

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
AND INDEPENDENT AUDITORS' REPORT

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

February 21, 2012

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

Scope of audit

We have audited the accompanying consolidated balance sheet of Savola Group Company (the "Company") and Subsidiaries (collectively the "Group") as of December 31, 2011 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

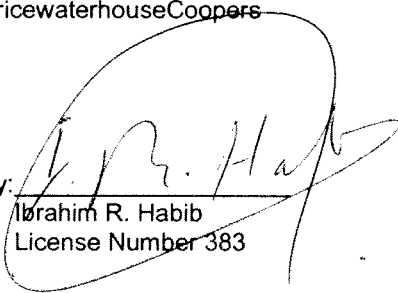
Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By:


Ibrahim R. Habib
License Number 383

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

	Note	As at December 31,	
		2011	2010
Assets			
Current assets			
Cash and cash equivalents	5	1,214,084	577,414
Accounts receivable	6	1,815,640	1,677,750
Inventories	7	3,152,449	2,527,070
Prepayments and others	8	1,424,242	936,578
Assets classified as held for sale	9	167,398	191,831
		7,773,813	5,910,643
Non-current assets			
Long term receivables from a related party	10.3	308,678	-
Investments	10	5,332,161	6,107,255
Property, plant and equipment	11	5,384,430	4,739,217
Intangible assets	12	1,302,294	1,024,821
		12,327,563	11,871,293
Total assets		20,101,376	17,781,936
Liabilities			
Current liabilities			
Short-term borrowings	13	2,755,429	2,069,534
Current maturity of long-term borrowings	14	656,103	709,257
Accounts payable	15	2,718,927	2,128,835
Accrued and other liabilities	16	1,428,521	1,616,152
Liabilities classified as held for sale	9	181,299	200,350
		7,740,279	6,724,128
Non-current liabilities			
Long-term borrowings	14	2,821,494	2,394,807
Deferred gain	17	103,181	111,630
Long-term payables	18	58,342	60,397
Employee termination benefits	19	307,263	276,106
		3,290,280	2,842,940
Total liabilities		11,030,559	9,567,068
Equity			
Equity attributable to shareholders of the Company:			
Share capital	21	5,000,000	5,000,000
Statutory reserve	22	1,077,010	956,772
General reserve		4,000	4,000
Retained earnings		2,005,378	1,425,440
Fair value reserve	10	(808)	(90,112)
Effect of transactions with minority shareholders	1	(59,443)	(45,637)
Currency translation differences		(303,670)	(230,426)
Total shareholders' equity		7,722,467	7,020,037
Minority interest		1,348,350	1,194,831
Total equity		9,070,817	8,214,868
Total liabilities and equity		20,101,376	17,781,936
Contingencies and commitments			
	30		

The notes on pages 8 to 32 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated income statement

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2011	2010
Revenues	20	25,195,702	21,029,472
Cost of sales	20	(21,224,980)	(17,614,233)
Gross profit		3,970,722	3,415,239
Share in net income of associates and dividend income of available-for-sale investment net	10.1, 10.2	440,613	459,522
Other income - net	25	96,767	97,340
Total Income		4,508,102	3,972,101
Operating expenses			
Selling and marketing	20, 23	(2,144,813)	(1,870,153)
General and administrative	20, 24	(562,472)	(603,138)
Total expenses		(2,707,285)	(2,473,291)
Income from operations		1,800,817	1,498,810
Other income (expenses)			
Gain on disposal of investments	10	152,781	195,055
Impairment loss on:			
- Assets and liabilities classified as held for sale	9	-	(115,000)
- Intangible assets	12	(35,366)	(102,290)
- Available for sale investments	10.2	-	(66,426)
Financial charges - net	26	(317,472)	(244,260)
Income before zakat and foreign income tax and minority interests		1,600,760	1,165,889
Zakat and foreign income tax	16	(132,024)	(140,146)
Net income before minority interests		1,468,736	1,025,743
Share of minority interests in the net income of consolidated subsidiaries		(266,360)	(139,041)
Net income for the year		1,202,376	886,702
Earnings per share (in Saudi Riyals):	28		
• Operating income		3.60	3.00
• Net income for the year		2.40	1.77

The notes on pages 8 to 32 form an integral part of these consolidated financial statements.

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

	Note	Year ended December 31,	
		2011	2010
Cash flow from operating activities			
Net income for the year		1,202,376	886,702
<u>Adjustments for non-cash items</u>			
Provision for doubtful debts	6	8,301	(12,555)
Provision for inventory obsolescence	7	7,649	43,594
Depreciation, amortization, impairment and amortization of deferred gain	11,12,17	558,234	812,791
Income applicable to minority interest		266,360	139,041
Share in net income of associates	10	(436,863)	(459,522)
Financial charges - net		317,472	244,260
Gain from disposal of investments	10	(152,781)	(195,055)
Gain on sale of property, plant and equipment		(10,087)	(3,075)
<u>Changes in working capital</u>			
Accounts receivable		(79,620)	(158,952)
Inventories		(604,557)	(404,600)
Prepayments and other receivables		174,191	(65,431)
Accounts payable		486,910	154,391
Accrued and other liabilities		(195,281)	389,437
Employee termination benefits		31,157	33,820
Net cash generated from operating activities		1,573,461	1,404,846
Cash flow from investing activities			
Cash effect of consolidation (deconsolidation) of an associate		141,313	(20,062)
Purchase of property, plant and equipment	11	(674,044)	(478,285)
Acquisition of subsidiaries, net of cash	1, 12.1	(445,642)	-
Proceeds from sale of property, plant and equipment		94,807	142,546
Additions to investments	10	(219,892)	(745,279)
Proceeds from sale of investments		142,069	280,000
Dividends received	10	222,303	167,544
Net change in other investments		7,864	28,652
Addition to deferred charges		(37,054)	(54,708)
Net cash utilized in investing activities		(768,276)	(679,592)
Cash flow from financing activities			
Net change in short-term borrowings		644,686	(157,647)
Additions to long-term borrowings		1,045,010	1,126,001
Repayments of long-term borrowings		(909,257)	(795,089)
Net change in restricted deposits financing		(20,963)	(35,918)
Changes in minority interest		(112,841)	(416,478)
Financial charges - net		(317,472)	(244,260)
Dividends paid		(497,678)	(625,634)
Net cash utilized in financing activities		(168,515)	(1,149,025)

(Continued)

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

	Note	Year ended December 31,	
		2011	2010
Net change in cash and cash equivalents		636,670	(423,771)
Cash and cash equivalents at beginning of year		577,414	1,001,185
Cash and cash equivalents at end of year		1,214,084	577,414
Supplemental schedule of non-cash information			
Properties classified as held for sale	8	467,359	175,324
Fair value reserve	10	89,304	(68,511)
Currency translation differences	10	(73,244)	(36,575)
Directors' remuneration		2,200	2,200
Assets classified as held for sale		-	191,831
Liabilities classified as held for sale		-	200,350

The notes on pages 8 to 32 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	General Reserve	Fair value reserve	Effect of transactions with minority shareholders	Currency translation differences	Retained earnings	Total shareholders equity
January 1, 2011	5,000,000	956,772	4,000	(90,112)	(45,637)	(230,426)	1,425,440	7,020,037
Net income for the year	-	-	-	-	-	-	1,202,376	1,202,376
Transfer to statutory reserve	-	120,238	-	-	-	-	(120,238)	-
Dividends	-	-	-	-	-	-	(500,000)	(500,000)
Fair value reserve adjustment	-	-	-	89,304	-	-	-	89,304
Currency translation differences	-	-	-	-	-	(73,244)	-	(73,244)
Directors remuneration	-	-	-	-	-	-	(2,200)	(2,200)
Acquisition of minority shareholders' interest without change in control	-	-	-	-	(13,806)	-	-	(13,806)
December 31, 2011	5,000,000	1,077,010	4,000	(808)	(59,443)	(303,670)	2,005,378	7,722,467
January 1, 2010	5,000,000	868,102	4,000	(21,601)	49,370	(193,851)	1,254,608	6,960,628
Net income for the year	-	-	-	-	-	-	886,702	886,702
Transfer to statutory Reserve	-	88,670	-	-	-	-	(88,670)	-
Dividends	-	-	-	-	-	-	(625,000)	(625,000)
Fair value reserve adjustment	-	-	-	(68,511)	-	-	-	(68,511)
Currency translation differences	-	-	-	-	-	(36,575)	-	(36,575)
Directors remuneration	-	-	-	-	-	-	(2,200)	(2,200)
Acquisition of minority shareholders' interest without change in control	-	-	-	-	(95,007)	-	-	(95,007)
December 31, 2010	5,000,000	956,772	4,000	(90,112)	(45,637)	(230,426)	1,425,440	7,020,037

The notes on pages 8 to 32 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2011
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Savola Group Company (the "Company") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The objectives of the Company along with its subsidiaries includes the manufacturing and sale of vegetable oils and to set up related industries, retail outlets, dairy products, fast foods, packing materials, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

The Company is a Saudi Joint Stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030019708 issued in Jeddah on Rajab 21, 1399H (corresponding to June 16, 1979). The 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 registered address of the Company is Saudi Business Centre, Madinah Road, Jeddah, Kingdom of Saudi Arabia, Kingdom of Saudi Arabia.

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

(a) Direct subsidiaries of the Company

(i) Operating subsidiaries

Subsidiary name	Country of Incorporation	Principal business Activity	Ownership interest (%) at December 31	
			2011	2010
Savola Foods Company ("SFC")	Saudi Arabia	Foods	90	90
Al-Azizia Panda United Company ("APU")	Saudi Arabia	Retail	74.4	74.4
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	Manufacturing of Plastic packaging products	100	100
Al Matoun International for Real Estate Investment Holding Company ("Al Matoun")	Saudi Arabia	Real Estate	80	80
Al Batool International Trading Company Limited ("Batool")	Saudi Arabia	Franchise	-	100
United Sugar Company, Egypt ("USCE")	Egypt	Manufacturing of Sugar	19.1	19.1
Giant Stores Trading Company ("Giant")	Saudi Arabia	Retail	8	8
United Company for Central Markets ("UCCM")	Lebanon	Retail	8	8

(ii) Dormant and Holding company subsidiaries

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at December 31	
			2011	2010
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	Holding Company	100	100
Alwaqat Al Kawniah Limited	Saudi Arabia	Holding Company	100	100
Aalinh Al Kawniah Limited	Saudi Arabia	Holding Company	100	100
Abtkar Al Kawniah Limited	Saudi Arabia	Holding Company	100	100
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	Holding Company	80	80
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	Holding Company	4.5	4.5
Madarek Investment Company	Jordan	Holding Company	100	100
Utur Packaging Materials Company Limited ("Utur")	Saudi Arabia	Holding Company	100	100
Marasina International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	100	-
Asda'a International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	100	-
Masa'ay International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	100	-
Saraya International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	100	-

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Notes to the consolidated financial statements for the year ended December 31, 2011

(All amounts in Saudi Riyals thousands unless otherwise stated)

(ii) Dormant and Holding subsidiaries (Continued)

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at December 31	
			2011	2010
Savola Trading International Limited	British Virgin Island	Dormant Company	100	100
United Properties Development Company ("UPDC")	Saudi Arabia	Dormant Company	100	100
Kamin Al Sharq for Industrial Investments ("Kamin")	Saudi Arabia	Dormant Company	100	100
Arabian Sadouk for telecommunications Co. ("Sadouk")	Saudi Arabia	Dormant Company	100	100
Al Maoun International Holding Company	Saudi Arabia	Dormant Company	100	100
Afia Foods Arabia	Saudi Arabia	Dormant Company	100	100

(b) Subsidiaries controlled through SFC

Direct Subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2011	2010
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of Edible oil	95.19	95.19
SIIC	Saudi Arabia	Holding Company	95	95
Savola Foods Emerging Markets Company Limited ("SFEM")	British Virgin Islands	Holding Company	95.4	95.4
Savola Foods for Sugar Company ("SFSC")	Cayman Islands	Holding Company	95	95
El Maleka for Food Industries Company ("El Maleka")	Egypt	Manufacturing of Pasta	100	-
El Farasha for Food Industries Company ("El Farasha")	Egypt	Manufacturing of Pasta	100	-
Alexandria Sugar Company Egypt ("ASCE"), previously jointly controlled entity	Egypt	Manufacturing of Sugar	19	19

Entities controlled through subsidiaries of SFC

SIIC

United Sugar Company ("USC")	Saudi Arabia	Manufacturing of Sugar	74.48	74.48
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USC

USCE	Egypt	Manufacturing of Sugar	56.75	56.75
ASCE	Egypt	Manufacturing of Sugar	62.13	-
Beet Sugar Investments ("BSI")	Cayman Islands	Manufacturing of Sugar	100	-

USCE

ASCE	Egypt	Manufacturing of Sugar	18.87	30
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SFEM

Savola Morocco Company	Morocco	Manufacturing of Edible oil	100	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of Edible oil	100	100
Afia International Company - Algeria	Algeria	Manufacturing of Edible oil	100	100

Effective November 1, 2011, SFC has acquired 100% ownership interests in El Maleka and El Farasha in Egypt. The main activities of these subsidiaries are constructing and operating a factory to produce all types of macaroni (pasta) and a mill to produce flour.

During the year, the Group has made an additional investment in its earlier jointly controlled company, ASCE and acquired the controlling interest. The effective holding of the Group is 70.54%. ASCE is under pre-operating phase and will be involved in the production of refined sugar from beet.

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Notes to the consolidated financial statements for the year ended December 31, 2011

(All amounts in Saudi Riyals thousands unless otherwise stated)

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2011	2010
AIC				
Savola Behshahr Company (SBcC)	Iran	Holding Company	80	80
Savola Foods Limited ("SFL")	British Virgin Islands	Holding Company	100	100
Afia International Company - Jordan	Jordan	Manufacturing of Edible oil	97.4	97.4
Inveskz Inc.	British Virgin Islands	Holding Company	90	90
Afia Trading International	British Virgin Islands	Trading Company	100	100
Savola Foods International	British Virgin Islands	Dormant Company	100	100
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	Holding Company	100	100
Malintra Holdings	Luxembourg	Holding Company	100	100
SBeC				
Behshahr Industrial Company	Iran	Manufacturing of Edible oil	79.9	79.9
Margarine Manufacturing Company	Iran	Manufacturing of Edible oil	79.9	79.9
SFL				
Afia International Company, Egypt ("AICE")	Egypt	Manufacturing of Edible oil	99.92	99.92
Elington International Limited	British Virgin Island	Dormant company	100	100
Latimar International Limited	British Virgin Island	Dormant company	100	100
Inveskz Inc.				
Savola Foods CIS	Kazakhstan	Manufacturing of Edible oil	100	100
KUGU				
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	Manufacturing of Edible oil	100	100

(c) Subsidiaries controlled through APU

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2011	2010
APU				
Giant	Saudi Arabia	Retail	90	90
UCCM	Lebanon	Retail	90	90
Giant				
Lebanese Sweets and Bakeries ("LSB")	Saudi Arabia	Dormant Company	95	95

(d) Subsidiaries controlled through SPS

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2011	2010
SPS				
New Marina for Plastic Industries ("NMP")	Egypt	Manufacturing of plastic packaging products	100	100
Al Sharq Company for Plastic Industries Ltd. ("Al-Sharq")	Saudi Arabia	Manufacturing of plastic packaging products	100	93

During the first quarter of 2010, the Group's subsidiary, Herfy Foods Services Company ("Herfy") was offered to public subscription through Initial Public offering 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 realized a net gain on disposal of Saudi Riyals 195 million in statement of income. Herfy was deconsolidated and has been accounted for as an associate in these consolidated financial statements from the effective date of deconsolidation.

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Notes to the consolidated financial statements for the year ended December 31, 2011

(All amounts in Saudi Riyals thousands unless otherwise stated)

During the third quarter of 2010, the Group reached preliminary agreements with certain minority shareholders in APU and SFC to acquire their respective shareholding interests against issuance of 46.34 million new shares of the Company along with a net cash settlement of Saudi Riyals 20 million, payable on the closing of the said transaction. During the fourth quarter of 2011, such preliminary agreement with one of the minority shareholder of APUC namely Al Hokair Group ("Al Hokair") was cancelled. However, the Group is continuing its deliberations with the other minority shareholder.

On January 3, 2011, the Group signed an agreement with the minority shareholder of Al-Sharq to acquire the remaining 7% shareholding for Saudi Riyals 21 million. Accordingly, the Group increased its effective ownership interest in Al-Sharq to 100%. The transfer was completed during 2011.

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 consummated on January 6, 2011 when final part of total transaction consideration amounting to Saudi Riyals 135.96 million was deposited in Escrow account and legal formalities were completed during 2011.

Effective September 16, 2009, the Group's subsidiary, APU acquired the net assets 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, Al Hokair is entitled to acquire 1% share of APU from the Company each year at the fair value for a period of up to 3 years from the year 2009. During the fourth quarter of 2011, Al Hokair has decided to exercise this option of buying 3% of APU shares. The legal formalities for such acquisition of shares are still pending at year end.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 20, 2012.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying 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 derivative financial instruments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

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) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting 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) Impairment of available for sale investments

The Group exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investment

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(All amounts in Saudi Riyals thousands unless otherwise stated)

below its cost is considered as 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.

(c) Provision for doubtful debts

A provision for impairment of account receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made 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.

(d) 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 Investments

(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. The subsidiaries on which the Group control is temporary are not consolidated and are accounted for as an associates.

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.

Changes in a group's ownership interest in a subsidiary after acquiring control, is accounted as equity transactions and the carrying amounts of the minority interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under "Effect of transactions with minority shareholders".

(b) Associates

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. Investments in associates 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' 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 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.

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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, operations or entities:

- (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, operations or entities 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

These consolidated financial statements 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of foreign subsidiaries and associates 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.

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.

Any goodwill arising on acquisition of foreign subsidiaries and any subsequent fair value adjustments to the carrying values of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiaries and translated at the closing rate and recognized in the equity.

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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 investments in foreign subsidiaries and associates are 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.

2.7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against 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 "General and administrative 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 "General and administrative expenses" in the income statement.

2.8 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads. Inventories in transit are valued at cost. 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 income statement, using the 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
Vehicles	4 - 10

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

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

2.10 Investment property

Property held for long-term rental yields or for capital appreciation or both, which is not occupied by the Group is classified as investment property and is reported under "Other investments". Investment property comprises land, buildings and lease hold improvements. Investment property is recorded at historical cost, net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Land is not depreciated.

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2.11 Deferred charges

Costs that are not of benefit beyond the current period are charged to the 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 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 recognized in interim consolidated income statement currently.

2.14 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. 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 income statement.

2.15 Accounts payable and accruals

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

2.16 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.

2.17 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 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 consolidated income statement.

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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.

2.18 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.

2.19 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 in which the product is listed.

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

2.20 Selling, marketing and general and administrative expenses

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

2.21 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of Group.

2.22 Derivative financial instruments

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

2.23 Operating leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease.

2.24 Reclassifications

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

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3 Financial instruments and risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, investments, long term receivables, short-term and long-term borrowings, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

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 Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, and Turkish Lira.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi Riyals against Turkish Lira, Egyptian Pounds and Iranian Riyals. Such exposures are recorded as a separate component of shareholders' equity in the accompanying financial statements. The Group's management monitors such exposures and considers the use of forward exchange contracts and borrowings denominated in the relevant foreign currency to hedge the foreign currency exposures.

3.2 Fair value and cash flow interest rate risks

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 positions and cash flows. The Group's interest rate risks arise mainly from its short-term deposits and bank borrowings, which are at floating rate of interest and 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.

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because Group holds investment in certain listed equities which are classified on the balance sheet as available-for-sale investments. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities,.

3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash and cash equivalents are placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

3.5 Liquidity risk

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 an 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 through committed credit facilities to meet any future commitments.

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As at December 31, 2011, the Group has unused bank financing facilities amounting to Saudi Riyals 3.4 billion (2010: Saudi Riyals 3 billion)

3.6 Fair value

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 Group's financial instruments are compiled under the historical cost convention, except for available-for-sale investments which are carried at fair values, differences can arise between the book values and 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.

4 Segment information

The Group operates principally in the following major business segments:

Foods - includes manufacturing and sale of Edible oils, Sugar and Pasta products.

Retail - includes Group's hyper and super markets operations.

Plastic - includes manufacturing and sale of Plastic products for industrial and commercial use.

Investment and other activities segment - includes Group subsidiaries which are engaged in real estate activities, investments in associates, available-for-sale investments and other investments.

(a) Selected financial information as of December 31, 2011 and 2010, and for the year ended on those dates, summarized by segment, is as follows:

2011	Food	Retail	Plastic	Investments and other activities	Eliminations	Total
Property, plant and equipment	2,786,530	1,570,876	419,329	607,695	-	5,384,430
Other non-current assets	851,007	322,406	137,493	5,632,227	-	6,943,133
Revenues	15,223,918	9,181,551	1,001,533	75,818	(287,118)	25,195,702
Net income	489,075	200,151	91,242	515,708	(93,800)	1,202,376
2010						
Property, plant and equipment - net	2,211,991	1,564,379	388,802	574,045	-	4,739,217
Other non-current assets	738,041	345,643	139,617	5,908,775	-	7,132,076
Revenues - net	12,026,532	8,182,671	883,976	154,588	(218,295)	21,029,472
Net income	234,240	66,465	100,011	535,001	(49,015)	886,702

(b) The Group's operations are conducted in Saudi Arabia, Egypt, Iran and other countries. Selected financial information as of December 31 and for the years then ended summarized by geographic area, was as follows:

2011	Saudi Arabia	Egypt	Iran	Other countries	Eliminations	Total
Property, plant and equipment	3,234,928	1,409,785	510,637	229,080	-	5,384,430
Other non-current assets	5,906,006	449,477	116,121	471,529	-	6,943,133
Revenues	15,837,058	3,011,444	3,361,119	2,986,081	-	25,195,702
Net income	1,009,872	62,266	98,967	31,271	-	1,202,376

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2010	Saudi Arabia	Egypt	Iran	Other countries	Eliminations	Total
Property, plant and equipment	3,153,017	785,074	538,598	262,528	-	4,739,217
Other non-current assets	6,176,074	298,947	135,112	521,945	-	7,132,078
Revenues - net	13,621,179	2,451,330	2,609,836	2,347,127	-	21,029,472
Net income	914,465	(2,806)	85,370	(110,327)	-	886,702

5 Cash and cash equivalents

	2011	2010
Cash in hand	21,622	35,616
Cash at bank	881,508	497,282
Short term bank deposits	310,954	44,516
	1,214,084	577,414

Certain of the Group subsidiaries have short term deposits which are restricted as security against bank facilities granted by a commercial bank and accordingly are included within 'prepayments and others' (Note 8). Such restricted deposits amounted to Saudi Riyals 21.2 million (2010: Saudi Riyals 53.9 million).

Short term deposits are held by commercial banks and yield financial income at prevailing market rates.

6 Accounts receivable

	Note	2011	2010
Trade		1,687,955	1,426,346
Less: provision for doubtful debts		(74,513)	(68,510)
		1,613,442	1,357,836
Related parties	20.2	202,198	319,914
		1,815,640	1,677,750

Movement in provision for doubtful debts is as follows:

	Note	2011	2010
January 1		68,510	82,898
Additions (utilization) - net		5,735	(12,555)
Deconsolidation of Herfy (subsidiary)	1	-	(1,833)
Beginning balances of subsidiaries acquired	1	268	-
December 31		74,513	68,510

7 Inventories

	2011	2010
Finished products	1,516,400	1,237,883
Raw and packing materials	1,214,047	886,004
Work in process	120,980	135,389
Spare parts and supplies, not held for sale	213,054	195,958
Goods in transit	175,532	169,920
	3,240,013	2,625,154
Less: provision for inventory obsolescence / slow moving	(87,564)	(98,084)
	3,152,449	2,527,070

Inventories at December 31, 2011 having book value of approximately Saudi Riyals 200 million (2010: Saudi Riyals 106 million) are pledged with foreign banks as collateral against bank borrowing facilities of certain consolidated subsidiaries.

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Movement in provision for inventory obsolescence / slow moving is as follows:

	Note	2011	2010
January 1		98,084	110,962
Additions		7,649	43,594
Beginning balances of subsidiaries acquired	1	652	-
Deconsolidation of Herfy (subsidiary)	1	-	(1,028)
Utilisation		(18,821)	(55,444)
December 31		<u>87,564</u>	<u>98,084</u>

8 Prepayments and others

	Note	2011	2010
Properties classified as held for sale	8.2, 10.3	467,359	175,324
Supplier advances		224,029	131,632
Prepayments		207,741	160,811
Receivable from government authorities	8.1	137,056	96,620
Current portion of long term receivable	10.3.1	132,550	-
Employee housing and other advances		68,339	44,485
Balance relating to commodity future and forward contracts		34,435	153,958
Restricted deposits	5	32,978	53,941
Unclaimed dividend amount at bank		29,031	36,819
Non-trade receivables		32,628	28,904
Other		58,096	54,084
		<u>1,424,242</u>	<u>936,578</u>

8.1 Receivable from government authorities

Receivable from government authorities represent claims of certain foreign consolidated subsidiaries from respective local governments on account of value added tax, custom duties, subsidies and advance taxes.

8.2 Properties classified as held for sale

Properties classified as held for sale at December 31, 2011 represents land parcels owned by the Company held for sale. Also see note 10.3. Properties classified as held for sale at December 31, 2010 represents properties held for sale by a subsidiary, the sale of which was completed in 2011.

9 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 disposal group 'held for sale'. Efforts to sell the disposal group have commenced and a sale is expected during the financial year ending December 31, 2012. The net loss relating to these business disposal groups amounted to Saudi Riyals 5.1 million during 2011 (2010: Saudi Riyals 22.2 million). At December 31, 2011, the disposal group comprised assets of Saudi Riyals 167.4 million (2010: Saudi Riyals 191.8 million) and liabilities of Saudi Riyals 181.3 million (2010: Saudi Riyals 200.4 million) after recognition of impairment loss of Saudi Riyals 115 million during fourth quarter of 2010 as follows:

	2011	2010
Assets classified as held for sale at their recoverable amount		
Property, plant and equipment	32,225	47,463
Inventories	61,250	67,474
Trade receivables and other receivables	73,923	76,894
	<u>167,398</u>	<u>191,831</u>
Liabilities classified as held for sale		
Borrowings	128,567	120,704
Trade and other payables	52,732	79,646
	<u>181,299</u>	<u>200,350</u>

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10 Investments

	Note	2011	2010
Investment in associates	10.1	4,528,075	4,567,301
Available for sale investments	10.2	795,472	725,572
Other investments	10.3	8,614	814,382
		5,332,161	6,107,255

10.1 Investment in associates

	Note	2011	2010
January 1		4,567,301	3,373,922
Additions		219,892	745,279
Share in net income		436,863	459,522
Fair value adjustment		17,894	(25,071)
Effect of consolidation of ASCE	1	(436,358)	-
Dividends		(222,303)	(167,544)
Deconsolidation of Herfy (Subsidiary)	1	-	179,492
Other adjustments		(55,214)	1,701
December 31		4,528,075	4,567,301

	Note	Effective ownership interest (%)		2011	2010
		2011	2010		
Al Marai Company Ltd. ("Al Marai")	29.95	29.95		2,961,937	2,759,184
Kinan International for Real Estate Development Company ("Kinan International")	30	30		507,160	582,747
Intaj Capital Limited ("Intaj")	49	49		374,324	383,824
Diyar Al Mashreq ("Diyar")	(b)	30	30	259,353	239,065
Al-Seera City Company for Real Estate Development ("Al-Seera")	40	40		164,578	154,800
Herfy Foods Services Company ("Herfy")	49	49		241,166	210,287
Knowledge Economic City Development Company ("KECD")	17	17		17,200	17,200
Al Mojammam Al Mowahadah Real Estate Company ("Mojammam")	(a)	100	20	2,000	400
Emerge Investment Limited ("Emerge")		-	20	-	16,539
ASCE	1	-	45.5	-	186,025
Other	Various	Various		357	17,230
				4,528,075	4,567,301

- (a) During December 2011, the Company bought the remaining 80% ownership interest in Mojammam at the book value from minority shareholders. As of December 26, 2011, the Company entered into an agreement to sell its 80% equity ownership interest in Mojammam to Knowledge Economic City (KEC) (a Saudi joint stock company) and a related party to the Group. Under the agreement, the Company will transfer its ownership in two land parcels located in the Madina Al Munawarah to Mojammam at a sale value of Saudi Riyals 631.3 million and subsequently sell its 80% equity ownership in Mojammam to KEC. Pursuant to the agreement, KEC paid an advance amount of Saudi Riyals 16.3 million to the Company upon signing of the

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agreement and remaining amount will be paid upon completion of transferring of land ownership deeds to Mojammatt and the completion of formalities for transfer of 80% equity ownership of Mojammatt to KEC. Accordingly, since the Company's control is temporary, Mojammatt was not consolidated in the accompanying consolidated financial statements as at December 31, 2011. Also see note 10.3.

- (b) Group's investment in Diyar represents indirect investment in a real estate project, which is currently under development and managed by Kinan International.

10.2 Available-for-sale investments

	2011	2010
<u>Cost:</u>		
Quoted securities	417,134	483,560
Unquoted investments	349,246	351,878
Total Cost	<u>766,380</u>	<u>835,438</u>
<u>Impairment loss on:</u>		
Quoted securities	-	(66,426)
Total impairment loss	-	(66,426)
Revised cost	766,380	769,012
Fair value reserve adjustment on quoted securities	29,092	(43,440)
Carrying value	<u>795,472</u>	<u>725,572</u>

Movement in the available-for-sale investments was as follows:

	2011	2010
January 1	725,572	835,438
Disposals	(1,510)	-
Impairment loss recognized	-	(66,426)
Fair value adjustments	71,410	(43,440)
December 31	<u>795,472</u>	<u>725,572</u>

During 2010, the Group has recognized an impairment loss on certain available-for-sale investments amounting to Saudi Riyals 66.4 million (2011: Nil) representing a prolonged and significant decline in the carrying value of these investments at December 31, 2010.

Available-for-sale investments are denominated in the following currencies:

	2011	2010
Saudi Riyals	771,916	703,139
Jordanian Dinar	23,556	22,433
	<u>795,472</u>	<u>725,572</u>

10.3 Other investments

	2011	2010
Long term bank deposits of SBeC	8,614	10,384
Investment properties	-	803,998
	<u>8,614</u>	<u>814,382</u>

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10.3.1 Movement in investment properties

	Note	2011	2010
January 1,		803,998	803,998
Additions		3,239	-
Assets held for sale	8	(467,359)	-
Disposals		(339,878)	-
December 31,		-	803,998

Investment properties represent land parcels owned by the Company in Saudi Arabia. During the fourth quarter of 2011, the Company's land parcel located in Riyadh having a carrying value of Saudi Riyals 252 million was sold to Kinan International (an Associate company) at a total price of Saudi Riyals 394 million. The Company made a gain of Saudi Riyals 77 million on this sale. As per the terms of the agreement, Kinan International will pay the price in four installments. The first payment of Saudi Riyals 37.4 Million was paid upon signing of the contract.

Also during the fourth quarter of 2011, the Company's land parcel located in Jeddah having a carrying value of Saudi Riyals 88 million was sold to Kinan International at a total price of Saudi Riyals 214 million. The Company made a gain of Saudi Riyals 75.8 million on this sale. As per the terms of the agreement, Kinan International will pay the price in three installments. The first payment of Saudi Riyals 103.03 million was paid upon signing of the contract.

The abovementioned receivable amounts from Kinan International are discounted at their respective present values and are disclosed as Long term receivables on the balance sheet. The schedules for the receipt of remaining three installments for the above transactions are due as follows:

Years ending December 31:

2012	132,550
2013	163,686
2014	144,992
	441,228

Accordingly, the installments due in 2013 and beyond amounting to Saudi Riyals 308.7 million are classified as long term receivables in the accompanying consolidated financial statements.

Also, during 2011 the Company entered into an agreement to sell the remaining land parcels amounting to Saudi Riyals 467 million to KEC and accordingly has been classified as held for sale (Note 8) in the accompanying consolidated financial statements. Also see Note 10.1 for further details.

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11 Property, plant and equipment

Cost	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction in progress	Total
January 1, 2011	502,053	1,692,380	579,636	3,335,285	1,129,132	226,514	445,148	7,910,148
Additions	127,520	41,143	62,569	212,857	112,590	44,431	72,934	674,044
Beginning balances of subsidiaries acquired	37,388	28,505	4	170,749	5,445	20,970	431,740	694,801
Currency translation adjustment	(1,642)	(10,040)	(1,000)	(49,654)	(301)	(1,308)	(972)	(64,917)
Disposals	(3,031)	(587)	(98,915)	(17,882)	(16,189)	(8,614)	(49,234)	(194,452)
December 31, 2011	662,288	1,751,401	542,294	3,651,355	1,230,677	281,993	899,616	9,019,624
Accumulated depreciation								
January 1, 2011	-	(538,040)	(178,107)	(1,746,630)	(579,827)	(128,327)	-	(3,170,931)
Additions	-	(52,442)	(54,254)	(199,181)	(149,024)	(35,467)	-	(490,368)
Beginning balances of subsidiaries acquired	-	(4,531)	(4)	(59,206)	(3,459)	(6,003)	-	(73,203)
Currency translation adjustment	-	(4,644)	200	28,501	(3,624)	1,368	-	21,801
Disposals	-	210	70,826	15,993	16,189	6,514	-	109,732
	-	(599,447)	(161,339)	(1,960,523)	(719,745)	(161,915)	-	(3,602,969)
	662,288	1,151,954	380,955	1,690,832	510,932	120,078	899,616	5,416,655
NBV for Assets held for sale	(3,975)	(6,244)	-	(22,006)	-	-	-	(32,225)
December 31, 2011	658,313	1,145,710	380,955	1,668,826	510,932	120,078	899,616	5,384,430
December 31, 2010	502,053	1,154,340	401,529	1,588,655	549,305	98,187	445,148	4,739,217

- (i) Additions include Saudi Riyals 0.4 million in respect of finance costs capitalized during 2011 (2010: Saudi Riyals 8 million). The average rate used to determine the amount of finance costs capitalized during 2011 was 2.4% (2010: 4%).
- (ii) Construction work in progress relates to the construction of super markets and hyper markets for APU and upgrading and enhancing the production facilities of SFC, SPS and some of their subsidiaries.
- (iii) Under the terms of land lease agreements with Jeddah Industrial City, Jeddah Islamic Port and Riyadh Industrial City, certain subsidiaries have renewable operating leases for lands on which their production facilities are located. Annual lease and service charge payments to the lessor are nominal.
- (iv) Certain property, plant and equipment of the Group are pledged as collateral with Saudi Industrial Development Fund and commercial banks. Also see Note 14.

12 Intangible assets

Cost	Goodwill	Deferred charges	Total
January 1, 2011	836,516	601,986	1,438,502
Additions	338,949	37,054	376,003
Currency translation effect	(22,215)	-	(22,215)
Write-offs	-	(35,366)	(35,366)
December 31, 2011	1,153,250	603,674	1,756,924

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	Goodwill	Deferred charges	Total
Amortization			
January 1, 2011	-	(413,681)	(413,681)
Additions	-	(40,949)	(40,949)
December 31, 2011	-	(454,630)	(454,630)
Net balance	1,153,250	149,044	1,302,294

	Goodwill	Deferred charges	Total
Cost			
January 1, 2010	917,611	421,278	1,338,889
Additions	-	54,708	54,708
Deconsolidation of a subsidiary	(35,871)	-	(35,871)
Currency translation effect	(6,293)	-	(6,293)
Impairment	(38,931)	-	(38,931)
Transfers from property and equipment	-	126,000	126,000
December 31, 2010	836,516	601,986	1,438,502

Amortization			
January 1, 2010	-	(309,020)	(309,020)
Additions	-	(67,421)	(67,421)
Amortization	-	(37,240)	(37,240)
December 31, 2010	-	(413,681)	(413,681)
Net balance as at December 31, 2010	836,516	188,305	1,024,821

Effect of foreign exchange of Saudi Riyals 22.2 million (2010: Saudi Riyals 6.3 million) during 2011, principally relates to the revaluation effect of the currency translation difference on the goodwill arising from Egypt and Turkey.

12.1 Goodwill

	Note	2011	2010
El Maleka	1	288,634	-
Acquisition of Geant net assets	1	222,024	222,024
SIIC		129,272	129,272
KUGU		76,043	95,864
Al Sharq		89,509	89,509
AIC		84,016	84,016
Giant		75,703	75,703
AICE		72,747	75,141
NMP		37,781	37,781
El Farasha	1	32,407	-
SFC		25,981	25,981
ASCE	1	17,908	-
UCCM		1,225	1,225
		1,153,250	836,516

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As disclosed in Note 1 of the accompanying consolidated financial statements, during 2011, the Group acquired 100% ownership interest in El Maleka and El Farasha. The details are as follows:

Purchase Consideration paid	453,434
Net assets acquired	(66,599)
Fair value adjustment	(65,794)
Total net assets acquired	(132,393)
Goodwill	321,041

Subsequent to Group's acquisition of 100% ownership interest El Maleka and El Farasha in Egypt, for a total consideration of Saudi Riyals 453 million, and payment of total goodwill of Saudi Riyals 321 million; the Group has carried out an initial fair valuation of assets acquired on the basis of which an amount of Saudi Riyals 65.8 million has already been allocated to property, plant and equipment. However, a formal study of Purchase Price Allocation is currently underway and upon its finalization, part of goodwill, may be allocated to certain separately identifiable assets.

Impairment tests for goodwill

The recoverable amount of goodwill is determined based on fair value calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period.

The key assumptions used for fair value calculations are as follows:

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

Management determined budgeted gross margin and weighted average growth rates based on past performance and its expectations of market development. The discount rates used are pre-zakat and pre-income tax reflect specific risks relating to the industry. The results of impairment test at December 31, 2011 indicated no impairment charge.

13 Short-term borrowings

These represent borrowing facilities obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offer rates. Certain short-term bank loans at December 31, 2011 were guaranteed by corporate guarantees of the Group.

14 Long-term borrowings

	Note	2011	2010
Commercial bank loans	14.1	3,453,768	3,077,035
SIDF loans	14.2	23,829	27,029
		3,477,597	3,104,064
Current maturity shown under current liabilities		(656,103)	(709,257)
		2,821,494	2,394,807

14.1 Commercial bank loans

The Group has obtained loans and Murabaha financing from various commercial banks and financial institutions in order to finance capital projects, investments and for working capital requirements. Finance charges on these debts are based on prevailing market rates.

Property, plant and equipment at December 31, 2011 includes assets of certain consolidated subsidiaries having net book value of approximately Saudi Riyals 957 million (2010: Saudi Riyals 506 million) which are pledged with foreign banks as collateral against bank borrowing facilities. The financing agreements include certain covenants, which, among other things, require certain financial ratios to be maintained.

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14.2 SIDF loans

SIDF has provided loans to SPS to finance the manufacturing facilities and expansion projects. The loans are secured by a charge on property, plant and equipment of SPS and corporate guarantees of the shareholders. At December 31, 2011, property, plant and equipment having a net book value of Saudi Riyals 233 million (2010: Saudi Riyals 200 million) were collateralized as security against SIDF loans. The SIDF loan agreements include certain covenants, which among other things require that certain financial ratios be maintained.

14.3 Maturity profile of long-term borrowings

Years ending December 31:

2012	656,103
2013	1,315,217
2014	819,949
2015	464,606
2016 and thereafter	221,722
	<u>3,477,597</u>

15 Accounts payable

	Note	2011	2010
Trade		2,620,594	2,075,574
Related parties	20.2	98,333	53,261
		<u>2,718,927</u>	<u>2,128,835</u>

16 Accrued and other liabilities

	Note	2011	2010
Accrued expenses		459,534	344,901
Accrued zakat and income tax	16.1	214,218	166,634
Unclaimed dividend by the Company shareholders		177,864	173,487
Employee related accrual		146,018	120,991
Marketing related accruals		131,782	95,444
Advance received against sale of investment property	10.3	119,378	103,000
Balances related to forward contracts		25,681	214,566
Dividend payable to minority shareholder of subsidiary		23,196	18,878
Payable to government authorities		12,476	24,235
Deferred tax liability of foreign subsidiaries		10,614	10,202
Advances from customers		4,506	34,459
Directors' remuneration	20.1	2,110	3,486
Payable on account of acquisition of minority interest	1	-	135,965
Other		101,144	169,904
		<u>1,428,521</u>	<u>1,616,152</u>

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16.1 Zakat and tax matters

Zakat and income taxes included in the consolidated balance sheet are comprised of the following:

	2011	2010
Income tax - net	88,948	95,907
Zakat	43,076	44,239
	<u>132,024</u>	<u>140,146</u>

The movement in the provision for zakat and income taxes are as follows:

	2011	2010
January 1,	166,634	203,948
Charge	132,024	140,146
Payments	(84,440)	(177,460)
December 31,	<u>214,218</u>	<u>166,634</u>

16.1.1 Components of zakat base

The Group's Saudi Arabia subsidiaries file separate zakat and income tax declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deductions for the net book value of property, plant and equipment, investments and certain other items.

16.1.2 Status of final assessments

(a) Zakat status

The Company has finalized its zakat status up to the year 2002.

The DZIT issued the assessment for the years 2003 and 2004 and claimed zakat differences of Saudi Riyals 3.5 million. The Company filed a bank guarantee for the zakat differences and pursued the objection at the preliminary and Appeal Committees. The case was transferred to the Bureau of Grievances.

The Company filed the zakat returns for the years 2005 to 2009 and obtained the required zakat certificates/no objection letter. The DZIT issued the preliminary assessment for the year 2009 and claimed additional Zakat of Saudi Riyals 1.3 million. The Company settled such differences.

The Company's 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 Saudi Riyals 62.3 million (2010: Saudi Riyals 61.8 million). This amount mainly resulted from application of Ministerial Resolution No. 1005 against consolidated financials of one of the subsidiaries for the year 2005 to 2007.

The companies objected to such assessments and filed their cases and the matter is pending with the DZIT and Appeal Committees. Management of the Company and the subsidiaries believe that such additional assessments will not result in the additional liability and no provisions has been made for such assessments.

(b) Income tax status

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

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

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

17 Deferred gain

	2011	2010
January 1	111,630	93,250
Addition	-	25,860
Amortization	(8,449)	(7,480)
December 31	<u>103,181</u>	<u>111,630</u>

Deferred gain principally relates to deferral of gain on land and building sold by the subsidiary, Al Matoun to a third party and concurrently the third party entered into an operating lease agreement with APU for the lease of the same assets. Accordingly, the Group deferred the capital gains resulting from such sale and leaseback transaction over the lease period.

18 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 2012 and, accordingly, they have been classified under non-current liabilities.

19 Employee termination benefits

	Note	2011	2010
January 1		276,106	242,287
Provisions		68,767	71,673
Deconsolidation of a subsidiary (Herfy)	1	-	(22,413)
Payments		(37,610)	(15,441)
December 31		<u>307,263</u>	<u>276,106</u>

20 Related party matters

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

20.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	2011	2010
Sales	788,125	803,940
Purchases	477,600	403,849
Investment property sold to a related party	336,567	-
Rent expense charged by related parties	88,470	70,552
Key management personnel remuneration	27,244	32,109

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20.2 Related party balances

Significant year end balances arising from transactions with related parties are as follows:

(i) Receivable from related parties

Company name	Relationship	2011	2010
Certain shareholders of USC	Shareholders of a subsidiary	47,933	130,285
Intaj	Associate	70,560	70,560
Al Muhaidib Holding Company	Shareholder of the subsidiary	63,234	19,922
Afia Wings International Company	Associate	2,757	2,757
BSI	Associate	-	68,571
Other		17,714	27,819
		202,198	319,914

(ii) Payable to related parties

Company name	Relationship	2011	2010
Abdul Kadir Al Muhaidib Company	Shareholder of the Company	41,597	23,248
Diyar	Associate	13,699	-
Kinan International	Associate	11,521	3,492
Herfy	Associate	9,498	8,357
Other		22,018	18,164
		98,333	53,261

20.3 Board of directors remuneration

Board of Directors' remuneration for the year ended December 31, 2011 amounting to Saudi Riyals 2.2 million (2010: Saudi Riyals 2.2 million) has been calculated in accordance with the Company's By laws and is considered as appropriation shown in the statement of changes in equity. Attendance allowances to the directors and members of various board committees for the year ended December 31, 2011 amounting to Saudi Riyals 634 thousand (2010: Saudi Riyals 750 thousand) are charged to expenses and included under general and administrative expenses.

21 Share capital

The share capital of the Company as of December 31, 2011 and 2010 was comprised of 500 million shares stated at Saudi Riyals 10 per share.

22 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

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23 Selling and marketing expenses

	2011	2010
Salaries, wages and benefits	713,265	682,769
Rent	339,086	291,544
Advertising and sales promotion	444,937	285,798
Depreciation	272,085	243,667
Utilities	151,108	137,291
Repairs, maintenance and consumables	91,735	83,427
Other	132,597	145,657
	2,144,813	1,870,153

24 General and administrative expenses

	2011	2010
Salaries, wages and benefits	351,066	332,046
Amortization of intangible assets	40,949	56,474
Depreciation	16,636	26,556
Rent	31,577	19,912
Technical and professional fees	25,996	39,908
Insurance	14,207	7,125
Utilities, telephone and communication cost	10,511	10,674
Traveling	10,632	12,058
Training	9,350	9,311
Repairs and maintenance	7,968	11,962
Information technology	6,201	3,291
Other	37,379	73,821
	562,472	603,138

25 Other income (expenses)

	Note	2011	2010
Product listing and opening fees		29,344	43,976
Scrap sales		26,751	27,282
Gain on disposal of property, plant and equipment		10,087	3,075
Amortization of deferred gain	17	8,449	7,480
Insurance recoveries		3,824	-
Other		18,312	15,527
		96,767	97,340

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

26 Financial charges

	Note	2011	2010
Bank commission on loans and other borrowings	13,14,20	328,244	263,229
Income earned on short-term bank deposits	5	(10,772)	(18,969)
		317,472	244,260

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27 Operating leases

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2011 amounted to Saudi Riyals 371 million (2010: Saudi Riyals 311 million). Future rental commitments at December 31, 2011 under these operating leases are as follows:

	2011	2010
Within one year	397,886	393,729
Between two and five years	1,673,237	1,547,722
More than five years	4,095,107	4,544,906
	6,166,230	6,486,357

28 Earnings per share

Earnings per share the years ended December 31, 2011 and 2010 has been computed by dividing the operating income and net income for each years by weighted average number of shares outstanding during such years.

29 Dividends

The Company's shareholders have approved and paid dividends amounting to Saudi Riyals 500 million in 2011. The details of interim dividends approved and final dividend proposed by the Board of Directors are as follows:

<u>Date</u>	<u>Dividend rate</u>	<u>Interim / final</u>	<u>Amount</u> <u>Saudi Riyals</u> <u>in million</u>
January 17, 2011	SR 0.25 per share	Final 2010	125
April 18, 2011	SR 0.25 per share	Interim	125
July 18, 2011	SR 0.25 per share	Interim	125
October 17, 2011	SR 0.25 per share	Interim	125
January 17, 2012	SR 0.55 per share	Final 2011	275

30 Contingencies and commitments

- i) The Group has outstanding bank guarantees and letters of credit amounting to Saudi Riyals 250.4 million at December 31, 2011 (2010: Saudi Riyals 212.7 million), which were issued in the normal course of business;
- ii) Also see Note 14 with respect to guarantees given for certain loans, Note 16 with respect to zakat contingencies and Note 27 with respect to leases;
- iii) The Company has also given a corporate guarantees against loans to investee companies amounting to Saudi Riyals 123.4 million (2010: Saudi Riyals 123.4 million);
- iv) At December 31, 2011, one of the subsidiaries had commitments to sell in 2012 refined sugar of approximately 737,003 MT (2010: 252,616 MT to sell in 2011) 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.
- v) At December 31, 2011, the Group had outstanding commitments of Saudi Riyals 138 million (2010: Saudi Riyals 214 million) for investments.
- vi) At December 31, 2011, the Group had outstanding capital commitments of Saudi Riyals 219.3 million (2010: Saudi Riyals 78 million).