SAVOLA GROUP COMPANY
(Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008
with
AUDITORS' REPORT

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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 and its subsidiaries ("the Group") which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated statements of income, changes in equity and cash flows for the year then ended and the attached notes 1 through 29 which form an integral part of the consolidated financial statements.

Management is responsible for the preparation and fair presentation of these 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

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

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

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

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

1) present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2008 and of its consolidated results of 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 Company and its subsidiaries; and

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

For KPMG Al Fozan & Al Sadhan

Tareq Abdulrahman Al Sadhan
License No. 352

Jeddah, February 18, 2009G
Corresponding to Safar 23, 1430H

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
As at December 31, 2008

	Note	2008 (SR 000)	2007 (SR 000)
ASSETS			
Current assets:			
Cash and cash equivalents	5	604,884	334,533
Trade receivables	6	919,791	663,612
Investments	9	147,853	947,389
Inventories	7	2,039,358	1,231,811
Prepayments and other current assets	8	1,017,262	533,994
Total current assets		4,729,148	3,711,339
Non-current assets:			
Investments	9	4,771,371	4,048,016
Intangible assets	10	794,664	316,848
Property, plant and equipment	11	4,250,663	3,513,801
Total non-current assets		9,816,698	7,878,665
Total assets		14,545,846	11,590,004
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term debts	12	3,293,565	1,313,670
Current portion of long-term debts	15	139,641	133,185
Trade payables		1,216,246	781,969
Accrued expenses and other current liabilities	13	1,357,848	909,742
Total current liabilities		6,007,300	3,138,566
Non-current liabilities:			
Long-term payables	14	74,033	68,803
Long-term debts	15	1,117,136	456,540
Employees' termination benefits		210,697	153,418
Total non-current liabilities		1,401,866	678,761
Total liabilities		7,409,166	3,817,327
EQUITY			
Equity attributable to the Company's shareholders:			
Share capital	16	5,000,000	3,750,000
Statutory reserve	17	772,946	902,710
General reserve		4,000	4,000
Unrealized (loss) / gains on investments		(127,253)	450,929
Foreign currency translation account		(160,927)	(92,082)
Retained earnings		900,399	2,141,344
Total shareholders' equity		6,389,165	7,156,901
Minority interests		747,515	615,776
Total equity		7,136,680	7,772,677
Total liabilities and equity		14,545,846	11,590,004

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2008

	Note	2008 (SR 000)	2007 (SR 000)
Revenues – net		13,821,377	10,409,530
Cost of revenues		(12,007,054)	(8,705,859)
Gross profit		1,814,323	1,703,671
Share of profits (loss) of associates and jointly controlled entity and dividend income – net		335,174	243,753
Other income – net	18	110,526	82,057
		2,260,023	2,029,481
EXPENSES:			
Selling and marketing	19	(1,123,033)	(839,516)
General and administrative	20	(465,491)	(456,794)
Total expenses		(1,588,524)	(1,296,310)
Income from operations		671,499	733,171
Gains on disposal of investments	9(e)	147,980	863,982
Impairment of assets	21	(442,406)	(110,482)
Financial charges – net	22	(153,658)	(33,326)
Income before Zakat and income-tax and minority interests		223,415	1,453,345
Zakat and income-tax	23	(53,387)	(115,463)
Net income before minority interests		170,028	1,337,882
Share of minority interests in the net loss (income) of consolidated subsidiaries		32,330	(107,858)
Net income		202,358	1,230,024
Earnings per share – Income from operations	24	1.34	1.47
– Net income	24	0.40	2.46

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SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2008

	2008 (SR 000)	2007 (SR 000)
Cash flows from operating activities:		
Net income	202,358	1,230,024
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, amortisation and impairment	809,237	403,373
(Gain) on sale of property, plant and equipment	(2,810)	(1,439)
(Gains) on disposal of investments	(147,980)	(1,107,735)
Financial charges	153,658	33,326
Share of minority interests in net income of consolidated subsidiaries	(32,330)	107,858
Changes in operating assets and liabilities:		
Trade receivables	(178,732)	(43,516)
Inventories	(657,776)	(731,153)
Prepayments and other current assets	(373,947)	(173,845)
Trade payables	262,104	829,385
Accrued expenses and other current liabilities	404,658	303,958
Employees' termination benefits	33,236	36,702
Total adjustments	269,318	(343,086)
Net cash provided by operating activities	471,676	886,938
Cash flows from investing activities:		
Effect on cash flows due to deconsolidation of a subsidiary	--	(140,750)
Additions to investments	(2,207,749)	(2,799, 122)
Proceeds from sale of investments	1,336,352	1,778,626
Net change in other investments	(35,974)	(18,705)
Net change in intangible assets	(506,924)	(130,189)
Addition to property, plant and equipment	(1,009,902)	(1,242,634)
Proceeds from sale of property, plant and equipment	72,734	4,559
Net cash (used in) investing activities	(2,351,463)	(2,548,215)
Cash flows from financing activities:		
Net change in short-term debts	1,979,508	(143,050)
Net change in long-term debts	656,927	(62,593)
Net changes in minority interests	162,131	(100,399)
Financial charges	(153,658)	(33,326)
Net change in restricted deposits against financing	3,347	69,490
Dividends paid	(494,770)	(558,802)
Net cash provided by (used in) financing activities	2,153,485	(828,680)
Net change in cash and cash equivalents	273,698	(2,489,957)
Cash and cash equivalents at beginning of the year	330,129	2,820,086
Cash and cash equivalents at end of the year (Note 5)	603,827	330,129

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended December 31, 2008

	2008 (SR 000)	2007 (SR 000)
Non-cash items:		
Unrealized (loss) gains on available for sale investments	(578,182)	396,907
Foreign currency translation adjustments	(68,845)	(11,221)
Directors' remuneration	2,200	2,300

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2008

	Equity attributable to the Company's shareholders								
	Capital (SR 000)	Statutory reserve (SR 000)	General reserve (SR 000)	Foreign currency translation account (SR 000)	Unrealized gains / (loss) on investments (SR 000)	Retained earnings (SR 000)	Total shareholders' equity (SR 000)	Minority interests (SR 000)	Total equity (SR 000)
Balance at December 31, 2006	3,750,000	779,708	4,000	(103,303)	54,022	1,599,122	6,083,549	791,533	6,875,082
Dividends	--	--	--	--	--	(562,500)	(562,500)		(562,500)
Net income	--	--	--	--	--	1,230,024	1,230,024	107,858	1,337,882
Transfer to reserve	--	123,002	--	--	--	(123,002)	--	--	--
Unrealized gain on investments adjustments	--	--	--	--	396,907	--	396,907	--	396,907
Foreign currency translation adjustments	--	--	--	11,221	--	--	11,221	--	11,221
Directors' remuneration	--	--	--	--	--	(2,300)	(2,300)	--	(2,300)
Other changes in minority interests	--	--	--	--	--	--	--	(283,615)	(283,615)
Balance at December 31, 2007	3,750,000	902,710	4,000	(92,082)	450,929	2,141,344	7,156,901	615,776	7,772,677
Bonus shares issued	1,250,000	(150,000)	--	--	--	(1,100,000)	--	--	--
Dividends	--	--	--	--	--	(500,000)	(500,000)	--	(500,000)
Net income	--	--	--	--	--	202,358	202,358	(32,330)	170,028
Transfer to reserve	--	20,236	--	--	--	(20,236)	--	--	--
Unrealized (loss) on investments adjustments	--	--	--	--	(578,182)	--	(578,182)	--	(578,182)
Foreign currency translation adjustments	--	--	--	(68,845)	--	--	(68,845)	--	(68,845)
Directors' remuneration	--	--	--	--	--	(2,200)	(2,200)	--	(2,200)
Gain on dilution of interest in consolidated subsidiaries (Note 4)	--	--	--	--	--	179,133	179,133	--	179,133
Other changes in minority interests	--	--	--	--	--	--	--	164,069	164,069
Balance at December 31, 2008	5,000,000	772,946	4,000	(160,927)	(127,253)	900,399	6,389,165	747,515	7,136,680

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008

1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS

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

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

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

At December 31, the Company has investments in the following consolidated subsidiaries (collectively described as "the Group"), which are principally engaged in the manufacturing and marketing of vegetable oils, food products, retailing, packaging materials and fast food operations. In addition, the Group is also involved in real estate related investment activities:

Direct and indirect subsidiaries		**Ownership interest (%)**	
	Country of	At December 31	
Name	incorporation	2008	2007
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	100	100
Utur Packaging Materials Company Limited	Saudi Arabia	100	100
Savola Trading International Limited	British Virgin Islands	100	100
Tayseer FZCO	UAE	100	100
Batool International Trading Company Ltd.	Saudi Arabia	100	100
Al-Azizia Panda United Company ("APU")	Saudi Arabia	80	100
Savola Foods Company ("SFC")	Saudi Arabia	85	--
Afia International Company ("AIC")	Saudi Arabia	--	90.7
Herfy Food Services Company Ltd. ("Herfy")	Saudi Arabia	70	70
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	4	63.5
United Properties Development Company ("UPDC")	Saudi Arabia	100	70
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	100	100
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	--
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	100	--
Afia Foods Arabia	Saudi Arabia	100	--
United Sugar Company, Egypt	Egypt	18.8	18.6
Giant Stores Trading Company	Saudi Arabia	8	--

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

Entities controlled through Subsidiaries	Country of incorporation	**Subsidiary ownership interest (%)** At December 31 2008	2007
Savola foods Company ("SFC")			
Afia International Company ("AIC")	Saudi Arabia	95.19	--
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	95	--
(last year the above companies' ownership directly by Savola Group Company)			
Savola Foods Emerging Markets Company Limited ("SFEM")	British Virgin Islands	95	--
AIC			
Malintra Holdings	Luxembourg	100	100
Savola Foods Limited ("SFL")	British Virgin Islands	100	100
Afia International Company – Jordan	Jordan	75	75
Inveskz Inc.	British Virgin Islands	90	90
Afia International Company – Algeria	Algeria	--	100
Afia Trading International	British Virgin Islands	100	100
Savola Food International	British Virgin Islands	100	--
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	100	--
SFL			
Afia International Company, Egypt	Egypt	94.5	94.5
Inveskz Inc.			
Turkuaz Edible Oils	Kazakhstan	100	100
KUGU			
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	100	--
SIIC			
United Sugar Company ("USC")	Saudi Arabia	64.8	64.8
USC			
United Sugar Company Egypt ("USCE")	Egypt	53.2	52
SPS			
New Marina for Plastic Industries ("NMP")	Egypt	95	95
Al Sharq Company for Plastic Industries. Ltd. ("Al Sharq")	Saudi Arabia	99	99
SFEM			
Savola Morocco Company	Morocco	100	100
Savola Edible Oils (Sudan) Ltd.	Sudan	100	100
Afia International Company – Algeria (last year the above company ownership through AIC)	Algeria	100	--
APU			
Giant Stores Trading Company	Saudi Arabia	90	--

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

During the year ended December 31, 2008, the Group acquired controlling interest in Yudum Gida Sanayi ve Ticaret A.S, Turkey (an edible oil refinery) and Giant stores Trading Company (retail super stores) Saudi Arabia. Certain changes in Group operating structures have also been made to combine synergies of the Group's sugar and edible oil business. In addition to this restructuring, the group has also entered into certain acquisition transactions with Al Mohadib Holding Company (Minority shareholder of SIIC) which has resulted in a net change in the effective ownership of the combined businesses (Note 4).

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 17, 2009.

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 judgment in the process of applying the Company's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

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.

2. BASIS OF PREPARATION (continued)

(d) Critical accounting judgments and estimates (continued)

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

(i) Valuation of investments in unquoted private equity funds

Investments in private equities and private equity funds classified under available for sale investments, are carried at cost in the absence of reliable fair value (see Note 9 c)

(ii) Impairment of available for sale investments

The Group exercises judgment to consider the impairment on available for sale investments as well as their underlying investments. This includes the assessment of anobjective evidence which causes an other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of investment below its cost is considered as an objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgment. 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 to those 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 prevail, or 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 their 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 in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the 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 are accounted for using the equity method.

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

b) Foreign currency translation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Trade receivables

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

c) 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.

d) Investments

(i) Investments in associates and jointly-controlled companies

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled companies are those where the Group shares effective controls with other shareholders of the 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. The Group’s consolidated statement of income reflects the Group’s share of the results of operations of the associate and jointly controlled entities. 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 companies, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(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 locally listed and unlisted companies

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 exists. In the absence of an open market and 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 assets. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of income. Dividend income from such investments is recorded when declared.

A portion of these investments which management intends to dispose of within a period of one year are classified as current assets. Other investments are classified in these financial statements under non-current assets.

(iii) Other investments carried at cost

These include Group's investment in Real estate projects which are under development and an investment in a company under liquidation. These are carried at cost.

e) 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 is classified as Goodwill.

f) Intangible assets

i) Goodwill

Goodwill represents the excess cost of investments over the fair value of the net assets acquired in a business combination. Goodwill is tested annually for impairment and is carried at cost net of accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) Deferred costs

Deferred costs mainly consist of expenses incurred by the Group on setting up new retail outlets and other projects. Such expenses are amortized using the straight-line method over the related estimated economic lives not exceeding five years.

Deferred costs also include Saudi Industrial Development Fund (SIDF) loan approval fees and related costs, which are deferred and are being amortized using the straight-line method over the period of the respective loans.

g) Property, plant and equipment

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

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

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

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

h) 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.

i) Employees' termination benefits

Employees' termination benefits, calculated in accordance with labour regulations of the countries of operation of the Company and its subsidiaries, are accrued and charged to consolidated statement of income currently.

j) Revenue recognition

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

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

k) Expenses

Selling, marketing, general and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting principles. Selling and marketing expenses are those arising from the Group's efforts underlying the marketing, selling and distribution functions. All other expenses are classified as general and administrative expenses. Allocations of common expenses between cost of revenues and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

l) Operating leases

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

m) Zakat and income tax

The Company and its Saudi Arabian subsidiaries are subject to Zakat and income-tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The foreign subsidiaries are subject to tax regulations in their countries of incorporation. Zakat and income tax are charged to consolidated statement of income currently.

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.

n) Dividends

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved the shareholders.

o) Cash and cash equivalents

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

p) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) 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 Group's management and internal reporting structure.

4. BUSINESS COMBINATIONS AND TRANSACTIONS WITH MINORITY SHAREHOLDERS

a) The Group had following acquisitions during the year:

i) Yudum Gida Sanayi ve Ticaret A.S ("Yudum")

Effective January 01, 2008, the Group acquired 100% of Kugu Gida Yatum Ve Ticaret A. S., which in turn owns 100% of Yudum Gida Sanayi ve Ticaret A.S (see Note 1), fair valued at SR 81.7 million for the purchase consideration of SR 282 million.

ii) Giant Stores Trading Company ("Giant")

Effective October 01, 2008, the Group acquired effective interest of 80% of Giant Stores Trading Company (see Note 1) from Al Mohadib Holding Company ("Mohadib") fair valued at SR 94.4 million for the purchase consideration of SR 185 million.

iii) Savola Industrial Investment Company ("SIIC")

Effective October 01, 2008, the Group acquired net additional 21.25%, share in SIIC (a consolidated subsidiary) at fair value from Mohadib, for a net consideration of SR 215.5 million.

b) Dilution in controlling interest in subsidiaries

Effective from October 01, 2008, the Group has diluted its controlling interest in following subsidiaries and disposed of respective shares to Mohadib at fair values. The gain representing the consideration in excess of the consolidated book values of subsidiaries is included under shareholder's equity under retained earnings.

- Disposed of 15% of its ownership interest in Savola Foods Company at fair value of SR 492 million. This has resulted in a gain in excess of consolidated book values of the subsidiary amounting to SR 158.8 million.

- Disposed of 20% of its ownership interest in Al- Azizia Panda United Company at fair value of SR 176 million . This has resulted in a gain in excess of the consolidated book values of the subsidiary amounting to SR 20.2 million.

In settlement of Giant, SIIC and dilution transactions above, a net claim of SR 132 million from Mohadib, is included in prepayments and other current assets in these consolidated financials statements. This amount was subsequently settled in cash on January 06, 2009

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	2008 (SR 000)	2007 (SR 000)
Cash on hand	20,285	11,952
Cash in transit	2,014	940
Cash at bank on current accounts	581,528	317,237
Cash and cash equivalents for cash flow statement purposes	603,827	330,129
Restricted deposits	1,057	4,404
	604,884	334,533

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

6. TRADE RECEIVABLES

Trade receivables at December 31 comprise the following:

	2008 (SR 000)	2007 (SR 000)
Related parties (Note 26)	62,844	57,430
Other customers	905,866	654,198
Total	968,710	711,628
Provision for doubtful accounts	(48,919)	(48,016)
	919,791	663,612

7. INVENTORIES

Inventories at December 31 comprise the following:

	2008 (SR 000)	2007 (SR 000)
Raw and packing materials	925,254	525,720
Work-in-process	88,513	40,748
Finished goods	914,580	569,914
Spare parts and consumables	150,937	113,299
Materials in-transit	19,981	17,153
Total	2,099,265	1,266,834
Provision for slow moving items	(59,907)	(35,023)
	2,039,358	1,231,811

Inventories are adjusted with net realisable value losses recognised during the fourth quarter of current year amounting to SR 77.3 million (2007: nil). This was resulted as a result of significant decline in market prices of raw materials.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2008 (SR 000)	2007 (SR 000)
Prepayments	124,007	97,792
Supplier advances	88,254	113,398
Due from related parties (Note 26)	482,843	137,012
Receivable from government authorities	92,821	52,704
Balance relating to commodity future contracts	30,085	44,250
Rental income receivable	26,805	3,020
Non-trade receivables	84,098	28,041
Employee housing and other advances	35,498	29,897
Assets classified as held for sale	16,119	17,681
Other	36,732	10,199
	1,017,262	533,994

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

b) Assets classified held for sale represent manufacturing plant facilities of Afia International Company, Jordan for which an agreement for disposal has been reached with a third party. The legal formalities are currently underway.

9. INVESTMENTS

a) Investments at December 31 comprise of the following:

	2008 (SR 000)	2007 (SR 000)
Investments in associates and jointly controlled company - net	3,205,042	2,119,310
Available for sale (AFS) investments	764,077	2,006,449
Other investments carried at cost	950,105	869,646
Total	4,919,224	4,995,405
Less: AFS investments held for short-term period classified under current assets	(147,853)	(947,389)
	4,771,371	4,048,016

9. INVESTMENTS (continued)

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

	Sector	Listed/ unlisted	Effective Ownership interest (%)	2008	2007
				(SR 000)	(SR 000)
Al Marai Company Ltd. - Saudi Arabia ("Al-Marai") (2007 - 25%)	Food	Listed	28	1,447,336	856,243
Kinan International for Real Estate Development Company(2007 - 30%)	Real Estate	Unlisted	30	536,599	529,998
Intaj Capital Limited – British Virgin Islands(2007 - 49%)	Fund	Unlisted	49	422,379	430,097
Savola Behshahr Company Iran ("SBeC") (2007 - 49%)	Food	Unlisted	80	594,018	285,977
Al-Seara City Company For Real Estate Development (2007 – 40%)	Real Estate	Unlisted	40	134,800	16,000
Alexandria Sugar Company	Food	Unlisted	45.5	30,976	--
Knowledge Economic City Development Company (KECD)	Real Estate	Unlisted	40	13,200	--
Emerge Investment Ltd	Fund	Unlisted	20	18,755	--
Kinan Arabia for Real Estate	Real Estate	Unlisted	20	10,000	--
Other	Various	Unlisted	Various	6,075	10,091
Total				3,214,138	2,128,406
Less: Provision for permanent diminution in value of investments in associates				(9,096)	(9,096)
				3,205,042	2,119,310

The Group has an investment in Savola Behshahr Company (SBC) which is a jointly controlled entity with Behshahr Industrial Development Company ("BIDC"). During the year 2008, the Group acquired an additional 31% stake in SBC from BIDC through a Share Purchase Agreement (the "SPA") dated June 22, 2008 which was amended on June 23, 2008 and October 27, 2008, for a total consideration of SR 265 million. After this acquisition, Savola's ownership interest in SBC has increased from 49% to 80% effective July 1, 2008. Savola and BIDC have agreed that, until all conditions of the SPA are met, including payment in full of declared unpaid dividends by SBC to BIDC, SBC will continue to be a jointly controlled entity managed with BIDC in line with the terms of the existing Joint Venture agreement dated March 05, 2004. Accordingly, SBC has not been consolidated in these financial statements and is accounted for on an equity basis.

9. INVESTMENTS (continued)

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

	2008 (SR 000)	2007 (SR 000)
Cost:		
- Quoted marketable securities	828,199	1,205,630
- Unquoted investments	473,797	349,890
Total Cost	1,301,996	1,555,520
Impairment loss on:		
- Quoted marketable securities	(355,875)	--
- Unquoted investments	(78,075)	--
Total impairment loss	(433,950)	--
Revised cost	868,046	1,555,520
Unrealized (loss) / gain on quoted marketable securities	(103,969)	450,929
Carrying value	764,077	2,006,449

(i) Quoted marketable securities also include Group's 2.3% ownership interest amounting to SR 179 million (2007: SR 563 million) in Emaar the Economic City (a joint stock company) formed for the development of King Abdullah Economic City (through AAC) which is Group's strategic investment and is currently under lock-up period and 5% in Taameer Jordanian Holding Company amounting to SR 41.5 million (2007: SR 124 million).

(ii) Unquoted investments include the Group's ownership of 14% in Swicorp Joussour Company amounting to SR 209 million (2007: SR 193 million), 15% in Swicorp Company, Saudi Arabia amounting to SR 116 million (2007: SR 116 million).

d) Other investments at December 31, 2008 mainly represent investments in real estate projects in Saudi Arabia and Group's (100%) investment in Savola Snack Foods Company Ltd. ("SSFC")- a company under liquidation. No significant gain or loss is expected upon liquidation of SSFC.

e) Gains on disposal of investments for the year ended December 31 2008 mainly represent gain on sale of AFS investments amounted to SR 142 million. For the year ended December 31, 2007 it primarily includes SR 708 million gain on disposals of Egyptian Fertilizer Company, an associate and SR 123 million gain on dilution in ownership interest in Almari.

10. INTANGIBLE ASSETS

a) Intangible assets at December 31 comprise the following:

	2008 (SR 000)	2007 (SR 000)
Deferred costs	140,291	78,434
Goodwill	654,373	238,414
	794,664	316,848

10. INTANGIBLE ASSETS (continued)

b) **Deferred costs**

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

	2008 Total (SR 000)	2007 Total (SR 000)
Cost		
Balance at beginning of the year	273,890	198,554
Additions during the year	116,669	75,336
Balance at end of the year	390,559	273,890
Accumulated amortization		
Balance at beginning of the year	(195,456)	(120,856)
Charge for the year	(54,812)	(74,600)
Balance at end of the year	(250,268)	(195,456)
Net balance at December 31	140,291	78,434

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

c) **Goodwill**

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

	2008 (SR 000)	2007 (SR 000)
Balance at beginning of the year	238,414	205,132
Additions during the year		
-KUGU	200,368	--
-Giant Stores Trading Company	83,452	--
-Savola Industrial Investments Company	116,150	--
-AFIA International Company	64,204	15,585
-New Marina for Plastic Industries	--	30,826
	464,174	46,411
Adjustments due to exchange rate fluctuation and Impairment loss	(48,215)	(13,129)
Balance at end of the year	654,373	238,414

11. PROPERTY, PLANT AND EQUIPMENT

a) The movement in property, plant and equipment during the year ended December 31, 2008 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, 2008	432,545	815,553	147,631	2,239,786	548,184	111,558	1,097,910	5,393,167
Additions	19,129	167,631	86,748	261,902	101,690	52,151	320,651	1,009,902
Transfers from capital work in progress	--	450,781	191,354	398,757	60,718	4,156	(1,105,766)	--
Assets acquired from new acquisition	119	15,650	116,498	137,703	55,450	9,538	4,598	339,556
Disposals	(28,304)	(24,127)	(21,582)	(3,652)	(2,858)	(3,192)	(995)	(84,710)
Balance at December 31, 2008	423,489	1,425,488	520,649	3,034,496	763,184	174,211	316,398	6,657,915
Accumulated depreciation:								
Balance at January 1, 2008	--	273,751	62,870	1,144,224	322,189	76,332	--	1,879,366
Charge for the year	--	39,146	45,561	165,356	45,098	16,858	--	312,019
Assets acquired from new acquisition	--	7,866	83,663	91,377	40,264	7,483	--	230,653
Disposals	--	(3,357)	(4,937)	(2,143)	(1,942)	(2,407)	--	(14,786)
Balance at December 31, 2008	--	317,406	187,157	1,398,814	405,609	98,266	--	2,407,252
Net book value:								
At December 31, 2008	**423,489**	**1,108,082**	**333,492**	**1,635,682**	**357,575**	**75,945**	**316,398**	**4,250,663**
At December 31, 2007	432,545	541,802	84,761	1,095,562	225,995	35,226	1,097,910	3,513,801

11. PROPERTY, PLANT AND EQUIPMENT (continued)

b) Additions include SR 12.9 million in respect of commission capitalized during 2008 (2007: SR 25.7 million). The rate used to determine the amount of finance costs capitalized during 2008 was 6% (2007: 6.5%).

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 lessor are nominal.

e) See Note 15 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:

	2008 (SR 000)	2007 (SR 000)
Accrued expenses	252,817	246,318
Unclaimed dividend	160,347	149,692
Accrued Zakat and income tax (Note 23)	88,358	112,449
Employee related accrual	234,736	87,463
Due to related parties (Note 26)	112,247	65,432
Balances related to forward contracts	200,891	53,424
Accrued advertising	88,520	27,755
Directors' remuneration (Note 26)	6,406	8,197
Other	213,526	159,012
	1,357,848	909,742

14. LONG-TERM PAYABLES

Long-term payables represent dividends declared in prior years and share fractions, which resulted from split of shares in prior years. Such amounts have not yet been claimed by the respective shareholders for several years. In the opinion of management, such amounts are unlikely to be paid during 2008 and, accordingly, they have been classified under non-current liabilities.

15. LONG-TERM DEBTS

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

	2008 (SR 000)	2007 (SR 000)
Saudi Industrial Development Fund ("SIDF")	32,239	48,344
Commercial banks and financial institutions	1,224,538	541,381
	1,256,777	589,725

Presented in the balance sheet:

Current portion included under current liabilities	139,641	133,185
Non-current portion included under non-current Liabilities	1,117,136	456,540
	1,256,777	589,725

SIDF loans

SIDF has provided loans to USC, Herfy, and SPS to finance the manufacturing facilities and expansion projects. The loans are secured by a charge on property, plant and equipment and personal/corporate guarantees of the shareholders. At December 31, 2008, property, plant and equipment having a value of SR 1,757 million (2007: SR 1,389 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 the capital projects, investments and for working capital requirements. Finance charges on these debts are based on prevailing market rates.

At December 31, 2008, the loan of SR 170 million (2007: SR 207 million) owed by a subsidiary are secured by a corporate guarantee of the Savola Group and a letter of understanding issued by the subsidiary to the commercial bank assigning its rights, benefits and title to the dividend distribution. At December 31, 2008, certain foreign subsidiaries' loans amounting to SR 269 million (2007: SR 242 million) are secured by a lien over property, plant and equipment of such subsidiary.

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

16. SHARE CAPITAL AND DIVIDENDS

At December 31, 2008 the Company's share capital of SR 5 billion consists of 500 million fully paid shares of SR 10 each (December 31, 2007: SR 3.75 billion consisting of 375 million fully paid shares of SR 10 each).

The shareholders of the Company in their Annual General Meeting held on March 25, 2008, approved a transfer of SR 150 million from share premium amount and SR 1,100 million from retained earnings in order to increase the share capital from SR 3.75 billion to SR 5.0 billion by the issuance of 125 million bonus shares. In the same meeting, the shareholders also approved final dividend of SR 0.25 per share for the shares outstanding as of the date of the annual general meeting.

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 19, 2008	SR 0.25 per share	Interim	125
July 16, 2008	SR 0.25 per share	Interim	125
October 25, 2008	SR 0.25 per share	Interim	125
January 17, 2009	SR 0.25 per share	Final	125

17. STATUTORY RESERVE

Statutory reserve at December 31 comprises the following:

	2008 (SR 000)	2007 (SR 000)
From allocation of net profits	772,946	752,710
Share premium (Note 16)	--	150,000
	772,946	902,710

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

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

18. OTHER INCOME – NET

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

	2008 (SR 000)	2007 (SR 000)
Product listing and opening fees	52,967	30,340
Scrap sales	15,881	19,857
Rental income	988	2,828
Miscellaneous-net	40,690	29,032
	110,526	82,057

19. SELLING AND MARKETING EXPENSES

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

	2008 (SR 000)	2007 (SR 000)
Staff costs	454,200	344,122
Advertising and sales promotion	198,515	160,738
Rent	134,990	106,782
Depreciation	109,036	75,806
Utilities	78,759	54,417
Bad and doubtful debts	3,491	15,671
Repairs, maintenance and consumables	31,205	21,367
Other	112,837	60,613
	1,123,033	839,516

20. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2008 (SR 000)	2007 (SR 000)
Staff costs	296,944	258,212
Amortization and impairment of intangible assets	27,521	27,800
Technical and professional fees	28,671	32,188
Travel	12,459	13,985
Depreciation	23,037	13,701
Training	6,945	4,618
Utilities, telephone and communication	12,814	11,957
Insurance	8,817	4,914
Computer-related	3,569	5,379
Rent	12,789	13,048
Repairs and maintenance	8,651	7,693
Other	23,274	63,299
	465,491	456,794

21. IMPAIRMENT OF ASSETS

During the fourth quarter of 2008, the Group has re-assessed the fair valuation of investments available for sale and made an impairment loss adjustment of SR 434 million (Note 9) which was charged to consolidated statement of income for the year ended December 31, 2008.

During 2007, management decided to close the manufacturing facility of AFIA International Company Jordan and evaluated certain local and foreign operations in trading, manufacturing and real estate activities from impairment of assets point of view. Based on the impairment test carried out by management, impairment loss adjustments of SR 110 million were charged to statement of income for the year ended December 31, 2007.

22. FINANCIAL CHARGES- NET

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

	2008 (SR 000)	2007 (SR 000)
Bank commission on loans and other borrowings	162,800	97,080
Income earned on short-term bank deposits	(9,142)	(63,754)
	153,658	33,326

23. ZAKAT AND INCOME TAXES

a) **Charge for the year**

The Company and its subsidiaries file separate Zakat and income tax declarations, which are filed on unconsolidated basis using the equity method of accounting. Significant components of Zakat base of each Saudi company are comprised of shareholders' equity, provisions at the beginning of the year and adjusted net income, less deductions for the net book value of property, plant and equipment, investments and certain other items. In view of negative Zakat base, no Zakat is payable by the Company for the year.

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

		2008 (SR 000)	2007 (SR 000)
Zakat	– current year	16,982	12,262
	– prior years	10,175	55,000
Income-tax	– current year	26,230	48,201
		53,387	115,463

23. ZAKAT AND INCOME TAXES (continued)

(b) Accrued Zakat and income-tax

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

	2008 (SR 000)	2007 (SR 000)
Balance at beginning of the year	112,449	40,910
Charge for the year	53,387	115,463
Payments and adjustments during the year	(77,478)	(43,924)
Balance at end of the year	88,358	112,449

c) Zakat Status

The Company has obtained final Zakat certificates up to the year ended December 31, 1998 and has obtained the provisional Zakat certificate up to the year ended December 31, 2007. The Company has submitted final Zakat return for the year 2007.

During 2004, the Department of Zakat and Income Tax (DZIT) assessed an additional Zakat liability of SR 16.8 million for the years 1999 to 2002, against which the Company filed two objection letters with the Zakat Objection Committee ("ZOC"). During 2007 and 2008, ZOC issued its decisions in favour of the Company, according to which the additional Zakat liability in aggregate was reduced to SR 3.3 million. However, the DZIT and the Company filed appeals with the Higher Zakat Appeal Committee (HZAC) against the ZOC's decisions. During March 2008, the HZAC issued its decision in favour of the DZIT for the assessment years 1999 and 2000 maintaining the liability of SR 4.9 million, which was reduced to SR 0.3 million by ZOC. The Company has filed a petition against the HZAC decision with Board of Grievances, the result of which has not been declared yet. The outcome of the above pending appeals has not been finalized at the time of issuance of these consolidated financial statements.

During 2008, DZIT assessed an additional Zakat liability for the years 2003 and 2004 amounting to SR 4.3 million. The Company has filed its objection to ZOC in this regard which was transferred to the Second Preliminary Objection Committee which issued its decision. Based on that decision the additional Zakat liability of SR 4.3 million claimed has be reduced to SR 3.5 million. The company has filed appeal with HZAC against the decision and submitted bank guarantee of SR 3.5 million. The final Zakat return for the years 2005 and 2007 are under review by DZIT.

The Saudi subsidiaries received final Zakat certificates for certain years and provisional Zakat certificates for other years. They have also received queries from the DZIT for the open years, for which replies have been / will be filed by the respective companies.

Some Saudi consolidated subsidiaries received assessments from the DZIT concerning their Zakat declarations for the open years, in which the DZIT assessed additional Zakat liabilities of approximately SR 36.4 million. The companies objected to such assessments and filed their cases and matter is pending with the DZIT and Appeal Committees.

24. EARNINGS PER SHARE

Earnings per share for the year ended December 31, 2008 have been computed separately by dividing the income from operations and net income for such period by the weighted-average number of ordinary shares outstanding during the year December 31, 2008 of 500 million shares.

Earnings per share for the year ended December 31, 2007 have been recomputed after taking the effect of the bonus shares issuance on March 25, 2008.

25. COMMITMENTS AND CONTINGENCIES

The Group has outstanding bank guarantees and letters of credit amounting to SR 338 million at December 31, 2008 (2007 - SR 190 million), which were issued in the normal course of business. Also see Note 11 with respect to guarantees given for certain loans, Note 23 with respect to Zakat contingencies, and Note 28 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, 2008, one of the subsidiaries had commitments to sell in 2009 refined sugar of approximately 371,725 tons (2007 - 163,820 tons to sell in 2008) 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, 2008, the Group had outstanding commitments of SR 419 million (2007: SR 230 million) for investments.

26. RELATED PARTY TRANSACTIONS AND BALANCES

As discussed in detail in Note 1 and Note 4 during the company has entered into certain acquisition and disposals transactions with Al Muhadib Holding Company as existing partner in SIIC.

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

26. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2008 (SR 000)	2007 (SR 000)
Shareholders of subsidiaries:		
Revenues – net	547,070	594,924
Purchase of technical services	3,750	3,639

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

	2008 (SR 000)	2007 (SR 000)
Due from related parties (included under trade receivables)		
Certain shareholders of USC	62,844	57,430
Due from related parties (included under prepayment and other current assets)		
Dividend receivable from Savola Behshahr Company	104,479	73,480
Seerah City for Real Estate Development	90,958	34,043
Savola Behshahr Company	25,644	19,399
Shareholders of an associate	40,000	--
Net receivable from Muhadib Holding Company (Note 4)	146,544	--
Intaj Capital Limited	70,560	--
Jeddah Urban Development Company	--	7,333
Afia Wings International Company Limited	2,757	2,757
Other	1,901	--
Total	482,843	137,012
Due to related parties (included under accrued expenses and other current liabilities):		
Behshahr Industrial Development Company ("BID")	39,399	39,317
Current account with Kinan International for Real Estate Development Company	12,521	13,259
Kinan Arabia for Real Estate	50,000	--
Savola Snacks Foods Company (see Note 9 (d))	10,327	10,327
Others	--	2,529
Total	112,247	65,432

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

26. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Board of Directors' remuneration for the years ended December 31, 2008 amounting to SR 2.2 million (2007: 2.3 million) has been calculated in accordance with the Company's Articles of Association and is considered as appropriation shown in the statement of changes in shareholders' equity. Attendance allowances to the directors and members of various board committees for the year ended December 31, 2008 amounting to SR 365 thousand (2007: SR 455 thousand) are charged to expenses and included under general and administrative expenses.

27. SEGMENT REPORTING

During the years ended December 31, 2008 and 2007, 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, 2008 and 2007, and for the years then ended, summarized by business segment area, are as follow:

	Manufacturing / wholesale (SR 000)	**Retail** (SR 000)	**Investment and other activities** (SR 000)	**Total** (SR 000)
2008				
Property, plant and equipment – net	2,244,188	2,000,514	5,961	4,250,663
Other non-current assets - net	1,299,256	224,292	4,042,487	5,566,035
Revenue - net	7,701,736	6,119,641	--	13,821,377
Net income	46,773	177,374	(21,789)	202,358
2007				
Property, plant and equipment - net	1,978,901	1,519,497	15,403	3,513,801
Other non-current assets - net	517,018	91,423	3,756,423	4,364,864
Revenue - net	6,179,934	4,224,769	4,827	10,409,530
Net income	196,760	51,583	981,681	1,230,024

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of December 31, 2008 and 2007, and for the years then ended, summarized by geographic area, is as follows:

27. SEGMENT REPORTING (continued)

2008	Saudi Arabia (SR 000)	Egypt (SR 000)	Iran (SR 000)	Other countries (SR 000)	Total (SR 000)
Property, plant and equipment - net	3,114,793	788,415	--	347,455	4,250,663
Other non-current assets - net	4,662,511	60,467	594,018	249,039	5,566,035
Revenue - net	10,485,597	1,743,635	--	1,592,145	13,821,377
Net income	376,267	(54,317)	67,318	(186,910)	202,358
2007					
Property, plant and equipment - net	2,577,701	653,611	--	282,489	3,513,801
Other non-current assets - net	4,020,874	23,647	285,666	34,677	4,364,864
Revenue - net	7,617,218	1,024,918	1,208,947	558,447	10,409,530
Net income	442,747	784,821	57,437	(54,981)	1,230,024

28. 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, 2008 amounted to SR. 180.35 million (2007: SR 115.9 million).

At December 31, 2008 the Group's obligations under operating leases are analyzed as under:

	2008 (SR 000)
Within one year	174,619
Between two and five years	328,570
More than five years	628,734
Total	1,131,923

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade receivables, investments, short-term bank debts, accounts payable, other liabilities, and long-term debt.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risks. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at their estimated realizable values.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 And 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.