SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011
AND INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

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(A Saudi Joint Stock Company)
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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011

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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW' REPORT

October 17, 2011

To the Shareholders of Savola Group Company:
(A Saudi Joint Stock Company)

Scope of the review

We have reviewed the accompanying interim consolidated balance sheet of Savola Group Company (A Saudi Joint Stock Company) (the "Company") and Subsidiaries (collectively the "Group") as of September 30, 2011 and the related interim consolidated statement of income for the three-month and nine-month periods ended September 30, 2011, and the interim consolidated statement of cash flows for the nine-month period ended September 30, 2011 including the related notes. These interim consolidated financial statements are the responsibility of the Group's management.

We conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of the limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Unqualified opinion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements of the Group for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group.

PricewaterhouseCoopers

By: I. R. Hab

Ibrahim R. Habib
License Number 383

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SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Interim consolidated balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents		**810,767**	920,652
Accounts receivable		**1,877,435**	1,682,611
Inventories		**3,179,862**	2,342,406
Prepayments and other receivables		**1,194,209**	1,220,425
Assets classified as held for sale	3	**172,293**	-
		7,234,566	6,166,094
Non-current assets			
Investments	4	**6,420,776**	6,056,697
Intangible assets		**989,404**	1,111,453
Property, plant and equipment		**4,598,794**	5,015,166
		12,008,974	12,183,316
Total assets		**19,243,540**	18,349,410
Liabilities			
Current liabilities			
Short-term borrowings	5	**2,966,782**	1,608,926
Current maturity of long-term borrowings	6	**729,824**	693,246
Accounts payable		**2,299,495**	2,365,187
Accrued and other liabilities		**1,711,242**	1,442,107
Liabilities classified as held for sale	3	**188,780**	-
		7,896,123	6,109,466
Non-current liabilities			
Deferred gain		**114,086**	113,953
Long-term payables		**58,596**	59,679
Long-term borrowings	6	**2,293,625**	3,054,359
Employee termination benefits		**307,253**	271,422
		2,773,560	3,499,413
Total liabilities		**10,669,683**	9,608,879
Equity			
Equity attributable to shareholders of the Company:			
Share capital	7	**5,000,000**	5,000,000
Statutory reserve		**956,772**	868,102
General reserve		**4,000**	4,000
Unrealized loss on investments		**(120,384)**	(107,160)
Effect of acquisition transaction with minority shareholders without change in control		**(59,443)**	49,370
Currency translation differences		**(254,586)**	(217,823)
Retained earnings		**1,752,423**	1,637,643
Total shareholders' equity		**7,278,782**	7,234,132
Minority interest		**1,295,075**	1,506,399
Total equity		**8,573,857**	8,740,531
Total liabilities and equity		**19,243,540**	18,349,410
Contingencies and commitments	11		

The notes on pages 7 to 17 form an integral part of these interim consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Interim consolidated income statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended September 30, 2011 (Unaudited)	Three-month period ended September 30, 2010 (Unaudited)	Nine-month period ended September 30, 2011 (Unaudited)	Nine-month period ended September 30, 2010 (Unaudited)
Revenues		**6,816,632**	5,657,526	**18,770,949**	15,304,372
Cost of sales		**(5,834,663)**	(4,751,383)	**(15,962,776)**	(12,883,877)
Gross profit		**981,969**	906,143	**2,808,173**	2,420,495
Share in net income of associates and jointly controlled entity and dividend income - net	4	**152,733**	135,560	**341,266**	350,661
Other income - net		**11,387**	(6,588)	**65,693**	94,962
Total income		**1,146,089**	1,035,115	**3,215,132**	2,866,118
Operating expenses					
Selling and marketing		**(545,842)**	(480,962)	**(1,601,970)**	(1,390,710)
General and administrative		**(128,408)**	(127,905)	**(411,218)**	(419,361)
Total expenses		**(674,250)**	(608,867)	**(2,013,188)**	(1,810,071)
Income from operations		**471,839**	426,248	**1,201,944**	1,056,047
Other income (expenses)					
Gain on disposal of investments		**-**	-	**-**	195,056
Financial charges		**(73,709)**	(71,771)	**(252,051)**	(169,436)
Income before zakat and foreign taxes and minority interests		**398,130**	354,477	**949,893**	1,081,667
Zakat and foreign income tax		**(27,146)**	(29,296)	**(83,048)**	(78,593)
Net income before minority interests		**370,984**	325,181	**866,845**	1,003,074
Share of minority interests in the net income of consolidated subsidiaries		**(63,099)**	(42,189)	**(163,062)**	(118,389)
Net income for the period		**307,885**	282,992	**703,783**	884,685
Earnings per share:	10				
▪ Operating income		**0.94**	0.85	**2.40**	2.10
▪ Net income for the period		**0.62**	0.57	**1.41**	1.77

The notes on pages 7 to 17 form an integral part of these interim consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Interim consolidated cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Cash flow from operating activities			
Net income for the period		**703,783**	884,685
Adjustments for non-cash items			
Depreciation, amortisation and impairment		**409,243**	442,785
Share of minority interests in net income of consolidated subsidiaries		**163,062**	118,389
Financial charges		**252,051**	169,436
Gain on disposal of investments		**-**	(195,056)
Gain on sale of property, plant and equipment		**(6,603)**	(5,914)
Changes in working capital			
Accounts receivable		**(374,501)**	(282,689)
Inventories		**(652,792)**	(88,782)
Prepayments and other receivables		**(266,509)**	(402,205)
Accounts payable		**223,921**	556,334
Accrued and other liabilities		**164,424**	42,882
Employee termination benefits		**31,147**	29,136
Net cash generated from operating activities		**647,226**	1,269,001
Cash flow from investing activities			
Cash effect of deconsolidation of an associate		**-**	(20,062)
Purchase of property, plant and equipment		**(240,374)**	(399,138)
Net change in investments		**(360,232)**	(598,731)
Net change in intangible assets		**(21,936)**	(22,614)
Net cash utilized in investing activities		**(622,542)**	(1,040,545)
Cash flow from financing activities			
Net changes in short-term borrowings	5	**897,248**	(618,255)
Net changes in long term borrowings	6	**(80,615)**	974,453
Net change in minority interests		**(62,818)**	(84,258)
Financial charges		**(252,051)**	(169,436)
Changes in restricted deposits		**90,361**	55,918
Dividends paid		**(376,801)**	(501,352)
Net cash generated from (utilized in) financing activities		**215,324**	(342,930)
Net increase (decrease) in cash and cash equivalents		**240,008**	(114,474)
Cash and cash equivalents at beginning of period		**562,663**	1,001,185
Cash and cash equivalents at end of period		**802,671**	886,711
Restricted deposits excluded in cash and cash equivalents for interim consolidated cash flow statement purposes		**8,096**	33,941
Cash and cash equivalents as per interim consolidated balance sheet		**810,767**	920,652

(Continued)

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Interim consolidated cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	**September 30, 2011 (Unaudited)**	September 30, 2010 (Unaudited)
Supplemental schedule of non-cash information			
Unrealized loss on available for sale investments		**(30,272)**	(85,559)
Currency translation differences		**(24,160)**	(23,972)
Directors' remuneration		**1,800**	1,650
Assets classified as held for sale	3	**172,293**	-
Liabilities classified as held for sale	3	**188,780**	-

The notes on pages 7 to 17 form an integral part of these interim consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

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 (corresponding to March 9, 1978). The Company's commercial registration number 4030019708 was issued in Jeddah on Rajab 21, 1399H (corresponding to June 16, 1979). The objectives of the Company along with its subsidiaries 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 accompanying interim consolidated financial statements include the accounts of the Company's and its local and foreign consolidated subsidiaries.

At September 30, the Company has investments in the following subsidiaries (collectively referred as "the Group").

Direct and indirect subsidiaries	**Country of incorporation**	**Ownership interest (%) at September 30 2011**	**2010**
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
United Properties Development Company ("UPDC")	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**	100
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	**100**	-
Alwaqat Al Kawniah Limited	Saudi Arabia	**100**	-
Aalinah Al Kawniah Limited	Saudi Arabia	**100**	-
Abtkar Al Kawniah Limited	Saudi Arabia	**100**	-
Afia Foods Arabia	Saudi Arabia	**100**	100
Savola Foods Company ("SFC")	Saudi Arabia	**90**	90
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	**80**	80
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	**80**	80
Al-Azizia Panda United Company ("APU")	Saudi Arabia	**74.4**	74.4
United Sugar Company, Egypt ("USCE")	Egypt	**19.1**	19.1
Giant Stores Trading Company ("Giant")	Saudi Arabia	**8**	8
United Company for Central Markets ("UCCM")	Lebanon	**8**	8
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	**4.5**	4.5

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Country of incorporation	Subsidiary ownership interest (%) at September 30 2011	2010
Entities controlled through subsidiaries			
SFC			
Afia International Company ("AIC")	Saudi Arabia	**95.19**	95.19
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**	99.92
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	**74.48**	74.48
USC			
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. ("Al-Sharq")	Saudi Arabia	**100**	93
APU			
Giant	Saudi Arabia	**90**	90
UCCM	Lebanon	**90**	90
Giant			
Lebanese Sweets and Bakeries ("LSB")	Saudi Arabia	**95**	95

During the first quarter of 2010, the Group's subsidiary, Herfy Foods Services Company ("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 Saudi Riyals 280 million in consideration of its 5.67 million shares at a price of Saudi Riyals 51 per share and realised a net gain on disposal of Saudi Riyals 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 third quarter of 2010, the Group has reached preliminary agreements with certain minority shareholders in APUC and SFC to acquire their respective stakes against issuance of 46.34 million new shares of the Group along with a net cash settlement of Saudi Riyals 20 million, payable on the closing of the said transaction. At September 30, 2011, this transaction is not completed.

On January 3, 2011, the Group signed an agreement with the minority shareholder of Al-Sharq to acquire the remaining shareholding for Saudi Riyals 21 million. Accordingly, the Group increased its effective ownership interest in Al-Sharq to 100%.

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 Saudi Riyals 181.25 million. The transaction has been consumated on January 6, 2011 when final part of total transaction consideration amounting to Saudi Riyals 135.96 million 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 Saudi Riyals 469.3 million, including cash consideration of Saudi Riyals 232 million and a deferred equity consideration of Saudi Riyals 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 Saudi Riyals 51.92 per share. Also as per the agreement from the year 2010, Geant is entitled to acquire 1% share of APUC each year at the fair value for a period of up to 3 years. In the year 2010, Geant has not excercised this option.

These interim consolidated financial statements were authorized for issue by the Company's Board of Directors on October 17, 2011.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

The interim consolidated financial statements for the three-month and six-month periods ended September 30, 2011 have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim consolidated financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fair statements of financial position, results of operations and cash flows. The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended December 31, 2010.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated impairment of goodwill

The Group annually tests whether goodwill has suffered any impairment, as per policy stated in Note 2.3. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Provision for doubtful debts

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 (more than 30 days overdue) are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are over due, are assessed collectively and a provision is recognized considering the length of time considering the past recovery rates.

(c) Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

2.3 Investment in subsidiaries

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and jointly-controlled companies

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Jointly controlled companies are those where the Group shares effective control with other shareholders of the investee company. Investments in associates and jointly-controlled companies are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any.

The Group's share of its associates' and jointly-controlled companies post-acquisition income or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate and jointly-controlled companies equals or exceeds its interest in the associate and jointly-controlled company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates and jointly-controlled companies are eliminated to the extent of the Group's interest in the associates and jointly-controlled companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

(c) Investment in available-for sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted/unquoted investments. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the balance sheet date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

(i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
(ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows.

Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as fair value reserve until the investment is disposed.

2.4 Segment reporting

(a) Business segment

A business segment is group of assets and operations:

(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets and operations engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.5 Foreign currency translations

(a) Reporting currency

The interim consolidated financial statements of the Group are presented in Saudi Riyals which is the reporting currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the nine-month period ended September 30, 2011 and 2010, are recognized in the interim consolidated income statement.

(c) Group companies

The results and financial position of foreign subsidiaries and an associate having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
(ii) income and expenses for each the income statement are translated at average exchange rates; and
(iii) components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

(All amounts in Saudi Riyals thousands unless otherwise stated)

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates into Saudi Riyals are reported as a separate component of equity.

Dividends received from associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the income statement.

When investment in foreign subsidiaries and associates is partially disposed off or sold, currency translation differences that were recorded in equity are recognized in income as part of gain or loss on disposal or sale.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date, if any.

2.7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision for doubtful debts 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. Such provisions are charged to the income statement and reported under "selling and marketing expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "selling and marketing expenses" in the income statement.

2.8 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads. Stores and spares are valued at cost, less any provision for slow moving items.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.9 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation except construction in progress which is carried at cost. Land is not depreciated. Depreciation is charged to the interim consolidated income statement, using straight-line method to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Years
Buildings	12.5 - 33
Leasehold improvements	3 - 33
Plant and equipment	3 - 30
Furniture and office equipment	3 - 16
Motor vehicles	4 - 10

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the interim consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the interim consolidated income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.10 Assets and liabilities classified as held for sale

Assets held for sale comprises of 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 interim consolidated income statement currently.

2.11 Deferred charges

Costs that are not of benefit beyond the current period are charged to the interim consolidated income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the accompanying balance sheet, include certain indirect construction costs incurred by the Group in relation to setting up its retail outlets. Such costs are amortized over periods which do not exceed five years.

2.12 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement. Impairment losses recognized on intangible assets are not reversible.

2.13 Borrowings

Borrowings are recognized equivalent to the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the interim consolidated income statement.

2.14 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.15 Provisions

Provisions are recognized, when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

2.16 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the minority interest in the accompanying interim consolidated financial statements. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to interim consolidated income statement.

Deferred income tax assets are recognized on carry-forward tax losses and on all major temporary differences between financial income and taxable income to the extent that it is probable that future taxable profit will be available against which such carry-forward tax losses and the temporary differences can be utilized. Deferred income tax liabilities are recognized on significant temporary differences expected to result in an income tax liability in future periods. Deferred income taxes are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2.17 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the income statement. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no funded or unfunded benefit plans established by the foreign subsidiaries.

2.18 Revenues

Revenues are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Revenues are shown net of discounts and transportation expenses, and after eliminating sales within the Group.

Rental income from operating leases is recognized in the income statement on a straight-line basis over the lease term. Promotional and display income is comprised of income earned from promotion and display of various products by vendors within the Group's retail stores, and is recognized in the period the product is listed.

Dividend income is recognized when the right to receive payment is established.

2.19 Selling, marketing and general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of costs of sales as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and cost of sales, when required, are made on a consistent basis.

2.20 Dividends

Dividends are recorded in the interim consolidated financial statements in the period in which they are approved by shareholders of the Company.

2.21 Operating leases

Rental expenses under operating leases are charged to the interim consolidated income statement over the period of the respective lease. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

2.22 Reclassification

For better presentation, certain amounts relating to 2010 comparative interim consolidated financial statements have been reclassified to conform for 2011 presentation.

3 Assets and liabilities classified as held for sale

During the fourth quarter of 2010, 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 Edible oil segment are presented as 'held for sale'. Efforts to sell these assets which are held for sale have commenced. At September 30, 2011, the 'held for sale' business comprised assets of Saudi Riyals 172 million after recognition of impairment loss of Saudi Riyals 115 million during fourth quarter of 2010 and liabilities of Saudi Riyals 189 million.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Investments

	Note	2011 (Unaudited)	2010 (Unaudited)
Investments in associates and jointly controlled companies - net	4.1	**4,908,283**	4,476,810
Available-for-sale (AFS) investments	4.2	**696,436**	766,817
Other investments - at cost	4.3	**816,057**	813,070
		6,420,776	6,056,697

4.1 Investment in associates and jointly-controlled companies

	Effective ownership interest (%) 2011	2010	2011 (Unaudited)	2010 (Unaudited)
Almarai Company - Saudi Arabia	**29.95**	29.95	**2,902,561**	2,689,895
Kinan International for Real Estate Development Company	**30**	30	**563,419**	567,466
Intaj Capital Limited - British Virgin Islands	**49**	49	**376,699**	386,199
Diyar Al Mashreq	**30**	30	**261,327**	239,831
Herfy (Note 1)	**49**	49	**221,082**	223,445
Alexandria Sugar Company	**45.5**	45.5	**383,203**	191,082
Emerge Investment Ltd	**20**	20	**16,539**	23,233
Al-Seara City Company For Real Estate Development	**40**	40	**154,800**	134,800
Knowledge Economic City Development Company	**17**	17	**17,200**	13,200
Al Mojammat Al Mowahadah Real Estate Company	**20**	20	**400**	400
Others	**Various**	Various	**11,053**	7,259
			4,908,283	4,476,810

4.2 Available for sale (AFS) investments

AFS investments at September 30, 2011 principally comprise the Company's 2.9% ownership interest amounting to Saudi Riyals 161 million (2010: 2.9% ownership interest amounting to Saudi Riyals 196 million) in Emaar the Economic City (a Saudi joint stock company). It also includes the ownership interest of 14% in Swicorp Joussour Company amounting to Saudi Riyals 209 million (2010: Saudi Riyals 209 million), 15% in Swicorp, Saudi Arabia amounting to Saudi Riyals 116 million (2010: Saudi Riyals 116 million), 11% in Knowledge Economic City (a Saudi joint stock company) amounting to Saudi Riyals 164 million (2010: Saudi Riyals 189 million) and 5% in Taameer Jordan Holding Company (Taameer) amounting to Saudi Riyals 21 million (2010: Saudi Riyals 30 million).

4.3 Other investments

Other investments at September 30, 2011 mainly represent investments in certain real estate projects in Saudi Arabia.

5 Short-term borrowings

Short-term borrowings consist of bank overdrafts, short-term loans and Murabaha financing arrangements from various commercial banks and financial institutions. Such debts bear financing charges at the prevailing market rates. Certain short-term borrowings of subsidiaries are secured by corporate guarantees of the Company.

6 Long-term borrowings

Long-term borrowings represent financing from Saudi Industrial Development Fund (SIDF), commercial banks and other financial institutions for Savola Group Company and its consolidated subsidiaries. Certain long-term borrowings are secured by a charge on the property, plant and equipment of certain subsidiaries. The loan agreements include covenants which, among other things, require certain financial ratios to be maintained.

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Share capital and dividends declaration

At September 30, 2011, the Company's share capital of Saudi Riyals 5 billion consists of 500 million fully paid shares of Saudi Riyals 10 each (September 30, 2010: Saudi Riyals 5 billion consisting of 500 million fully paid shares of Saudi Riyals 10 each).

The Board of Directors in its meeting held on April 18, 2011, approved interim dividends of Saudi Riyals 125 million (representing Saudi Riyals 0.25 per share).

On July 18, 2011, the Board of Directors approved interim dividends of Saudi Riyals 125 million (representing Saudi Riyals 0.25 per share).

On October 17, 2011, the Board of Directors approved interim dividends of Saudi Riyals 125 million (representing Saudi Riyals 0.25 per share).

8 Seasonal changes

Some of the Group's activities are affected by seasonal movements related to the holy months of Ramadan, Shawwal and Hajj season, which cause revenue to increase significantly during those periods. The effect of such period for 2011 and 2010 principally fall in third and fourth quarters of the financial year. Accordingly, the results of operations presented in the interim consolidated financial statements for the quarter may not be a fair indicator of the results of operations for the full year.

9 Segment information

During the six-month period ended September 30, 2011 and 2010, the principal activities of the Group related to the manufacturing, wholesale and retail trading in various types of food and related products. Selected financial information as of September 30, 2011 and 2010, and for the period ended on those dates, summarized by segment, is as follows:

2011 (unaudited)	Manufacturing/ wholesale	Retail	Investments and other activities	Total
Property, plant and equipment - net	**2,426,253**	**2,167,295**	**5,246**	**4,598,794**
Other non-current assets net	**1,062,050**	**548,616**	**5,799,514**	**7,410,180**
Revenues – net	**11,866,352**	**6,904,597**	**-**	**18,770,949**
Net income	**350,021**	**132,575**	**221,187**	**703,783**

2010 (unaudited)	Manufacturing/ wholesale	Retail	Investments and other activities	Total
Property, plant and equipment - net	2,702,783	2,305,900	6,483	5,015,166
Other non-current assets - net	938,290	593,408	5,636,452	7,168,150
Revenues - net	9,284,824	6,019,548	-	15,304,372
Net income	326,572	317,449	240,664	884,685

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of September 30, 2011 and 2010, and for the nine-month period ended on those dates, summarized by geographic area, is as follows:

2011 (unaudited)	**Saudi Arabia**	**Egypt**	**Iran**	**Other countries**	**Total**
Property, plant and equipment – net	**3,131,701**	**677,433**	**517,039**	**272,621**	**4,598,794**
Other non-current assets-net	**6,235,233**	**497,181**	**118,653**	**559,113**	**7,410,180**
Revenue - net	**11,941,016**	**2,152,661**	**2,490,553**	**2,186,719**	**18,770,949**
Net income (loss)	**611,941**	**32,261**	**67,356**	**(7,775)**	**703,783**

2010 (unaudited)	**Saudi Arabia**	**Egypt**	**Iran**	**Other countries**	**Total**
Property, plant and equipment – net	3,327,127	761,361	554,036	372,642	5,015,166
Other non-current assets-net	6,085,607	312,975	136,258	633,310	7,168,150
Revenue - net	9,965,903	1,810,945	1,833,614	1,693,910	15,304,372
Net income (loss)	867,696	17,076	46,184	(46,271)	884,685

10 Earnings per share

Earnings per share for the three-month and nine-month periods ended September 30, 2011 and 2010 have been computed by dividing the operating income and net income for such periods by weighted average number of shares outstanding during such periods.

11 Contingencies and commitments

(i) At September 30, 2011, the Group had outstanding commitments of Saudi Riyals 138 million (2010: Saudi Riyals 171 million) for investments.

(ii) At September 30, 2011, the Department of Zakat and Income Tax (DZIT) has assessed an additional Zakat liability of Saudi Riyals 70.2 million (2010: Saudi Riyals 46.4 million) concerning prior periods against the Company and certain of its consolidated subsidiaries. Management has appealed such assessments and believes that the DZIT will eventually reverse the assessments. Accordingly, no provision for such amount has been made in the accompanying interim consolidated financial statements.