousands)	2010	2009	2008	2007	2006
Revenues—net	21,029,472	17,917,202	13,821,377	10,409,530	9,096,687
Cost of sales	(17,614,233)	(14,809,887)	(12,007,054)	(8,705,859)	(7,553,330)
Gross profit	3,415,239	3,107,315	1,814,323	1,703,671	1,543,357
Share of profits (loss) of associates and jointly controlled entity and dividend income—net	459,522	352,799	335,174	243,753	181,607
Other income—net	97,340	79,877	110,526	82,057	97,824
Total income	3,972,101	3,539,991	2,260,023	2,029,481	1,822,788
Selling & Marketing	(1,870,153)	(1,533,574)	(1,123,033)	(839,516)	(719,220)
General and Administrative	(603,138)	(628,783)	(465,491)	(456,794)	(345,166)
Total expenses	(2,473,291)	(2,162,357)	(1,588,524)	(1,296,310)	(1,064,386)
Income (loss) from Operations	1,498,810	1,377,634	671,499	733,171	758,402
Gain (loss) on Disposal of Investments	195,055	318,116	147,980	863,982	659,755
Impairment of Assets & Projects Written-off	(283,716)	(221,596)	(442,406)	(110,482)	-
Financial charges—net	(244,260)	(227,337)	(153,658)	(33,326)	(71,454)
Income (loss) before Zakat and income tax and minority interests	1,165,889	1,246,817	223,415	1,453,345	1,346,703
Zakat and income tax	(140,146)	(63,323)	(53,387)	(115,463)	(45,677)
Net income before minority interests	1,025,743	1,183,494	170,028	1,337,882	1,301,026
Share of minority interests in the net income (loss) of consolidated subsidiaries	(139,041)	(231,929)	32,330	(107,858)	(152,438)
Net income	**886,702**	**951,565**	**202,358**	**1,230,024**	**1,148,588**

b-2) Revenues & Net income over five years:



Net Income trend over five years (2006-2010)

In Million SR



Revenues over five years (2006-2010)

In Million SR

b-3) Consolidated Income Statement, 2009-2010 comparison

Income Statement	2010	2009	Variance + or (-)	Variance %
Revenues—net	21,029,472	17,917,202	3,112,270	17.4%
Cost of revenue	(17,614,233)	(14,809,887)	(2,804,346)	18.9%
Gross profit	3,415,239	3,107,315	307,924	9.9%
Share of profits (loss) of associates and jointly controlled entity and dividend income—net	459,522	352,799	106,723	30.3%
Other income—net	97,340	79,877	17,463	21.9%
Total income	3,972,101	3,539,991	432,110	12.2%
Selling and Marketing	(1,870,153)	(1,533,574)	(336,579)	21.9%
General and Administrative	(603,138)	(628,783)	25,645	-4.1%
Total expenses	(2,473,291)	(2,162,357)	(310,934)	14,4%
Income (loss) from operations	1,498,810	1,377,634	121,176	8.8%
Gain (loss) on disposal of investments	195,055	318,116	(123,060)	-38.7%
Impairment of Assets & Projects written off	(283,716)	(221,596)	(62,120)	28%
Financial charges—net	(244,260)	(227,337)	(16,923)	7.4%
Income (loss) before Zakat and income tax and minority interests	1,165,889	1,246,817	(80,928)	-6.5%
Zakat and income tax	(140,146)	(63,323)	(76,823)	121.3%
Net income before minority interests	1,025,743	1,183,494	(157,751)	-13.3%
Share of minority interests in the net income (loss) of consolidated subsidiaries	(139,041)	(231,929)	92,888	-40.1%
Net income	**886,702**	**951,565**	**(64,863)**	**-6.8%**

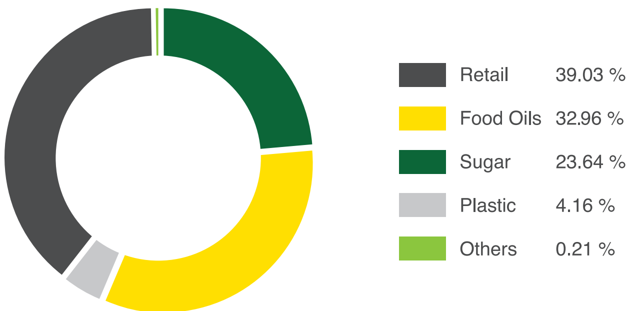
The growth in The Group's total revenues shown in table (b-1) and illustrated in graph (b-2) reflects the performance of The Group in the local and overseas markets as shown in table (b-4) below. The movement in net income as shown in table (b-3) shows the decrease in 2010 over 2009, mainly due to the provisions of SR 283 million recorded in 2010.

b-4) Geographical analysis of revenues/sales of The Group and its subsidiaries by product (in SR 000's)

By Country	By Products/Brands	2010	2009
Edible Oil			
KSA, Gulf &Yemen	Afia, Arabi, Olite, Almaida, Shams, Sun Glow	1,826,113	1,512,748
Iran	Ladan, Aftab, Bahar, Afia,	2,609,836	1,804,629
Egypt	Rawabi, Afia, Ganna, Slite, Helwa	847,388	893,005
Kazakhstan	Lito, Khazayoushka	182,164	158,370
Sudan	Al Taeb, Sabah, Sudani	366,278	211,388
Morocco	Afia, Hala,	264,485	378,656
Turkey	Yudum & Sirma	595,672	583,453
Algeria	Afia	358,659	221,724
Intercompany Sales Elimination		(47,057)	(42,594)
Total of Edible Oil Sales		**7,003,537**	**5,721,379**
Sugar Sales:			
- KSA, GCC and Yemen	Al Osra, Ziadah, Safaa, Nehar , Halla	3,540,807	2,506,785
- Egypt (USCE)	Al Osra,	1,482,188	1,108,820
Total of Sugar Products Sales		**5,022,995**	**3,615,605**
Retail Sales (Panda Stores)			
- KSA	Supermarket Panda & Al Azizia	7,590,188	6,733,809
- United Arab Emirates/ Dubai	Hyper Panda	286,331	328,748
- Lebanon Republic	Supermarket	306,153	293,870
- Herfy Sales	Herfy Products & Restaurants*	-	517,594
- Real estate - KSA	Leasing of malls and centers (Motoon Co.)	110,172	97,749
Total of Retail Sales		**8,292,844**	**7,971,770**
Plastics Division Sales			
- KSA- Jeddah & Riyadh Factories	The plastics division manufactures a wide variety of products as requested by clients	762,223	644,332
- Egypt (New Marina)	The plastics division manufactures a wide variety of products as requested by clients	121,753	105,110
Total of Plastic Sales		**883,976**	**749,442**
Others			
- Franchising Sales, KSA	Bonia , Jacqueline Riu, Yves Rocher, Tom Tailor	44,416	43,623
Growth reviews		21,247,768	18,101,819
Consolidation entry – Inter company sales		(218,296)	(184,617)
Total Revenues / sales		**21,029,472**	**17,917,202**

Note: Due to the IPO of Herfy Company and reduction of The Savola Group's ownership in Herfy share capital from 70% to 49%, Herfy's financial figures have not been consolidated in The Group's financial results for 2010 as per accounting standards.

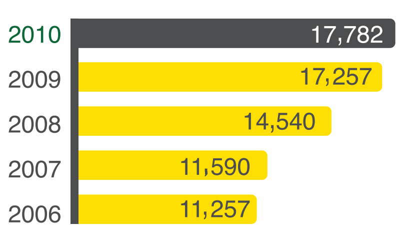
b-5) Sector contribution in The Group's overall revenues/sales for 2010:



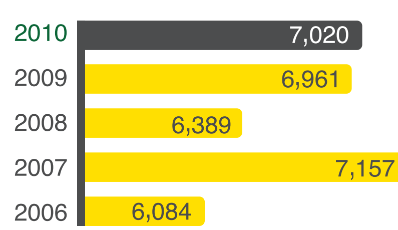
b-6) Consolidated Balance Sheet, five-year comparison (2006-2010):

Balance Sheet (in thousands Riyals)	2010	2009	2008	2007	2006
Current assets (A)	5,910,643	5,633,507	4,764,430	3,711,339	5,854,016
Current liabilities (B)	6,724,128	6,313,432	6,001,606	3,138,566	3,629,595
Working capital C=(A - B)	(813,485)	(679,925)	(1,237,176)	572,773	2,224,421
Current assets	5,910,643	5,633,507	4,764,430	3,711,339	5,854,016
Other non-current assets	7,132,076	6,086,256	5,525,059	4,364,864	2,436,585
Property, plant and equipment (fixed assets)	4,739,217	5,536,761	4,250,663	3,513,801	2,984,402
Total assets	17,781,936	17,256,524	14,540,152	11,590,004	11,275,003
Current liabilities	6,724,128	6,313,432	6,001,606	3,138,566	3,629,595
Long-term loans	2,394,807	1,996,202	1,117,136	456,540	560,051
Other liabilities	448,133	418,979	284,730	222,221	210,275
Total liabilities	**9,567,068**	**8,728,613**	**7,403,472**	**3,817,327**	**4,399,921**
Paid-up capital	5,000,000	5,000,000	5,000,000	3,750,000	3,750,000
Retained earnings and reserves	2,020,037	1,960,628	1,389,165	3,406,901	2,333,549
Shareholders› equity	7,020,037	6,960,628	6,389,165	7,156,901	6,083,549
Minority interests	1,194,831	1,567,283	747,515	615,776	791,533
Total liabilities and shareholders› equity	**17,781,936**	**17,256,524**	**14,540,152**	**11,590,004**	**11,275,003**

b-7) Shareholders' equity and Total Assets:



The Group's Total Assets Changes
For the Years 2006 up to 2010
In Million SR



Shareholders' equity Changes
For the Years 2006 up 2010
In Million SR

C) Details of long and short-term loans for The Group and its Subsidiaries:

The Group's policy has always been to adopt Islamic Shari'ah compliant processes in all its financial transactions. All loans and deposits within the Kingdom are fully Shari'ah compliant. The following are details of long and short-term loans outstanding as on 31 December, 2010.

c-1) Long-term Loans, as on 31 December, 2010 (000's SR):

Long-term loans (in thousands Riyals)	Banks / Others	2010	2009
Saudi Industrial Development Fund (SIDF):			
Herfy Foods Services Co.	Saudi Industrial Development Fund	-	10,639
Savola Packaging Systems Co.	Saudi Industrial Development Fund	27,029	10,495
Total (A)		27,029	21,134
Commercial banks			
The Savola Group	Samba, Saui Fransi Bank and Saudi Investment Bank	1,756,250	1,131,250
Al Azizia Panda United Co.	NCB, SABB	450,000	240,000
Afia International Co.	NCB, Samba and Turkish & Egyptian Banks	419,069	852,566
Savola Foods Emerging Markets Co.	Algerian & European Banks	43,567	40,774
Herfy Food Services Co.	-	-	7,500
United Sugar Co.	SABB, Samba, Commercial Intl. Bank of Egypt	367,334	494,343
Savola Packaging Systems Co.	SABB	40,815	3,723
Total commercial banks (B)		3,077,035	2,770,157
Total long-term debt (A+B)		3,104,064	2,791,291
Less current portion:			
SIDF		(3,200)	(6,250)
Commercial banks		(706,057)	(788,839)
Long-term debt		2,394,806	1,996,202

c-2) Long-term loan repayment schedule as of December 31, 2010 (000's SR)

Fiscal Year	Savola Group	Afia Int'l	APU	Savola Packaging Systems Co	United Sugar Co.	Savola Food Emerging Markets	Total 2010	Total 2009
2011	0	0	0	0	0	0	0	1,456,036
2012	410,224	154,848	107,778	8,584	156,146	12,650	850,230	267,735
2013	358,974	99,612	151,111	22,838	72,479	12,911	717,925	219,306
2014	358,974	46,154	111,111	23,598	36,922	11,925	588,683	50,290
2015	223,078	0	0	5,609	0	3,966	232,653	2,835
2016	0	0	0	3,200	0	2,115	5,315	0
Total	1,351,250	300,614	370,000	63,829	265,547	43,567	2,394,806	1,996,202

c-3) Short-term loans with Banks & others repayable within one year (000's SR)

Short-term Loans (000SR)	Banks / Others	2010	2009
The Savola Group	Al Rajhi, NCB, SAAB, SIB and Samba	236,430	615,191
Afia International	SAAB, NCB, SABB, Samba and European,Egyptian,Iranian& Turkish Banks	989,905	670,326
Savola Food Emerging Markets Co.	Sudanese, Algerian & European banks	125,262	196,956
United Sugar Company (USC)	SAAB,NCB and Commercial Intl Bank of Egypt.	502,903	407,129
Azizia Panda United		35,000	0
Savola Packaging Systems (SPS)	SABB and Samba	149,034	302,580
Al-Batool International Co. (Franchising)	SABB	31,000	34,999
Total		2,069,534	2,227,181

d) Summary of payments made to the Government (000's SR)

Payments in (SR000'S)	2010	2009
Customs Duties	184,092	171,706
Zakat & Income Tax	109,677	58,984
GOSI (for KSA) & social insurance (for outside KSA)	68,940	80,732
Visa and Government fees	11,485	18,348
Other duties and Government levies	15,165	97,440
Total	389,359	427,210

e- Company Dividends Policy

The Company's Articles of Association, with regard to Dividends Policy, authorizes:

- Allocating 10 percent of net profits to statutory reserves. The General Assembly Meeting is authorized to maintain this allocation once the reserve is equal to half the capital.
- Of the remaining net profits, a first payment at 5.0 percent of paid up capital is distributed to shareholders.
- 7.5 percent of the balance is allocated as remuneration for members of the Board of Directors.
- The balance is then distributed to shareholders as additional dividends.

In line with the above policy, The Group distributes quarterly cash dividends to shareholders above 10 percent of its share capital. In practice, the dividends distributed and to be distributed during 2010 amounted to SR 625 million at a rate of 1.25 Saudi Riyals per share, which is more than 10% of the company share capital. The Group will continue to apply this policy in 2011 unless there are material changes to the financial projections for the year; in which case The Group will announce such changes to its shareholders. The Board of Directors specifies the date of entitlement to such dividends, announced through the Tadawul stock exchange screen and local newspapers in accordance with the regulations.

The Group complies with Ministerial Resolution No 1071 dated 1412 AH, specifying a ceiling not exceeding SR 200,000 as Board members' annual remuneration

3) Performance Review by Sector

- Foods Sector – Edible Oils & Sugar
- Retail Sector – Panda Stores
- Plastic Sector
- Franchising
- Investment Sector (Non-managed Businesses)

The Savola Group has business operations in 3 key sectors; Foods, which includes Edible Oils and Sugar, Retail and Plastics. The Group also has significant investments in leading companies in the Kingdom, real estate operations, and investment funds. Certain sectors are managed by The Group directly or through its subsidiary companies. A detailed report showing the nature of investments, and their respective contribution to The Group's portfolio is shown below.

The Groups' Subsidiaries & associates in KSA & overseas and their core activities and country of incorporation

Ser.	Company name	Country Based	Core activities	Country presence	Ownership % (direct & indirect)	Capital (Millions SR)
First: Foods Sector:						
1.	Savola Foods Co. (SFC)	KSA	Foods	As indicated in column (2,3 &4)	90%	500
2.	Afia International Co.	KSA	Edible Oils & Fats & Pasta	KSA, Gulf, Levant, Yemen, Iran. Egypt, Turkey, Kazakhstan	95.2%	500
3.	Savola Foods Emerging Markets Company (Edible Oils)	Virgin Island	Edible Oils	Algeria, Sudan, Morocco	95.4%	130
4.	United Sugar Company	KSA	Cane, beet sugar and sweeteners	KSA, Egypt	75%	395
Second: Retail Sector:						
5.	Azizia Panda United	KSA	Retails (Hypermarkets, Supermarket & Discounters)	KSA, Dubai, Lebanon, Qatar	74.4%	653
Third : Plastic Sector:						
6.	Savola packaging Systems Co.	KSA,	Plastics (Flexible & Rigid)	KSA, Egypt	100%	342
7.	New Marina Plast Co.	Egypt	Plastic	Egypt, Alexandria	100%	30
8.	Al-Sharaq Plastic Co.	KSA	Plastic	KSA, Riyadh	100%	61.6
Fourth: Investments Sector(Non- Managed By The Group)						
9.	Herfy foods Co.	KSA	Foods/Restaurants	KSA& some of GCC Countries	49%	270
10.	Al-Marai Co	KSA	Fresh Foods	KSA & regional	29.9%	2,300
11.	Kinan International Co.	KSA	Real Estates	KSA	30%	1,694
12.	Knowledge Economic City	KSA	Real Estates Development	KSA	11.5%	3,390
13.	Tameer Co.	Jordan	Real Estates Development	Jordan	5%	Jordan Dinar 260

Note: For more details related to the ownerships, performance and financial information of the above subsidiaries and associates, as well as investments and SPVs, please refer to the relevant sections articulated in this report or the financial statements and the clarification notes accompanying it.

Savola exports its products to more than

30 Countries Worldwide

1) Foods Sector - Savola Foods Company:

Savola Foods Company (SFC), owns and manages all the Foods Sector operations locally as well as overseas. SFC is also the largest contributor to The Group's net income and operates in more than 10 countries in the Middle East, North Africa and Central Asian Region. It markets leading quality edible oil, ghee and sugar products in more than 30 countries across the globe. SFC reported consolidated net income of SR 234 million in 2010, compared to SR 401 million last year; the drop in profitability is attributed mainly due to the impairment provision of SR 165 million generated consequent to the review of Foods business strategy, which aims to entrench its position in core markets that achieved substantial growth and profitability and re-assess certain overseas operations. Provision was made against accumulated losses in certain overseas operations, and impairment losses against some of its investments and intangible assets outside the KSA, including goodwill for the Turkey operation.

a) Edible Oils and Fats:

a-1) Afia International Company:

Afia International Company (Joint stock company) is 95.2% owned by SFC, and it primarily owns and operates edible oils & fats operations in KSA, Iran, Egypt, Turkey and Kazakhstan. Below are the performance details of Afia International's subsidiaries:

a-1-1) Afia operation in Arabia, Gulf & Levant:

The Afia plant in Jeddah produces and markets edible oil products in Saudi Arabia, the Gulf States, Yemen, and Levant countries. Sales revenue for the region reached SR 1.8 billion in 2010, growing by 21%, of which volume increased by 14% over the previous year. Operations in Arabia generated a net income of SR 196 million, compared to SR 199 million in 2009. Major profit achievements were also reported by the Gulf states which recorded a profit of SR 28 million in 2010 compared to SR 22 million in 2009, and the Levant region recorded SR 6 million against SR 5.4 million during the same period last year.

The key brands Afia & Al-Arabi continued to maintain their leadership positions delivering strong profitability during the year. "Shams" branded sunflower oil grew its market share by 50% over last year, and "Sun Glow" a new brand of blended oil was launched in the Gulf States during the year, which will help continue to maintain the company's leadership position in the market. A detailed consumer segmentation study was carried out in Saudi Arabia during the year, which will be instrumental in targeting our future brand & communication activities, thereby driving Afia International's growth in the Kingdom.

The company also plans to launch a number of new products which will play a significant role in the growth of the company's market share in the future.

a—1-2) Savola Behshahr Company (SBC) - Iran

Afia International Company owns 80% of Savola Behshahr Company, Iran (SBC), a holding company, which owns and operates three plants in Iran, namely Behshahr Industrial Co., Margarine Manufacturing Co., and Behshahr Arvand.

In 2010, the company reported net revenues of SR 2.6 billion compared to SR 1.8 billion in 2009. This 9% percent increase in revenue was driven by the discontinuation of subsidized volumes, and a significant price increase during the 4th quarter of 2010, compensating for the drop in volume and price war. Net profit of SR 201 million for 2010 was lower than the SR 276 million reported in the previous year mainly due to lower volumes as compared to 2009, reduced contribution margin per ton due to price war, higher distribution costs and increase in taxation. Despite the obstacles faced in 2010, SBC continued to maintain its leadership position by supplying the Iranian oil market with 40 % of the market's total needs, led by its premium brands "Ladan" and "Aftab".

a-1-3) Afia International (Egypt)

Afia International Egypt is 99.8% owned by Afia International Company (KSA) and leads the Egyptian edible oils retail market with 42 percent market share, driven by it's premium brands Rawaby, Afia, Ganna, and Helwa.

2010 recorded one of the highest operational profit figures for the company, despite the enormous challenge posed by the government's aggressive subsidy scheme, which caused the market to adopt a shrinking trend.The company doubled its net profit during 2010, as it reached SR 56.8 million, compared to SR 25 million net profits achieved for the previous year. Revenues during 2010 reached SR 847 million compared to SR 893 million for the previous year. The company's strong profit & cash performances were due to stronger margins generated by lower costs which were in turn attributed to mega optimization projects on both the manufacturing and sales fronts. Higher cash flow resulted from optimized working capital levels and collection efforts on the sales front.

During the year, consumer-smart SKUs were introduced to the market combining low cash outlay and the power of strong brands, namely Rawaby and Ganna. This innovation enabled both brands to grow strongly in the Egyptian subsidy-challenged ghee market. Another profit lever was a deal with a major oil supplier aiming at working capital optimization, providing a clear competitive edge on the financial cost front of the company.

a-1-4) Yudum Edible Oil Company (Turkey)

Yudum Gıda (100% owned by Afia International Company) operates an edible oil manufacturing plant in Ayvalık, Turkey. It supplies the Turkish edible oils consumer market with two leading brands – Yudum (12.6% market share) and Sirma (2.6% market share) in multiple oil categories (sunflower, corn, canola, hazelnut and olive oil) The company, with a regular olive oil export to the Far East, has also entered the Turkish market with the expansion of Yudum Umbrella brand into the Olive Oil category during the 4th quarter of 2010. Sırma has also stepped into the growing Hazelnut Oil segment and has been able to rapidly secure the second position in this segment.

To capture growth opportunities, Yudum Gıda has entered the Out-of-Home Business segment since March 2010, with the launch of Yudum Professional, which includes the whole oils range. The volume sold by Yudum Professional has been promising and reached close to 7% of the Total Volume. Total Revenues were SR 595 million in 2010 for a volume of 91,401 tons. Profits for the year amounted to SR 1.5 million, compared with SR 6 million during 2009; this decrease in profitability was mainly due to reduced sales volume as a result of deterioration of the corn category and decline in premium pricing which has been partly compensated with new initiatives like Sırma hazelnut oil, B2B and Yudum olive oil.

a-1-5) Savola (Kazakhstan)

Turkuaze Edible Oils (TEOI) is 90% owned by the Afia International Company and has carved a niche for itself as the second largest player in the Kazakhstan market with 19% market share, just 2 percent shy of the market leader. The company achieved 25% volume growth in 2010 with key focus on its leading brand Leto which represents over 50% of the company's total sales volume. Total volume was 31,900 tons and net sales achieved for 2010 were SR 182 million. A decline in inflow of Russian products into Kazakhstan has improved market conditions and has helped Savola Kazakhstan in achieving break even in 2010 as opposed to SR 20 million losses in 2009. Despite these positive results, the company is still suffering from competition, price wars & dumping in Kazakhstan edible oils markets.

b) Savola Foods Emerging Markets Company (Edible Oils):

Savola Foods Emerging Markets Company (SFEM) is a subsidiary of SFC, which holds a 95.4% stake in SFEM. It owns edible oil operations in Morocco, Sudan, and Algeria. Performance details of the company's subsidiaries are:

b-1) Afia International Algeria:

This company is 100% owned by the Savola Foods Emerging Markets Company. Afia International continued its growth in 2010 to reach a market share of 34% compared to 27% at the end of 2009. The company grew its sales by SR 359 million for 2010, growing by 37.5% over SR 222 million reported during 2009. Despite the growth in sales and market share, the company incurred losses amounting to SR 37.5 million for the year 2010, compared to SR 29 million in 2009, as a result of the expansion of our investment in the distribution coverage of the product from 12 provinces in 2009 to 28 provinces in 2010, which covers approximately 90% of the Algerian population. In addition, the surge in international prices of crude oil during the second half of the year and the complexity of reflecting it in our selling prices due to the tough competitive environment in the market contributed adversely to the results for the year. This company is expected to yield positive results in 2011.

b-2) Savola Sudan

Savola Edible Oils Sudan Company which is 100% owned by the SFEM, entered its fifth year of operation, recording 39% volume growth to 49,000 tons compared to 35,000 tons in 2009 and 29,000 tons during 2008, thus the sales reached SR 366 million for 2010 compared to SR 211 million for last year. Growth in profitability was a record, as it soared by 292% delivering SR 18.7 million in 2010 compared to SR 6 million in 2009 and a loss of SR 30 million during 2008. This is due to the success of the company's strategy of converting the Sudan market from using unbranded crude oil to the consumption of refined branded oil.. As a result of this strategy, the company is the leader, commanding 30% of the total Sudanese market, and a record 70% market share of the branded packaged oil segment, achieved with the help of the company's leading brand ''Sabah', which recorded double the growth in volume duing 2010 as compared to 2009. This remarkable performance has been supported by a strong established distribution network across the country (except southern Sudan), through 32 agents, enabling the company to sell 40% of its volume directly to retail outlets, and 60% through more than 600 wholesalers. Securing competitive crude oil continues to remain a key challenge for our business. The company is actively pursuing long term supply agreements with key local companies, supported by international farming expertise. It has also applied for better tax and tariffs stipulations to cope with the local competitive environment.

b-3) Savola Morocco

Savola Morocco is 100% owned by the Savola Foods Emerging Market Co. The total edible oil market in Morocco has been negatively influenced by a drop in volume of about 4% determined by a plunge in olive oil sales, and lower selling prices following the surge in international crude oil prices. Consequently, Savola Morocco which is a key player in the refined Soya, and corn oil market, has focused on the upper tier consumer segments where there is brand loyalty and reasonable contribution margin. The company sold

56,900 tons in 2010 as opposed to 82,700 tons in 2009 while Afia maintained its volume at 26,000 tons. Net Sales were at SR 264 million, 31% less than in 2009, and as a result the company reported a loss of SR22.4 million for the year, compared to a net profit of SR 16 million for last year. Key efforts have been deployed in order to drastically decrease the cost base of the business through optimizing the product portfolio, renegotiating distribution contracts and optimizing the structure which will establish essential transformation in 2011.

c-1) Sugar Operations:

a) United Sugar Company (USC) (Saudi Arabia)

United Sugar Company (USC), operates from the Jeddah Islamic Port and it is 75 percent owned by Savola Industrial Investments Company, which in turn is 95%owned by Savola Foods Company. USC operates the third largest sugar refinery in the world, with annual production capacity of around 1.3 million tons. The company has built a strong marketing base in the Middle East on its core brands – "Alosra" and "Ziadah" – and has a 77 % market share in Saudi Arabia. In 2010 the company launched "Hala" which was primarily created for the purpose of making sweets, especially cake. The Company sales volume reached 1.32 million

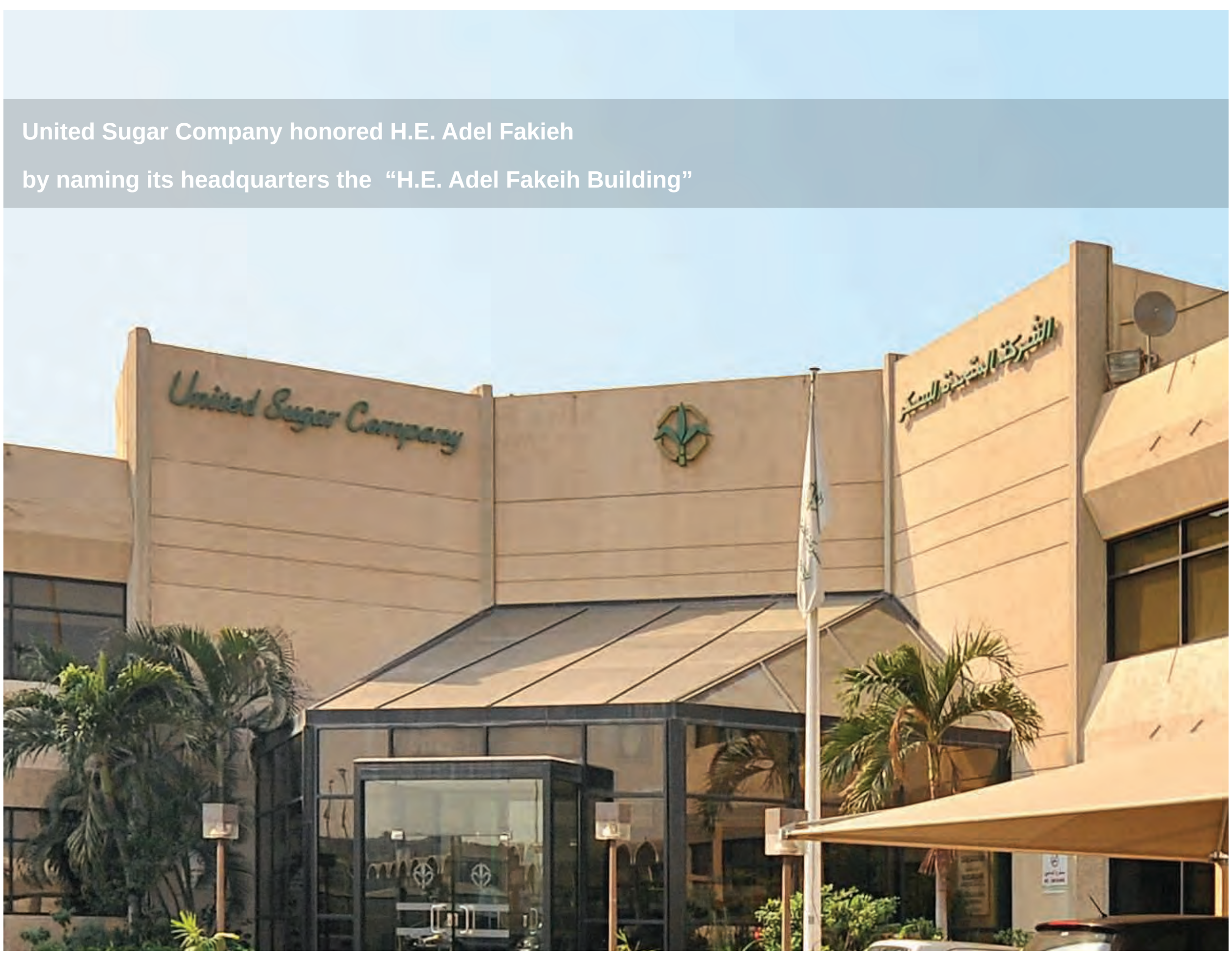
2 million tons

Annual Production Capacity for Sugar Refinery

tons in 2010, with exports accounting for 400,000 tons. The consolidated net revenues of approximately SR 5 billion was 38% above the SR 3.6 billion achieved last year out of this 3.5 billion from Saudi Arabia, compared to SR 2.5 Billion for 2009. Consolidated net income for the company was SR 191 million compared to SR 255 million reported in 2009, mainly due to losses from its 56.75% owned Egyptian subsidiary included in its results for the year. The Group is also in the process of finalizing the acquisition of the UK based Tate & Lyle shares in both USC of 9.68% & United Sugar Co. of Egypt of 2.58%. This is in line with The Group's strategy of focusing on core businesses and increasing its shareholding in its subsidiaries, as announced earlier in the Saudi capital market website (Tadawul).

c-2) United Sugar Company of Egypt

United Sugar Company of Egypt (USCE) is a 56.75 % owned subsidiary of USC. The Group also has a direct 19% shareholding in the company. The Egyptian business began its operations in 2008 with a new 750,000 ton sugar refinery at Ain Al Sokhna port, the capacity of which increased during 2010 to reach 800,000 tons. The sales volume increased by 4%, against last year, to 600,000 tons. Although net revenues for 2010 reached SR 1.5 billion compared to SR 1.1 billion for last year, the company reported a net loss of SR 106 million for the year, compared to a profit of SR 38 million generated in 2009. The major cause for the downturn in profits was attributed to the reversal of provisions made against fluctuating raw material prices in 2009, and the cost of buying options in 2010 to avoid



United Sugar Company honored H.E. Adel Fakieh by naming its headquarters the "H.E. Adel Fakeih Building"

the sharp fluctuation in international sugar prices. During the third quarter of 2010, the company revised its strategy and started focusing on export markets increasing sales volume by 32% as against 2009 and total export sales reaching 236,000 tons for the year. The company will continue to maintain its strategy on concentrating on exports in order to avoid futher fluctuations in the international commodity market during 2011.

c-3) Alexandria Sugar Company

Alexandria Sugar Company (ASC), was established in 2008 and is considered the first fully integrated project within The Savola Group which will produce white sugar from beetroot, a local crop. The factory will produce 180,000 tons of white sugar, 60,000 tons of molasses and 60,000 tons of fodder (animal feed), these will require planting of around 60,000 acres of land annually. Engagement in such a project is based on a strategy to eliminate fluctuations in the international commodities market for raw sugar and to depend on local raw materials that is widely cultivated in Egypt. The proposed capacity of the factory will require around 1.3 million tons of beet roots annually which will be planted by farmers on the basis of annual contracts. During the civil works and mechanical erection phase in 2008/2009, the company started its agro activities as trials, wherein it had planted on 1,000 acres of land which was then increased to 15,000 acres during 2009 and 2010.

The company has also introduced mechanized plantation by using mechanical equipment such as planters, harvesters and the use of mono-germ seeds. Adoption of this approach was based on the need to increase the yield per acre, reduction of the area required for plantation and thereby lengthening the crushing and production season. During the last season, the company has tried to benefit from the crop planted and succeeded to manufacture a limited quantity of 30,000 tons in one of the state owned factories. This resulted in the production of around 4,000 tons of white sugar which lead to a transaction profit of EGP 1.3 million. The company has secured all the necessary approvals and permits from all concerned authorities. The civil contract has been awarded to specialized local contractors, majority of the critical equipments have been awarded, electricity supply has been extended to the factory through a 2 mega cable, Natural Gas supply and erection contract has been signed and is under execution, and the water intake necessary for the factory operations has already been obtained and work is being executed. Factory commissioning is expected by the first quarter of 2012.

2) Retail – Panda Stores

The Group operates its retail business through its subsidiary "Azizia Panda United, a closed joint stock company". Panda currently operates 161 supermarkets and hypermarkets, of which 124 are located in Saudi Arabia, 1 in Dubai, and 36 units in Lebanon. By the infinite grace of God, since its inception, Panda has been the region's pioneer company in the area of retail trade. During 2010, The Group announced that it has signed agreements with the current shareholders in APU to acquire their whole shares in Panda (as detailed at the end of this report in the related party transaction section). The final approval for the deal is subject to government bodies' authorization and shareholders ratification.

Panda's revenues grew during 2010 by 12%; up from SR 7.3 billion in 2009 to SR 8.2 billion, continuing its thirty-two year success story in the retail sector. The company posted a net profit of SR 66.4 million in 2010, compared to SR 28.7 million for the previous year. Net income achieved for the year was after the write off of SR 61 million related to project cost management items (Category Management), obsolete and slow moving inventory and the costs of other strategic initiatives.

Panda was also able to increase the total sales area of its markets to reach 475,000 square meters, an increase of 12% compared to the previous year, with the opening of 11 new stores which included 6 hypermarkets and 5 supermarkets. This was accompanied by an increase in the number of Panda markets' customers during 2010 by 12% whereby it reached 86 million customers. Panda also emerged the winner in every city they operated in terms of customer satisfaction and quality of service provided to them.

Panda currently holds a share of 7.7% of the retail market for food and consumer goods in the Kingdom, making it the largest company in the retail sector in Saudi Arabia, it targets to reach 8% by the end of 2011, by growing the operations of its current markets and opening a number of hypermarket stores and supermarket stores during 2011.

Panda's strategy for growth focuses on developing its own "Panda" branded products. The store brands have been expanded in 2010 to include grocery food and grocery non food categories. The company has also continued to improve its logistical capabilities, by adding additional storage space of 3,700 square meters in Jeddah to store produce, thereby extending its reach in the Western Region. A new 36,000 square meter warehouse has been opened in Dammam to serve the Eastern Region, which covers approximately 30% of the total number of Panda and Hyper Panda markets. Its worth to mention that the area of Panda warehouse in Riyadh increased from 20,000 square meters to 92,000 square meters, which makes it to be the biggest warehouse in the Middle East. An additional 24 trucks have also been added to support the road fleet of the company, which have now reached a total of more than 300 trucks to distribute food products, fresh and dry, refrigerated and frozen to serve all Panda stores spread across the Kingdom. One of the key objectives for 2011 is to strengthen the leading position Panda has carved for itself, and to continue its expansion in the Kingdom. The company also aims to generate savings from economies of scale and thereby improving profit margins, by negotiating better terms with suppliers, and creating value for its customers, focusing on meeting the emerging challenges of maintaining growth in sales and increasing customer count.

The Panda retail chain consists of

161 Supermarkets & Hypermarkets

Plastic Sales volume reached in 2010

112,000 MT

3) Plastics Sector:

Savola Plastics (Limited Liability Co.) based in Jeddah and 100% owned by The Savola Group, is a major regional producer of rigid and flexible plastic packaging. The company recently increased its ownership in Al Sharq Co. from 93 % to 100% by acquiring the remaining 7% of the company which was owned by Mr. Walid Al-Shehry. It also owns 100 % of New Marina Plastics (Alexandria, Egypt). The company manages and operates six facilities; one in Jeddah, three in Riyadh, and two in Alexandria.

Savola Plastics exports to 15 countries across the globe. The company supplies pre-forms, containers, closures and films for water and soft drinks, edible oil, health and personal care products, cleaning materials, lubricants, retail and other sectors. The Plastics sector has expanded its product range with the introduction of various sizes of pre-forms and high-quality printed bags (in eight colors) for certain multinational companies. The sector also developed the capability to enter into certain new segments of products.

Plastics Sector reported outstanding results in 2010 despite tremendous pressure on margins as a result of raw material prices increase of over 20%. Sales volume grew by 10% over last year to reach 112,000 MT in 2010, with total revenues recording an 18% growth to reach SR 883 million.

Despite the increase in raw material prices during 2010, the Sector generated consolidated net profits in 2010 of SR 100 million, a 20% growth over SR 103 million reported for the previous year. The details of this sector's subsidiaries' results include the following: Savola Packaging Systems Co. net profit for the year reached SR 77.5 million compared with SR 79 million last year, whereas Al Sharq Plastic (Riyadh) net profit recorded was SR 20.9 million compared with SR 27 million in 2009. On the other hand, New Marina (Egypt) recorded a net profit of SR 10.2 million compared with SR 5 million in 2009.

During 2010, the company launched a number of initiatives to control costs, and carried out IT systems implementations & upgrades. People development and growth was also one of the main areas of focus during the year. In this regard, employee recognition and Savola value rewards were awarded to exceptional performers. An initiative named "Learn" was started and cross-sectional 22 training sessions were conducted which were attended by 208 employees. Plastics sector also attended global plastics exhibitions and presented papers at various regional conferences.

4) Franchising Sector- Al Batool Company

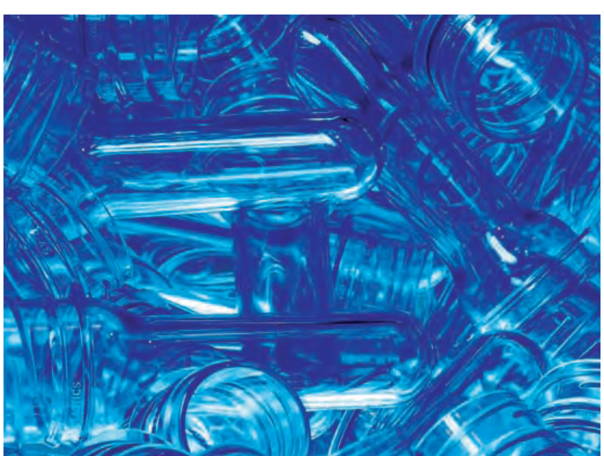
The Group manages a franchising activity which is operated by Al Batool International Company, a fully owned subsidiary of The Group. The Company operates a retail franchising chain, marketing a number of international brands in cosmetics, leather goods and casual wear. Despite continuous efforts exerted to support the operation, the company has been under performing since its inception in 2004. As a result The Group has decided to dispose its stake in the operation in 2011.

5) Other Non Managed Investments:

a) Al-Marai Company:

Savola has a strategic investment in Al Marai, a Saudi based publicly listed company, owning 29.9% of that company. Al Marai is a leading food and beverage company in the Middle East, under the brand name Al Marai, enjoying an outstanding reputation for high-quality products in the GCC and Middle Eastern Countries.

Al Marai doubled its share capital, capitalizing its retained earnings and raising its paid up capital by 100% i.e. from SR 1.15 billion to SR 2.3 billion during the year. The company continued to grow its sales and market share across all sectors and improving operational efficiency in line with continuous investments. Total revenues increased by 18% over last year to reach SR 6.9 billion, contributing to the growth in



net income by 17.2% to reach SR1.29 billion for the year.

It is worth mentioning that the company imported 80% of the fodder necessary to produce all dairy fresh products exported during 2010, and the company will complete the remaining quantity to reach 100% in 2011., The second half of 2010 witnessed significant increase in cost of raw materials, but the company procurement strategy protected margins during 2010.

b) Real Estate:

b-1) Kinan International for Real Estate Development:

The year 2010 marked significant achievement for the company; reporting a record SR 120.8 million in net income which grew by 244% over last year. Footfall in the company's malls grew by more than 10% reaching 49 million visitors. Occupancy rates exceeded 96% in six of the nine malls operated by the company. The year also marked significant progress in Masharef; the company's first major residential development project, located in the north of Jeddah. Construction of the sales center, central park and model villas has been completed. A hydrology study (management of rain water and floods) was completed and endorsed by the Saudi Geological Survey for the project, to ensure the safety of the Masharef development project even though the site did not witness any damage from the heavy rainfall. The project was received well by the public when it was showcased in Jeddah City Scape exhibition.

b-2) Other Real Estate Investments:

In addition to Kinan Co. shareholding, The Group has various investments in real estate projects which include a 11.5% ownership (6.5% direct and 5.2% indirect ownership) in the Knowledge Economic City, Madinah, which was recently very successfully IPO'ed;, a 2.9% ownership of the Saudi publicly listed Emmar Economic City; 5% of Taameer Jordan Holdings Company which is a specialist in Real Estate development listed inthe Jordanian Stock exchange; and minority shareholding in Dar Al-Tamlik and others. The Group also has a land bank, which will be used for re-development through partnership with strategic investors, or disposed off in the future.

c) Herfy Foods Company:

Herfy Food Services Company (listed Co.), 49% owned by Savola (direct &indirect), operates a fast food chain with 172 resturants across the kingdom, and 15 branches overseas. The company also produces bakery and meat products with an extensive distribution network and a well-established supplies division, and owns a special catering services division.

Herfy reported net profits of SR 124.3 million in 2010, compared to SR 114.6 million in 2009, driven by increased sales, coupled with operational efficiency of the company's various sectors. The company opened 20 new restaurants during the year. Moreover, the company has introduced new mouth-watering menu items, namely "Chicken Rings, "Mushroom Swiss Burger", and "HERFY Hot Dog". In addition to this, the excellent sales performance of HERFY's Meat Processing Factory, especially after having introduced new distinguished items such as the minced meat (beef as well as chicken) has experienced phenomenal success in the market. On the other hand, HERFY's numerous participations in social events as part of the company's corporate social responsibility strategy has had a very positive impact among the audience.

d) Private Equities:

Other investments held by The Group include

d-1) Swicorp Saudi Company:

Swicorp is one of the leading financial advisory houses in the Middle East. Savola holds a 15% in the company's

Capital Shares, in return for an investment of SR 116 million. Swicorp has been profitable in each of the past three years.

d-2) Joussour Swicorp Company:

Joussour is a private equity fund which focuses on energy-intensive industries. The book value of Savola's investment in this fund valued at SR 287 million, accounting for 14% of the total equity. The Group recorded a provision of SR 78 million during the year 2008, against losses in the fund, as a result of the deterioration of the market due to the global financial crisis. The fund has invested SAR 1.9 billion in several promising projects which are expected to enhance its value in the future.

d-3) Intaj Capital Ltd Co:

Intaj is a private equity fund managed by Swicorp, which focuses on high-growth industries in the MENA region. The groups holds 49% of this fund, with a book value of SR 384 million, which is invested in different companies & diversified investments.

d-4) Emerge Invest:

Emerge Invest is a loose private equity partnership that seeks opportunistic growth investments, giving partners the option to participate or not as they arise. The book value of Savola's investment in this fund is SAR 17 million.

4) Corporate Citizenship Programs

- Workforce and Saudization
- Special Programs developed for Employees
- Corporate Social Responsibility

a) Workforce and Saudization:

Employing and developing local talent remains a cornerstone in Savola's core strategy. The Group's total international and local workforce exceeded 17,500 employees (of which 4,000 were in international operations and 5,500 were Saudi men and women) at the end of 2010. This led the overall Saudization percentage to an increase of more than 40%. Efforts are continuing to accommodate more young Saudi nationals in the ensuing years. It is worth mentioning that the majority of the executives and leadership positions are occupied by competent and qualified Saudis.

The Group, through the Saudi Institute for Retail Sales (SIRS), an affiliate of its subsidiary company Azizia Panda, cooperated with the General Organization for Technical and Vocational Training Organization (GOTVTC) in opening 6 training institutes in Riyadh, Jeddah, Dammam, Madina, Ahsa and Asir last year. In its first phase, SIRS allocated 31 market sites for practical training and by the end of 2010 had graduated 1022 young Saudis (male and female) working towards its three year objective to train 10,000 Saudis and assist them in finding appropriate jobs in Panda as well as in other retail outlets in the market. As a result of these efforts towards Saudization, Panda has recently been awarded the prestigious Prince Naif Saudization prize in recognition of the 4,500 Saudi employees working in Panda from the total workforce of 12,000 employees, and increasing its Saudization percentage to more than 36%.

b) Special Programs developed for Employees

As one of The Group's core values towards its employees ('birr' caring justice), Savola has developed a number of programs for its employees designed to retain, motivate and improve performance:

b-1) Employee Home Loan Scheme

This program was first introduced in 1992, and designed to retain and motivate The Group's and subsidiaries' employees to continuously improve their performance. An interest-free loan of 50 basic salaries, at a minimum of SR 500,000 and maximum of SR 2.5 million, is provided by The Group to be paid back over 120 months. This program helps employees to buy their own homes after fulfilling certain requirements & criteria. 88 Savolans participating in this program benefited from this scheme up until 31/12/2010.

b-2) Employee Co- operative/Takaful Program for Death and Permanent or Partial Disability:

In cooperation with Aljazira Bank, in the case of employee death, permanent or partial disability, Savola compensates an equivalent of two years' salary. All cases submitted in 2010 have been settled accordingly.

b-3) Employee Takaful Fund:

This fund helps junior staff (non-managers) deal with financial emergencies they or their families may face which put them in urgent need of financial assistance. The fund is financed through voluntary monthly contributions by the different grades of staff of The Group in Saudi Arabia. Savola is also contributing by matching employees' monthly payments. More than 150 social cases that fulfilled the criteria were processed during the year 2010.

c) Corporate Social Responsibility (CSR) Programs

As part of its commitment to serve the community, The Savola Group continued to implement a range of CSR programs during the year 2010. These programs were organized under the "Savola Bridges" initiative that involves sponsorship and participation by The Group in a number of projects for citizens in collaboration with official institutions. Key projects in the CSR initiative are: The Savola Center for Empowering People with Disabilities (Makeen), Saudi Injaz Junior Entrepreneurs Project, leadership programs through Al-Madina Institute of Leadership & Entrepreneurship (MILE), Leave The Change for Them program in association with The Disabled Children Association, and other CSR initiatives administered in collaboration with various non-profit organizations, the government, and various medical and educational institutions.

Recognizing the importance of Savola's involvement in developing communities where it operates, The Group Board adopted a resolution to allocate 1% of annual operating profits to support CSR programs. Savola CSR programs include the following:

c-1) The Savola Center for Empowering People with Disabilities:

This initiative has been established to train and secure employment for disabled persons within The Savola Group, its subsidiaries and other private institutions. The Center launched its first pilot program during 2010 by training and employing 100 disabled candidates. It has now started preparations to begin the second batch which involves the training and employment for severely disabled candidates during the year 2011.

c-2) Al- Madina Institute of Leadership and Entrepreneurship program (MILE):

This initiative was sponsored by Savola during 2010, in collaboration with Al-Madina Knowledge Economic City Co. (KEC). MILE aims to develop senior management resources in Saudi Arabia, as well as in other Arab and Muslim countries. It launched two training programs for leaders/executives during 2010, which had the participation of world class speakers, and included top quality contents and regional case studies.

c-3) Saudi Injaz Entrepreneurs Project:

Savola also participated in the Saudi Injaz Entrepreneurs Project that aspires to support young Saudi entrepreneurs, male and female. INJAZ-Saudi Arabia is a member nation of Junior's Achievement Worldwide, the world's largest non-profit organization dedicated to educate students and prepare them for the real world by cooperating with private sector volunteers to provide hands on programs in the areas of: entrepreneurship, financial literacy, and workforce readiness. Being a non-profit organization dedicated to inspire and prepare Saudi youth to succeed in a global, knowledge based economy, and with Savola Group's Saudi employability initiatives, it was a natural alignment between the two, making The Savola Group not only a sponsor entity, but a founding board company as well. Currently, The Group's Managing Director is a board member of INJAZ-Saudi Arabia. This sustainable partnership has thrived with many milestone achievements including that of being the first of the 119 Junior Achievement Worldwide countries to introduce a program, success skills, to the visually impaired with a grant from Savola. In compliance with the visually impaired, this program is also provided to regular boys and girls developing their personal strategies to achieve lifelong learning pursuits and career opportunities. Furthermore, The Savola Group CSR support is well extended beyond financial means. This support includes participation in events, volunteering in delivering programs, recognition of winning students and offering Savola facilities to host student-led activities. The Savola Group CSR initiative's sustainable support to INJAZ-Saudi Arabia has remarkably enabled reaching over 4,000 boys and girls in Jeddah in the year 2010, and plans to exceed these numbers of cities and students over the next year.

c-4) Mobile Dental Clinic:

As part of its commitment to improve the quality of life, The Savola Group designed and commissioned a Mobile Dental Clinic in cooperation with the Faculty of Dentistry at King Abdulaziz University (KAU). Savola covered the initial project cost, by purchasing the truck and all medical/dental equipments. The Clinic is fitted with state-of the-art equipment). This project targets the promotion of dental and oral health in the community. The clinic is fully staffed and operated by KAU with the intention of providing suburban areas that contain low-income populations with special needs in primary dental and oral health care services. This initiative can be expanded into a bigger project to serve a wider cross-section of the society.

c-5) "Leave the Change for Them" initiative; by Panda:

Extending CSR initiatives throughout its subsidiaries, Azizia Panda United Company (Panda Stores) executed its own CSR program under the slogan "Serving our Community is Our Duty." Panda's 3 year initiative "leave the Change for Them" resulted in a SR9 million donation to the Disabled Children's Association. Additionally, Savola and its subsidiaries adopted initiatives to aid victims of the January 2011 floods in Jeddah, and supported a number of public and private sector organizations in achieving their objectives.

Savola CSR Initiative

Mobile Dental Clinic Launch

5) Corporate Governance & Relevant Disclosure in 2010

As part of The Group's commitment to enhance further transparency and corporate communication level with its shareholders and the public domain, the Board is pleased to disclose, besides The Group results, Sectors' performance and CSR, the following information, as part of The Group's disclosure policy:

a) Shareholders' Rights and Communication

Savola pays special attention to the rights of shareholders and investors by including such rights in The Group's Articles of Association and its Corporate Governance Manual, which was developed in 2004 and has since been continually refined. These documents outline shareholders' rights, as detailed in the applicable rules and regulations, and which can be reviewed on Savola's website (www.savola.com). The company regularly publishes financial and non-financial reports and other data on the Tadawul website, in daily newspapers, and in Savola's quarterly newsletter. A dedicated department deals with shareholders' affairs.

b) Savola Group Equity Profile, as on 31st December 2010

-	Company authorized capital (SR)	5,000,000,000
-	Issued shares (all company's shares are ordinary shares)	500,000,000
-	Floated issued shares (as per Tadawul records)*	367,559,195
-	Paid-up capital (SR)	5,000,000,000
-	Nominal value per share (SR)	SR 10
-	Paid up value per share (SR)	SR 10

Note: The total number of floated shares changes from time to time based on the trading movement of The Savola Group shares in Saudi's stock market.

c) List of Major Shareholders:

List of Major Shareholders who owned 5% shares and above and their ownership changes during the year 2010.

#	Name	Nationality	Shares # at the beginning of 2010	Ownership at the beginning of 2010	Shares # at the end of 2010	% by end of 2010
1	Mr. Mohammed I. Al Issa	Saudi	59,993,999	12%	59,638,999	11,3%
2	General Organization for Social Insurance	Saudi Government Institution	52,143,113	10.43%	54,658,575	10.93%
3	Mr. Abdullah M. A. Al Rabiah	Saudi	43,750,000	8.75%	43,750,000	8.75%
4	Abdul Kadir Al-Muhaidib & Sons Co.	Saudi Company	42,376,794	8.48%	42,379,469	8.48%

Note: With regard to the declaration of changes in major shareholders ownership ratios, as per Article 30 of the Registration and Listing Rules, The Group reports that it has not received any written notification during 2010 from any of its shareholders indicating the changes taken place in their ownership ratios, the above disclosed information has been made based on Tadawul records.

d) Expected Dates of Key Events for Shareholders for the Fiscal Year of 2011.

Dates, 2011	Key Events for 2011	Notes
28th March	Group's Annual Ordinary General Assembly Meeting—AGM	AGM invitation to be announced in Tadawul, newspapers, and uploaded on The Group website during last week of February 2011 according to the regulations.
See notes	Extra-Ordinary General Assembly Meeting	It's expected to hold an extraordinary General Assembly to approve the issuance of shares with priority rights for Muhaidib Group & Saudi Géant (Al-Hokair Group), the date and the detailed agenda of this meeting will be announced later in Tadawul and newspapers and company's website.
First Quarter Events, 2011		
18 April	Board of Director's meeting for the first quarter	To approve the financial results for the first quarter and its dividends based on the audit committee recommendation.
18-21 April	Disclosing financial results for the first quarter	First to be announced in Tadawul, uploaded on the company website and published in the daily newspapers.
18-21 April	Announce the first quarter dividends to shareholders	Within 15 days from the maturity date mentioned in the announcement.
15 May	Issue Savola Newsletter for the first quarter with full coverage of company & sectors performance for the quarter.	It is expected to be published and distributed as an appendix with one of the daily newspapers and placed on the Savola website.
Second Quarter Events, 2011		
18 July	Board of Directors› meeting (second quarter)	To approve the financial results for the second quarter and its dividends based on the audit committee recommendation.
18-21 July	Publishing financial results for the second quarter	Will be announced in Tadawul, uploaded on the company website and published in the daily newspapers.
18-21 July	Announce the second quarter dividends to the shareholders	Within 15 days after the maturity date mentioned in the announcement.
15 August	Issue Savola Newsletter for the second quarter, with full coverage of company & sectors performance for the quarter.	Will be distributed as an appendix with one of the daily newspapers and placed on the Savola website.
Third Quarter Events, 2011		
17 October	Board of Directors› meeting (third quarter)	To approve the financial results for third Quarter and its dividends based on the audit committee recommendation.
17-21 October	Publishing financial results for the third quarter.	Results will be announced in Tadawul, uploaded on the company website and published in the daily newspapers.
	The expected date to pay third quarter,2011 dividends to the shareholders.	Within 15 days after the maturity date mentioned in the announcement.
7 November	Issue Savola Newsletter for the third quarter, with full coverage of company & sectors performance for the quarter.	Will be distributed as appendix with one of the daily newspapers and placed on the Savola website.

Fourth Quarter Events, 2011		
26 Dec. 2011	Board of Directors› meeting (fourth quarter)	To approve business plan for 2012
2012		
17 Jan. 2012	Board of Directors› meeting (fourth quarter)	To approve the financial results for the fourth quarter and its dividends based on the audit committee recommendation.
17- 21 Jan. 2012	Publishing the financial projections for 2012	Will be announced in Tadawul, uploaded on the company website and published in the daily newspapers with the fourth quarter results 2011.
	Publishing financial results for the fourth quarter of 2011.	Will be announced in Tadawul, uploaded on the company website and published in the daily newspapers.
17- 21 Jan. 2012	Announce fourth quarter's dividends to the shareholders.	15 days after the maturity date mentioned in the announcement.
15 February 2012	Issue Savola Newsletter for the fourth quarter of 2011, with full coverage of company & sectors performance for the quarter.	Newsletter will be distributed as appendix with one of the daily newspapers and placed on the Savola website.

Some dates above are an approximate estimation and may change according to notifications received from official authorities.

e) Disclosures Related to Board of Directors & Executive Management:

The main role of the Board is to establish overall corporate strategies, plans, policies and financial objectives. The Board approves financial provisions and budgets, oversees, and monitors the performance, risks and the progress of Group subsidiaries, associates and investments. The Board protects the interests of the shareholders and other relevant parties by ensuring compliance with all applicable rules and regulations. The Group follows all requirements stipulated by the company Articles of Association, its Corporate Governance Code and other internal policies. The detailed role of the Board has been articulated in the company Articles of Association and Corporate Governance Manual, which are available on the company website.

e-1)Board Composition, Qualifications and Joint Stock Companies' Membership:

The Board of Directors of The Savola Group comprises of 11 members. The Group Board members were elected for the new cycle which commenced on 1st July 2010 and will continue for three years. All are non-executives and independent with the exception of The Group Managing Director. The below table also includes details of other joint-stock companies where Savola Directors currently hold Board positions:

No	Member Name	Membership Classification	Qualifications** & Joint stock Companies Membership (excluding Savola Group)
1	Mr Sulaiman A.K.Al-Muhaidib (Chairman of the Board)	Non-Executive	Second Class, Faculty of Medicines 1985 Joint Stock Companies Memberships: Al-Marai Co, Saudi Pipe Line, Saudi British Bank.
2	Dr. Abdulraouf M. Mannaa Managing Director)	Executive	Ph. D University of Washington, Seattle, USA in (1982), M. Eng. University of California, Berkeley, USA , M. Sc University of California, Berkeley, USA B. Sc. University of Petroleum and Minerals, KSA Joint Stock Companies Memberships : (Al Marai Co , Saudi Investment Bank, Afia International Co.)

3	Dr. Sami M. Baroum	Executive during 1st half, & non executive for the 2nd half	Ph.D. in Operations Management and MIS from Indiana University; MBA with distinction from the Wharton School of Business, University of Pennsylvania 1985, Joint Stock Companies Memberships:(Knowledge Economic City Co., Arabian Cement, Azizia Panda United)
4	Mr. Ibrahim M. Al Issa	Non-Executive	Bachelor of Business Administration, Chapman University, California, USA. 1974, Joint Stock Companies Memberships: (Taibah Co, Saudi Fransi Bank, Al-Marai, Yanbu Cement Co.)
5	Mr. Abdulaziz K. Al Ghufaily (representing General Insurance Organizations)	Non-Executive	Master of Economics, USA; Bachelor of Economics, King Saud University, 1981 Joint Stock Companies Memberships (Al Rajhi Bank, Herfy Foods Co.)
6	H.E. Eng. Abdullah Mohammed Noor Rehaimi* (Representing Public Investments Fund)	Non-Executive	Bachelor of Mechanical Engineering, King Fahad University of Petroleum and Minerals Sciences in Dhahran, Saudi Arabia in 1975, he was a President of General Authority of Civil Aviation) Joint Stock Companies Memberships: (National Commercial Bank.)
7	Mr. Ammar A. Al Khudairy	Independent	Master of Engineering Administration, George Washington University, USA, Bachelor of Engineering, George Washington University, USA. 1984 Joint Stock Companies Memberships: (Al Deera Al-Arabi Co., Herfy Co. Al –Rowad Schools Co., Sports Clubs Co., Saudi Rockwool Factory, Morgan Stanley Co., Al Tayyar Group For Travel & Tourism.)
8	Dr. Ghassan A. Al Sulaiman	Independent	Ph.D. in Strategic Management, University of Hull, U.K.; Master of Business Administration (Honor Degree), University of San Francisco, USA; Bachelor of Science in Business Administration, Menlo College, California, 1978. Joint Stock Companies Memberships: (Arabian Cement, Al-Magrabi Group of Hospitals , Afia International Co., Azizia Panda United)
9	Mr. Mohammad A. Al Fadl	Independent	Bachelor of Economics and Marketing Sciences, USA, 1977. Memberships: Jeddah Holding Co., Dar AL Tamlik, Kinan International Co.
10	Mr. Mousa O. Al Omran	Independent	Master of Business Administration, Saint Edward; and Bachelor of Industrial Engineering- King Saud University in 1990, Diploma of American Institute (AIB), USA. Joint Stock Companies Memberships :(Saudi Fransi Bank, Al-Marai Co., Arabian Cement.)
11	Mr. Yousef M. Alireza	Independent	Master of Business Administration, University of California, Berkeley. Joint Stock Companies Memberships: (Afia International Co., Azizia Panda United, Arab Chemical Terminal Company (ACT)

** For more details on the Board members, their C.Vs. and experience, please visit The Group Website: www.savola.com

e-2) Board of Directors—Meeting Attendance Records:

Eight Board meetings were held during 2010, of which five were scheduled Board meetings and three un-scheduled/exceptional meetings. The attendance for each meeting is as follows:

Meeting Date during 2010		17 Jan.	21 Feb.	18 Apr.	20 May	27 June	22 Aug.	21 Sep.	26 Dec.	Total
1)	Mr. Sulaiman A.K.Al-Muhaidib * (Chairman)	New elected Member				√	√	√	√	(4)
2)	Dr.Abdulraouf M. Mannaa * (Managing Director)	New elected Member				√	√	√	√	(4)
3)	Dr. Sami M. Baroum	√	√	√	√	√	√	√	√	(8)
4)	Mr. Ibrahim M. Al Issa	√	√	√	√	√	√	√	√	(8)
5)	Mr. Abdulaziz K. Al Ghufaily	√	√	√	√	√	√	√	√	(8)
6)	H.E. Eng. Abdullah Mohammed Noor Rehaimi*								√	(1)
7)	Mr. Ammar A. Al Khudairy	√	×	√	×	√	√	√	√	(6)
8)	Dr. Ghassan A. Al Sulaiman	×	√	√	√	√	×	√	√	(6)
9)	Mr. Mohammad A. Al Fadl	√	√	√	×	√	√	√	√	(7)
10)	Mr. Mousa O. Al Omran	√	√	×	√	√	√	√	√	(7)
11)	Mr. Yousef M. Alireza	√	√	√	√	√	√	√	√	(8)

- Mr. Sulaiman Al-Muhaidib (Chairman) & Dr. Abdulraouf M. Mannaa (Managing Director) were appointed as Board members as per the AGM approval on 27 June 2010.
- H.E. Eng. Abdullah M. Noor Rehaimi was appointed as a Board member on 21st September 2010, (representing Public Investments Fund), replacing H.E Eng. Adel M. Fakeih (former representative of Investments Fund), who has been appointed as Minister of Labor in August 2010
- Dr. Abdullah M.A.Telmesani, (former Board member) attended four meetings during the 1st half of 2010, whereas Eng. Talal Ibrahim Al-Maiman attended one meeting during the 1st half of 2010; both members' Board membership term ended on 30th June 2010.

e-3) Executive Board Team

The Savola Group Executive Board's role is to implement the strategies, plans and policies approved by the Board of Directors. It also monitors the performance of Group sectors and ensures their adherence to plans, policies, regulations, and ethical standards of The Group. The Executive Board meets on monthly basis to review and monitor progress. Details of its members and their qualifications are detailed below:

The Executive Board members are detailed below:

Sr. #	Name	Position	Qualifications
1.	Dr. Abdulraouf M.Mannaa	Group Managing Director	As mentioned earlier
2.	Eng. Azhar M. Kanji	CEO – Plastic Sector	Bachelor of Engineering, King AbdulAziz University, 1985
3.	Eng. Mohammed Hamid Al-Kulaiby	Senior Vice President-Sugar & Sweeteners Sector	Bachelor of Industrial Engineering from King Abdul Aziz University in the Year 1995
4.	Mr. Muwaffaq Mansour Jamal	CEO, Retail Sector	Bachelor of Science in Accounting, King Fahd University of Petroleum & Minerals Dhahran, Saudi Arabia, 1988.

5	Dr. Ayman A. Hashem	Senior Vice President - Corporate Strategy & HR Development	PhD in Organizational Behavior, University Of Michigan, USA, 1999 Master of Science In Civil Engineering – Stanford University. USA ,1985
6.	Mr. Nouman Farrukh	Group CFO	ACMA – Cost & Management Accountant –ICMAP ITM – Taxation Management
7.	Mr. Mahmoud M. Abdul Ghaffar	SVP, Corporate Affairs and Board Secretary	Bachelor of Industrial Safety & Security, San Francisco University, USA

e-4) Board of Directors and Senior Executive Remuneration

The Group pays annual remuneration, meetings attendance fees, and other expenses for its Board and subcommittee members based on the rules and regulations issued by Government Authorities and according to The Group Articles of Association. It also pays salaries and benefits to its executives based on the contracts signed by them. Summaries of the compensation and benefits paid to Board members and senior executives are as follows:

e-4-1) Board Members' Remuneration for 2010, (Saudi Riyals):

	Name of Board member	Board & committees meetings attendance fees &other allowances	Annual Remuneration SR 200,000 per year, per member	Total
1)	H.E. Eng. Adel Fakeih (Former CM) * see notes	20,000	150,000	170,000
2)	Mr. Sulaiman A.K. Al-Muhaidib (current CM) "appointed as Board Member effv. Of (1st July 2010)	43,040	100,000	143,040
3)	Dr. Abdulraouf M. Mannaa* (Current MD) appointed as Board Member as of 1st July 2010.	45,000	100,000	145,000
4)	Dr. Sami M. Baroum* (Former MD) for the 1st half of 2010)	50,000	200,000	250,000
5)	Mr. Ibrahim M. Al Issa	70,000	200,000	270,000
6)	Mr. Abdulaziz K. Al Ghufaily	99,600	200,000	299,600
7)	Eng. Abdullah Mohammed Noor Rehaimi* see notes	5,000	50,000	55,000
8)	Mr. Ammar A. Al Khudairy	77,880	200,000	277,880
9)	Dr. Ghassan A. Al Sulaiman	71,000	200,000	271,000
10)	Mr. Mohammad A. Al Fadl	95,000	200,000	295,000
11)	Mr. Mousa O. Al Omran	65,000	200,000	265,000
12)	Mr. Yousef M. Alireza	80,000	200,000	280,000
Former Board Members as of 30/6/2010				
13)	Dr. Abdullah M. Ali Telmsani	20,000	100,000	120,000
14)	Eng. Talal Ibrahim Al-Maiman	8,260	100,000	108,260
Total		**749,780**	**2,200,000**	**2,949,780**

Notes:

1. Savola's former Chairman, Eng Adel Fakeih, (former representative of Public Investments Fund in the board) received no remuneration for the first three quarters ending 30 Sept. 2010. Instead, his remuneration and meeting attendance fees totaling SR 170,000 were paid by certified cheque to the account of the Public Investments Fund, which Eng Fakeih was representing on the Savola Board. Eng. Adel resigned in August 2010.
2. Whereas Eng .Abdullah M. N Rehaimi, also received no remuneration for the 4th quarter 2010. Instead, his remuneration and meeting attendance fees totaling SR 55,000 were paid by certified cheque to the account of the Public Investments Fund, which Eng Rehaimi is representing on the Savola Board, as he was appointed in 21st September 2010.

e-4-2) Ex-Chairman Compensation

As per disclosures requirements, The Group's Board of Directors would like to disclose that it has resolved in its meeting held on 26th December, 2010 regarding the decision of the compensation and nomination committee to pay SR 12 Million to HE Eng. Adel M. Fakeih (Ex-Chairman) as appreciation for his tireless efforts and wise vision that contributed significantly to the growth of The Group since its formation, when it was a startup edible oils company importing and refining raw vegetable oil. Since his appointment in 1980,his sincere efforts and continued support as Group MD in 1983, and later as CM in 1990, &Mayor of Jeddah up to March 2005, resulted in Savola's outstanding achievements and the expansion of its business activities in KSA and overseas, expanding The Group's portfolio to include business in the Foods sector, which comprises of Edible Oils and Sugar, Retail and Plastics sector. During the term of his leadership, the company's net profit grew exponentially from around SR 60 million in the nineties to just under SR 1 billion in 2009. The Group also expanded its portfolio in strategic investments and in the real estate sector. Despite the additional pressure from his appointment as the Mayor of Jeddah Municipality in March 2005, HE continued to be the Chairman of The Savola Group's Board, supporting and chairing the Board, till his appointment as Minster of Labor in August 2010 by a Royal Decree.

e-4-3) Senior Executive compensation for 2010:

Description of remuneration and other benefits	Current MD (Dr. Abdulraouf Mannaa) on his role as the Group CEO) during the 2nd half of 2010	Former MD (Dr. Sami Baroum) on his role as the Group CEO) during the 1st half of 2010	Senior executive remuneration (7 members including The Group CFO)
Salaries	1,500,000	1,350,000	8,900,000
Allowances include attendance fees and travel expenses for The Group Board and subsidiaries	525,000	518,000	3,580,540
Regular and annual remuneration to The Group Board members for their membership (annually SR 200,000)	3,551,940	3,732,481	8,448,910
Total	5,576,940	5,603,481	20,929,450

Note:

The compensation of the current and Ex-Managing Directors in their capacity as Board members was detailed in the previous table # (e-4-1).

Compensation of the current MD:

Dr. Abdulraouf Mannaa, in his capacity as MD of the Foods sector has been paid SR 2.15 million, out of which SR 1.36 Million was paid to him as performance remuneration for the 2nd quarter from the foods sector, the remaining amount represents his monthly salary, and other allowances paid to him as per the contract agreed with him.

Ex MD of The Group:

During 2010, The Group paid SR 14.18 million to Dr. Sami Baroum (Group's Ex MD), which represents his end of services benefits, as he had been working in The Savola Group for more than 15 years, calculation made as per the contract agreed with him and The Group's HR policy.

f) Board of Directors Committees

The Savola Group Board has five sub-committees, the membership of which comprises of Board members, external independent specialists, and Savola senior executives, these committees have special charter, approved by The Group Board, to govern their scope of work & related procedures, these committees are:

f-1) Audit Committee

The Audit Committee comprises of four non-executive members, including one specialist in financial and accounting affairs. The Committee held four meetings in 2010, playing a vital role in helping the Board to meet its legal responsibilities. In 2010, the Committee supervised and coordinated The Group's internal and external auditing activities to ensure internal control systems and measures were effective and efficient.

Audit committee, members, number of meetings and roles as follows:

Name	Position	Meetings attended	Main roles & responsibilities
1. Mr. Abdulaziz K. Al Ghufaily	Chairman	3	To supervise The Group's internal audit work and ensure its effectiveness. To review the internal audit report and pursue the implementation of corrective measures in respect to the comments included in them. To recommend to the Board of Directors the appointment, dismissal and the fees of external auditors. To review the interim and annual financial statements prior to presentation to the Board.
2. Dr. Mohammed Ali Ikhwan*	Member	-	
3. Mr. Abdulhameed S. Al Muhaidib	Member	3	
4. Mr. Badr Abdullah Al-Issa*	Member	-	
5. Mr. Mahmoud M. Abdul Ghaffar	Committee Secretary	4	

The committee was chaired by Mr. Ibrahim M. Al-Issa during the first half of 2010. In addition to the membership of Mr. Mohammed A. Alfadl, both of them attended three meeting during said period , and each one of them has been compensated by SR 15,000 during 1st half of 2010, since their term ended in 30 June 2010.

- Dr. Mohammed. A Ikhwan and Badr A. Al-Issa (outside and non-Board members) are new committee members. They were appointed as committee members in January 2011. Both of them come from a financial background and are experts in the field of Finance and Audit affairs.
- Mr. Abdulaziz K. Al Ghufaily -the current Chairman of the Committee- received amount of SR 15,000 as attendance fees for his membership in the committee, whereas Mr. Abdulhameed Al-Muhaidib (outside & non-Board member) received SR 15,000 as attendance fees and SR 50,000 as remuneration for 2010, whereas the rest of the committee members were nominated recently.

Internal and external audit Tasks:

Last year, the Committee recommended that KPMG (Al Fozan & Al Sadhan) be appointed as external auditors for a fee of SR 195,000 in order to audit the company's quarterly & final accounts, The Committee reviews The Group's accounts and external auditor's report on a quarterly basis. A final yearly review covers financial statements, clarification notes, and ensures that accounting policies conform to the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The Committee recommends to the Board of Directors for ratification.

Due to The Group's current organizational structure, which includes local and overseas subsidiaries, the internal audit function and assurance of the effectiveness of internal controls are being executed through Internal Audit Departments at sector level. These internal audits are carried-out on continuous basis to protect company assets and manage risks properly. The results of internal audit were presented through a detailed report to The Group's Audit Committee for review and further direction. Based on the assessment done during the year 2010, the results showed that the audit exercises have covered some of The Group's main sectors, and due to the company size and the geographical expansion, the internal audit efforts are still undergoing in some of its subsidiaries, this task needs additional time and efforts to be accomplished. However, the internal control systems assessment executed for the main sectors, ensured that there was no material defects or risk in such systems requires to be disclosed, whereas some areas need to be further improved for more effectiveness and efficiency, however the committee took the necessary steps towards such issues.

f.2) Compensation, Nominations & Corporate Governance Committee:

During 2010, the Group Board decided to merge the role of the Corporate Governance committee with the compensations and nomination Committee and create one committee which has been re-named as Compensation, Nomination & CG committee. The committee consists of four members, all non-executives and independents. The Committee held eight meetings during 2010 , and the list of members, attendance records and the role of the Committee are summarized below:

Name	Position	Meetings attended	Main roles & responsibilities
1. Dr. Ghassan A. Al Sulaiman	Chairman	8	Draw clear policies regarding the indemnities and remunerations of the Board members and top executives; ensuring that such policies meet the standards related to performance; and the follow-up of implementation of these policies. Recommend to the Board of Directors appointments for membership to the Board in accordance with the approved policies and standards. Conduct annual review of the requirement of suitable skills for membership to the Board,preparation of a description of the required capabilities and qualifications for such membership and review the structure of the Board and determine areas of strength and weakness in the Board of Directors and recommend changes. Ensure on an annual basis, the independence of the independent members, and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company. Ensure The Group's compliance with Corporate Governance regulations issued by CMA and adhere to disclosure, transperancy and other good practices, locally and internationally
2. Mr. Yousef M. Alireza	Member	8	
3. Mr. Mohammad A. Al Fadl	Member	7	
4. Mr. Mousa O. Al Omran	Member	6	
5. Mr. Mahmoud Abdul Ghaffar	Committee Secretary	8	

Note: The members of the committee receive SR 5000 as attendance fees per meeting, and none of the members received any annual remuneration for their committee membership. The compensations and meetings attendance for the committee members are included in schedule # (e-4-1).

The committee has put in place a plan to continually monitor and evaluate the performance of Board members benefiting from previous evaluation exercise made to the Board during 2009. The objective of this plan is to assess the strengths and weaknesses of the Board and to continually improve its performance and contribution. Since the current Board has been newly elected (i.e. July 2010), the committee is planning to carryout full assessment to the Board individually and collectively after completion of one year from the date of election (i.e. during the 2nd half of 2011.

On the other hand, due to The Group efforts to boost transparency and corporate governance, The Savola Group has been ranked second among the top companies of in the MENA region according to a study on governance and transparency, conducted by Standard & Poor's (S&P), Hawkamah Institute and the International Finance Corporation (IFC) in early February 2011.

f-3) Risk Management Committee:

This committee was formed by the Board of Directors and began operating in January 2009, it comprises of four members, each with relevant experience and qualifications, , taking up its role in managing risks across The Group and its subsidiaries. The Committee held four meetings in 2010 and the list of members, attendance records, and the role of the Committee are summarized below:

<table>
<tr><th>Name</th><th>Position</th><th>Meetings attended</th><th>Main roles & responsibilities</th></tr>
<tr><td>1. Mr. Ibrahim M. Al –Issa*</td><td>Chairman</td><td>-</td><td rowspan="5">-To continuously improve risk management polices and monitor their implementation.
-Supervise all plans and strategies concerning any risks that the Group might face and the effects thereof.
-Prepare terms of reference for the purchase of raw materials and monitor its implementation at all levels within The Group.
-Provide advice to the Board on the risks faced by The Group's business and how to manage these risks. Regularly present reports to the Board on all work and performance of the Committee.</td></tr>
<tr><td>2. Mr.Ammar Abdulwahid Al Khudairy</td><td>Member</td><td>2</td></tr>
<tr><td>3. Dr. Abdulraouf Mohammad Mannaa</td><td>New Member</td><td>1</td></tr>
<tr><td>4. Dr. Adnan Mohammed Fakeih (External Member)</td><td>Member</td><td>2</td></tr>
<tr><td>5. Eng. Mohammad H. Al-Klaiby</td><td>Secretary</td><td>2</td></tr>
</table>

*Mr. Ibrahim Al-Issa has been appointed as a committee member and chairman in September, 2010.
Each committee member receives attendance fees of SR 5,000 per meeting. Its worth to mention that all committee members receive SR: 5000 as attendance fees whereas outside members receive SR: 50,000 as annual remuneration for each. No annual remuneration is paid to group board members in such committee.

Major risks faced by The Group's Businesses:

Every economic sector has potential risks. As an economic entity, Savola is exposed to certain risks due to the nature of commercial activities it practices in the areas of basic commodities such as sugar and edible oils, in addition to the raw materials for the plastics industry. Key risks can be represented in the probability of Group operations being exposed to fluctuations in raw material prices, dumping and acute & unfair competition in the prices of its products in local and regional markets. There are also risks related to penetrating new markets in the MENACA region with regard to The Group's geographical expansion strategy. In addition, The Group is likely to face risks due to its various investments and shareholdings in different companies and funds locally and internationally.

f-4) Investment Committee

The Investment Committee was formed with five members to develop criteria, standards and plans for The Group's investment activities. The Investment Committee helps The Group develop sound investment plans and to explore and then seize the most attractive opportunities. This Committee reviews opportunities before being presented to the Board, makes recommendations to the Board accordingly, and then monitors progress on these recommendations. The Committee held three meetings during 2010, (as opposed to no meetings held during 2009). The list of members, attendance records and the role of the Committee are summarized below:

Name	Position	Meetings attended	Roles & responsibilities
1. Mr. Ammar Al Khudairy	Chairman	2	Reviews, evaluates and approves investment opportunities within the powers conferred by the Board and provides regular updates to the Board. Follow-up with executive management during the implementation process of strategic investment decisions. Ensure The Group's compliance with Corporate Governance regulations issued by CMA. Enhance The Groups' adherence to the disclosure & transparency and best practices, locally and internationally. Supervise and follow-up on the execution of the Corporate Governance code and update it regularly.
2. Dr.Abdulraouf M. Mannaa	Member	3	
4. Mr. Abdulaziz K. Al Ghufaily	Member	3	
3. Mr. Ibrahim M. Al Issa	Member	3	
5. Mr. Mohammad A. Al Fadl	Member	2	
6. Mr. Mahmoud M. Abdul Ghaffar	Committee Secretary	3	

Note: Each committee member receives attendance fees amounting to SR 5,000 per meeting, no annual remuneration was paid during 2010 to any of the members. Meeting attendance fees were included in the total compensation paid to each Board member as detailed in table ((e-4-1)) mentioned above.

f-5) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee comprises of five members, each with relevant experience. Fulfilling its roles and responsibilities, the Committee held two meetings in 2010 and the list of members, attendance records, and the role of the Committee are summarized below:

Committee Members and their attendance records:

Name	Position	Meetings attended	Main roles & responsibilities
1. Dr. Ghassan A. Al Sulaiman*	Chairman	1	Develop CSR plans and programs, and follow-up on their implementation. Supervise Savola's initiatives in CSR, with particular emphasis on the Savola Center for Empowering People with Disabilities. Present regular reports to the Board on all work and performance of the Committee.
2. Dr. Abdulrouf M. Mannaa*	Member	1	
3. Dr. Al-Sharif Zayed Al Ghalib	Member	2	
4. Dr. Mervat Ahmed Tashkandi	Member	2	
5. Mr. Mahmoud M. Abdul Ghaffar	Member & Secretary	2	

Dr. Ghassan has been appointed as the committee chairman after the resignation of HE Eng. Adel Fakeih (Ex-Chairman of the committee) in August 2010.
Note: each one of the committee members receives SR 5,000 as attendances fees for each attended meeting. The Group's members and executives, who are members of the committee, do not receive any annual remuneration for their membership in any committee. Only outside members receive SR 50,000 as annual remuneration, besides meeting attendance fees. Accordingly, Dr. Al-Sharif Al Ghalib & Dr. Mervat Tashkandi received SR 60,000 each for the year 2010.

Dr. Mannaa and Mr. Mahmoud joined the committee as members in July 2010.

f-6) Grievance Committees for Employees and Shareholders

In its belief in justice and the protection of the rights of Savola shareholders and stakeholders, the Board of Directors has developed a grievance policy and formed two committees: the Employees Grievance Committee, which is currently run by the Compensation, Nomination and CG committee and the Stakeholders Grievance Committee, which is currently run by the audit committee. These committees separately investigate all cases referred to them with respect to employees' or stakeholders' grievances, and settle all cases according to the appropriate mechanisms approved by the Board.

g) Shares Owned by Board Members and their Immediate Relatives and changes in 2010.

#	Name (all Saudi nationals)	# of Shares at the beginning of 2010	# of Shares at the end of 2010	Variance	Cash dividends paid in 2010	Relative ownership changes during the year
1	Mr. Sulaiman A.K. Al-Muhaidib	0	1,000	1,000	750	None
2	Dr. Abdulraouf M. Mannaa	1,000 as of 1/7/2010	1,000	-	750	None
3	Mr. Ibrahim M. Al Issa	1,997,000	1,997,000	0	2,496,250	None
4	Dr. Sami M. Baroum	2,667	2,667	0	3,334	His sons own 815 shares. No significant change during the year.
5	Mr. Abdulaziz K. Al Ghufaily	0	1,000	1,000	750	None
6	H.E. Eng. Abdullah Mohammed Noor Rehaimi*	262	1,762	1,500	702	None
7	Mr. Ammar A. Al Khudairy	100,000	100,000	0	125,000	None
8	Dr. Ghassan A. Al Sulaiman	34,594	34,594	0	43,243	None
9	Mr. Mohammad A. Al Fadl	6,304	6,304	0	7,880	His wife owns 144 shares. No changes during the year.
10	Mr. Mousa O. Al Omran	6,304	6,304	0	7,880	None
11	Mr. Yousef M. Alireza	3,180	3,180	0	3,975	None

Note: HE Eng. Adel Fakeih (Board's former Chairman), owned 4,166 shares in January 2010 and no change took place from 1/01/2010 till his resignation in August 2010. He received amount of SR 5,207 as cash dividends for these shares during the year 2010.

h) Shares Owned by Senior Executives and their Immediate Relatives

Sr	Name	# of Shares in the beginning of 2010	# of Shares in the end of 2010	Variance at during the year	Cash dividends paid in 2010	# of Shares of immediate relatives
1	Eng. Azhar M. Kangi	14,433	7,433	- 7,000	16,291	None
2	Eng. Mohammed H. Al-Klaiby	0	1	1	1,25	None
3	Mr. Muwaffaq M. Jamal	0	1,000	1,000	250	None
4	Dr. Ayman A. Hashem	0	500	500	4,750	His Wife and & sons own 3,411,462 shares. No change during the year
5	Mr. Nouman Farrukh	0	0	0	0	None
6	Mr. Mahmoud M. Abdul Ghaffar	21,707	12,500	- 9,207	22,125	His wife owns 5,054 shares. No change during the year

Note: the cash dividends for (Board members and exclusives) mentioned above are including the first three quarters dividends, which have already paid by the company and fourth quarter dividends to be paid after AGM approval.

i) Related-Parties Transactions

During the year 2010, The company dealt with related parties in its usual course of business operations.

1. The Board of Directors approved, during the year 2010, The Savola Group's entry into a conditional share swap agreement whereby Savola will acquire 10% of Al-Muhaidib Group's shares in Savola Foods Company and 18.6% of their shares in Azizia Panda United in exchange for 37,634,408 new Savola shares issued at a nominal value of SR 376,344,080.. In addition to this, it will acquire Al-Hokair Group's shares in Azizia Panda United, amounting to 7% of Panda Capital Shares in exchange for 8,705,881 new Savola shares issued at a nominal value of SR 87,058,810. In completion of this translation, The Group ownership in both companies will be 100%. As Mr. Suliaman Al-Muhaidib is the chairman of The Savola Group & since The Al-Hokair Group has representation in the Board of Directors Of Azizia Panda, this translation was treated as a related party transaction and all necessary steps were taken pursuant to the Saudi Companies Act. This translation, which is subject to official authorities and AGM approvals, will parallelly increase Savola's share capital from 500 million shares to 546,340,290 shares. The details of this transaction have been announced earlier in the Saudi capital market (Tadawul) website.
2. Al-Muhadib Group, (Chaired by Mr. Suliaman Al-Muhadib, who also holds the position as chairman of The Savola Group), has been purchasing sugar products from the United Sugar Company (one of Savola's subsidiaries which produces sugar for the Saudi market).
3. The Board approved in its meeting dated 17th January to sell franchise rights and all assets related to Yve Roch brand to Dr. Mohammed Amin Jefri, (former president of Al-Batool International Company) for an amount of SR 5.87 million. This transaction has been made after conducting a fair bid, and Dr. Jefri procured the bid after satisfying the bid conditions.
4. The Board approved to sell the franchise rights and all assets related to Mug & Bean brand to Mr. Mohammed Hamid Al-Kulaibi, (Senior Vice President, Foods Sector/Sugar Division for an amount of SR 500,000. This transaction has been made after conducting a fair bid, and Eng. Al-Kulaibi procured the bid after satisfying the bid conditions.

j) Board of Directors Declaration, as per CMA Corporate Governance Code

This report of The Savola Group conforms to the "comply or explain approach" on disclosure requirements of the Corporate Governance Code issued by the CMA. The following subjects were not applied by the company or were not applicable to it for 2010.The Board will begin to disclose these as and when they become applicable:

1. Savola Group internal control systems and procedures are properly developed and effectively executed.
2. There are no doubts about The Group's capability to continue its business activities.
3. The Board of Directors confirms that The Group's books and records comply with the accounting standards issued by SOCPA. The Board is committed to provide the CMA with any additional information as may be required in case of auditors expressing any reservations on the annual financial statements.
4. The Board did not recommend during 2010 to replace the company external auditors. KPMG has been the company's external auditor for the previous five consecutive years. Since KPMG has competed the statutory period, the Board recommended replacing it by a new auditor for 2011 as per regulations.
5. None of The Group's Board Members/ Executives own any shares in any one of The Savola Group subsidiaries, and also no contracts were agreed upon with any one of them during the year, except the transactions disclosed above in the related party transactions section.
6. The Group has not granted any cash loans whatsoever to any of its Board members or rendered guarantees with respect to any loan entered into by a Board member with third-parties.
7. The Savola Group does not presently provide any employee stock option plans. However, The Group is considering the adoption of such a plan in the future, and will make the relevant disclosure as required.
8. The Group does not have debt instruments that are transferable to shares.
9. No contract or agreement or any arrangement has been made under which a shareholder, Director, senior executive or an employee of The Group can waive his or her dividends or any emolument or compensation.
10. There are no punishments, penalties or preventive restrictions imposed on the company by the CMA or any other supervisory, regulatory or judiciary body.
11. Savola does not have preferred shares or shares with special priority in voting, whether to shareholders,

Directors or employees. All shares of The Savola Group are ordinary shares of equal nominal value and rank equally in voting and other rights as per regulations.

12. The Group is subject to Zakat according to the regulations of the Department of Zakat & Income Tax (DZIT). The Group records its Zakat provision and charges it to the Income Statement. Any amendments resulting from the final assessment are recorded at the time the assessments are finalized and agreed with the DZIT.

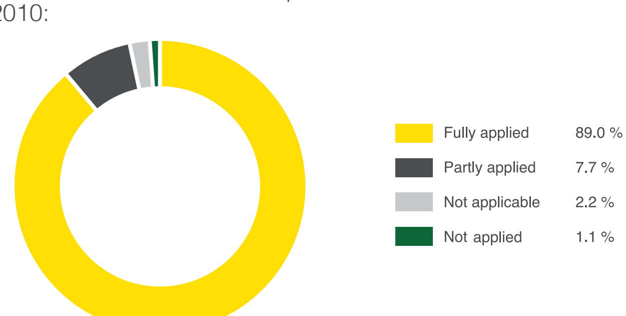
k) Compliance in Corporate Governance with regulations issued by the CMA for the year 2010

The Savola Group has appointed Price Waterhouse Coopers (PWC) to carry out an independent assessment for its compliance with the CG code issued by the Saudi Capital Market Authority (CMA) in 2006. This independent exercise assessed The Group's commitment during the year 2010 to the CG code issued by the CMA which contains (91) articles, the Group complied with 89%, The table & chart below summarize the results of this comparison:

SN	Article number in accordance with Corporate Governance regulations	Number of clauses	Complied	Partially complied	Not complied	N/A	Comment
1	Article 3. General Rights of Shareholders	1	1				
2	Article 4. Facilitation of Shareholders' Exercise of Rights and Access to Information	2	2				
3	Article 5. Shareholders Rights Related to the General Assembly	10	10				
4	Article 6. Voting Rights	4	3		1 (6/b)		Article 6 (b): The cumulative voting technique has been presented to the General Assembly on 26 June 2010. However, this has been voted against by the Assembly on 25th March 2008 and 26th June 2010. The Board is intended to bring it again to the AGM.
5	Article 7. Dividends Rights of Shareholders	2	2				
6	Article 8. Policies and Procedures Related to Disclosure	1	1				
7	Article 9. Disclosure in the Board of Directors Report	7	6	1 (9/g)			Article 9 (g): An assessment of internal controls was made by the Group's internal auditor. But due to the company org. structure and wide range of geographical presence, the exercise has not been completed for Business Units by end of 2010. More efforts and time need to be exerted to fully complete the exercise. However, all necessary measures were taken by audit committee to accomplish this task.

8	Article 10. Main Functions of the Board	17	13	4 (10/a/1) (10/b/3) (10/b/4) (10- c)			Article 10 (10/a/1) & (10/b/3) related to Risk management, although the company define the major risks facing the business and disclose them to public domain, the Board formed a special committee for risk management as indicated earlier in this report, but still more efforts need to be exerted by establishing risk function at Group level. With regard to (10- b/4 & c,) due to the company complex structure and its regional presence, the current corporate governance code need to be revised and updated to accommodate regulations of other countries, where Savola is operating.
9	Article 11. Responsibilities of the Board	8	8				
10	Article 12. Formation of the Board	9	9				
11	Article 13. Committees of the Board	3	3				
12	Article 14. Audit Committee	11	9	2 (14/c/1, 2)			Article 14(c/1, 2): refer to same reason indicated in Article 9 (g).
13	Article 15. Nomination and Remuneration Committee	8	6	1 (15/c/2)		1 (15/c/4)	Article 15(c/2): The AGM approved in its meeting held on March 2008 the minimum qualification required for Board membership, which in line with Ministry of Commerce & Industry regulations. Article 15(c/4): The Board has been elected in July 2010 the management confirmed that the necessary evaluation and skills needed will be assessed during the second half of 2011 (i.e. one year after the appointment of the new board)
14	Article 16. Meetings of the Board	4	4				
15	Article 17. Remuneration and Indemnification of Board Members	1	1				
16	Article 18. Conflict of Interest within the Board	3	3				
Total		91	81	7	2	1	
Percentage		100%	89.0%	7.7%	2.2%	1.1%	

Below is a chart that summarizes the results of the independent assessment of Savola Compliance with corporate governance regulations for 2010:



6) Thanks and Appreciation

The Board of Directors takes this opportunity to extend thanks and appreciation to the Custodian of the Two Holy Mosques and to His Royal Highness The Crown Prince, God bless them for their special endeavors in furthering the welfare and the stability of the country. The Board also extends its appreciation and thanks to the Government of the Custodian of the Two Holy Mosques for its continuous support and encouragement provided to the industrial and private sector in the Kingdom. The Board would also like to thank all Saudi citizens for the trust and loyalty they have placed in Savola and its products. The Board further thanks Savola's shareholders, The Group's management, subsidiaries and employees for their efforts, support, and commitment during 2010. The Board looks forward to further achievements in 2011.

We pray to Almighty God for continuous success.

The Savola Group Board of Directors

February 21st, 2011

The Savola Group
Ranks No. (2) in the Arab World
In Corporate Governance & Transparency

The Savola Group

has achieved the second position among the top companies in the Arab World according to a study conducted by Standard & Poor's (S&P), Hawkamah Institute and the International Finance Corporation -IFC. This announcement was made in early February 2011.

03

Consolidated Financial Statements With Independent Auditors' Report

KPMG Al Fozan & AL Sadhan
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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

CONSOLIDATED BALANCE SHEET

As at December 31, 2010

	Note	2010	2009
ASSETS		(SR 000)	(SR 000)
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.

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2010

	Note	2010	2009
		(SR 000)	(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**

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

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
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	--

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2010

Equity attributable to the Company's shareholders	Capital	Statutory reserve	General reserve	Unrealized gains / (loss) on investments	Effect of acquisition transaction with minority shareholders without change in control	Foreign currency translation account	Retained earnings	Total shareholders' equity	Minority interests	Total equity
	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

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
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

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.

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.

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.

(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.

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.

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.

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	2009
	(SR 000)	(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	2009
	(SR 000)	(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	2009
	(SR 000)	(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	2009
	(SR 000)	(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	2009
	(SR 000)	(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

1. 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.
2. 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.

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

	2010	2009
	(SR 000)	(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	2009
	(SR 000)	(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	2009
	(SR 000)	(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.

c) Goodwill

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

	2010	2009
	(SR 000)	(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	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Motor vehicles	Capital work in progress	Total
	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(SR 000)	(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

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	2009
	(SR 000)	(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	2009
	(SR 000)	(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.

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	2009
	(SR 000)	(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	2009
	(SR 000)	(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	2009
		(SR 000)	(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	2009
	(SR 000)	(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

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.

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	2009
	(SR 000)	(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	2009
	(SR 000)	(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

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:

	Manufacturing/ wholesale	Retail	Investments and other activities	Total
2010	(SR 000)	(SR 000)	(SR 000)	(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

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	Egypt	Iran	Other countries	Total
	(SR 000)	**(SR 000)**	**(SR 000)**	**(SR 000)**	**(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	Egypt	Iran	Other Countries	Total
	(SR 000)	**(SR 000)**	**(SR 000)**	**(SR 000)**	**(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
Total	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.

THE SAVOLA GROUP AND SUBSIDIARIES CONTACTS AND ADDRESSES

The Savola Group welcomes your constructive comments and suggestions that might enhance the quality of services provided to our valued shareholders and customers.

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The Savola Group

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