

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
AND INDEPENDENT AUDITORS' REPORT

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

February 16, 2013

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, 2012 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, 2012 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.

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SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

Consolidated balance sheet

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | | As at December 31, | |
|--|-------------|---------------------------|-------------------|
| | Note | 2012 | 2011 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 943,259 | 1,214,084 |
| Accounts receivable | 6 | 1,447,960 | 1,815,640 |
| Inventories | 7 | 3,973,422 | 3,152,449 |
| Prepayments and others receivables | 8 | 1,993,898 | 1,424,242 |
| Assets classified as held for sale | 9 | 186,353 | 167,398 |
| | | 8,544,892 | 7,773,813 |
| Non-current assets | | | |
| Long term receivables | 10.3 | 167,899 | 308,678 |
| Investments in associates and other investments | 10 | 7,526,660 | 5,332,161 |
| Property, plant and equipment | 11 | 5,779,951 | 5,384,430 |
| Intangible assets | 12 | 1,322,133 | 1,302,294 |
| | | 14,796,643 | 12,327,563 |
| Total assets | | 23,341,535 | 20,101,376 |
| Liabilities | | | |
| Current liabilities | | | |
| Short-term borrowings | 13 | 3,527,275 | 2,755,429 |
| Current maturity of long-term borrowings | 14 | 910,952 | 656,103 |
| Accounts payable | 15 | 2,744,204 | 2,718,927 |
| Accrued and other liabilities | 16 | 1,961,259 | 1,428,521 |
| Liabilities classified as held for sale | 9 | 159,239 | 181,299 |
| | | 9,302,929 | 7,740,279 |
| Non-current liabilities | | | |
| Long-term borrowings | 14 | 3,612,246 | 2,821,494 |
| Deferred tax liability | 16 | 33,583 | - |
| Deferred gain | 17 | 103,193 | 103,181 |
| Long-term payables | 18 | 53,781 | 58,342 |
| Employee termination benefits | 19 | 353,751 | 307,263 |
| | | 4,156,554 | 3,290,280 |
| Total liabilities | | 13,459,483 | 11,030,559 |
| Equity | | | |
| Share capital | 21 | 5,000,000 | 5,000,000 |
| Statutory reserve | 22 | 1,217,231 | 1,077,010 |
| General reserve | | 4,000 | 4,000 |
| Retained earnings | | 2,540,166 | 2,005,378 |
| Others reserves | 10 | (5,701) | (808) |
| Effect of acquisition transactions with non-controlling interest without change in control | | 2,042 | (59,443) |
| Currency translation differences | | (471,068) | (303,670) |
| Equity attributable to shareholders' of the parent company | | 8,286,670 | 7,722,467 |
| Non-controlling interest | | 1,595,382 | 1,348,350 |
| Total equity | | 9,882,052 | 9,070,817 |
| Total liabilities and equity | | 23,341,535 | 20,101,376 |
| Contingencies and commitments | | | |
| | 30 | | |

The notes on pages 8 to 30 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, | |
|--|-----------|-------------------------|--------------|
| | | 2012 | 2011 |
| Revenues | 4,20 | 27,391,493 | 25,195,702 |
| Cost of sales | 20 | (22,629,925) | (21,224,980) |
| Gross profit | | 4,761,568 | 3,970,722 |
| Share in net income of associates and dividend income of available-for-sale investment - net | 10.1,10.2 | 578,567 | 440,613 |
| Other income - net | 25 | 73,721 | 96,767 |
| Total income | | 5,413,856 | 4,508,102 |
| Operating expenses | | | |
| Selling and marketing | 20, 23 | (2,367,292) | (2,144,813) |
| General and administrative | 20, 24 | (590,317) | (562,472) |
| Total expenses | | (2,957,609) | (2,707,285) |
| Income from operations | | 2,456,247 | 1,800,817 |
| Other income (expenses) | | | |
| Gain on disposal of investments | 10 | 46,651 | 152,781 |
| Impairment loss and cost of projects written off | 12 | - | (35,366) |
| Financial charges - net | 26 | (427,381) | (317,472) |
| Income before zakat and foreign income tax | | 2,075,517 | 1,600,760 |
| Zakat and foreign income tax | 16 | (268,148) | (132,024) |
| Net income for the year | | 1,807,369 | 1,468,736 |
| Net income attributable to: | | | |
| Shareholders' of the parent company | | 1,402,209 | 1,202,376 |
| Non-controlling interest's share of year's net income in subsidiaries | | 405,160 | 266,360 |
| Net income for the year | | 1,807,369 | 1,468,736 |
| Earnings per share (in Saudi Riyals): | | | |
| • Operating income | 28 | 4.91 | 3.60 |
| • Net income for the year attributable to the shareholders' of the parent company | | 2.80 | 2.40 |

The notes on pages 8 to 30 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)

| | Year ended December 31, | |
|---|--------------------------------|-------------|
| | 2012 | 2011 |
| Cash flow from operating activities | | |
| Net income for the year | 1,807,369 | 1,468,736 |
| <u>Adjustments for non-cash items</u> | | |
| Depreciation, amortization, impairment and amortization of deferred gain | 564,007 | 558,234 |
| Share in net income of associates | (568,793) | (436,863) |
| Financial charges - net | 427,381 | 317,472 |
| Gain from disposal of investments | (46,651) | (152,781) |
| Gain on sale of property, plant and equipment | (3,542) | (10,087) |
| <u>Changes in working capital</u> | | |
| Accounts receivable | 367,680 | (71,319) |
| Inventories | (820,973) | (596,908) |
| Prepayments and other receivables | (661,925) | 174,191 |
| Accounts payable | 25,277 | 486,910 |
| Accrued and other liabilities | 554,871 | (195,281) |
| Employee termination benefits | 46,488 | 31,157 |
| Net cash generated from operating activities | 1,691,189 | 1,573,461 |
| Cash flow from investing activities | | |
| Dividends received | 228,098 | 222,303 |
| Proceeds from sale of investments | 173,049 | 142,069 |
| Change in long term receivables | 140,779 | - |
| Effect of acquisition transaction with non-controlling interest without change in control | 61,485 | - |
| Proceeds from sale of property, plant and equipment | 55,853 | 94,807 |
| Addition to deferred charges | (51,309) | (37,054) |
| Purchase of property, plant and equipment | (1,070,183) | (674,044) |
| Additions to investments | (1,997,832) | (219,892) |
| Cash effect of consolidation of an associate | - | 141,313 |
| Acquisition of subsidiaries, net of cash | - | (445,642) |
| Net change in other investments | - | 7,864 |
| Net cash utilized in investing activities | (2,460,060) | (768,276) |
| Cash flow from financing activities | | |
| Net change in short-term borrowings | 771,846 | 644,686 |
| Additions to long-term borrowings | 1,550,000 | 1,045,010 |
| Repayments of long-term borrowings | (504,399) | (909,257) |
| Net change in restricted deposits financing | 8,479 | (20,963) |
| Changes in non-controlling interest | (158,128) | (112,841) |
| Financial charges - net | (427,381) | (317,472) |
| Dividends paid | (742,371) | (497,678) |
| Net cash generated from (utilized in) financing activities | 498,046 | (168,515) |

(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, | |
|--|------|-------------------------|-----------|
| | | 2012 | 2011 |
| Net change in cash and cash equivalents | | (270,825) | 636,670 |
| Cash and cash equivalents at beginning of year | | 1,214,084 | 577,414 |
| Cash and cash equivalents at end of year | | 943,259 | 1,214,084 |
| Supplemental schedule of non-cash information | | | |
| Directors' remuneration | | 2,200 | 2,200 |
| Other reserves | 10 | (4,893) | 89,304 |
| Currency translation differences | 10 | (167,398) | (73,244) |
| Investment properties classified as held for sale | 8 | - | 467,359 |

The notes on pages 8 to 30 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, 2012

Consolidated statement of changes in shareholders' equity

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | | Share capital | Statutory reserve | General Reserve | Other reserves | Effect of acquisition transaction with non-controlling interest without change in control | Currency translation differences | Retained earnings | Total shareholders equity | Non-controlling interest | Total equity |
|---|----|------------------|-------------------|-----------------|-----------------|---|----------------------------------|-------------------|---------------------------|--------------------------|------------------|
| January 1, 2012 | | 5,000,000 | 1,077,010 | 4,000 | (808) | (59,443) | (303,670) | 2,005,378 | 7,722,467 | 1,348,350 | 9,070,817 |
| Net income for the year | | - | - | - | - | - | - | 1,402,209 | 1,402,209 | 405,160 | 1,807,369 |
| Transfer to statutory reserve | 22 | - | 140,221 | - | - | - | - | (140,221) | - | - | - |
| Dividends | 29 | - | - | - | - | - | - | (725,000) | (725,000) | - | (725,000) |
| Other reserves adjustment | 10 | - | - | - | (4,893) | - | - | - | (4,893) | - | (4,893) |
| Currency translation differences | | - | - | - | - | - | (167,398) | - | (167,398) | - | (167,398) |
| Directors remuneration | 20 | - | - | - | - | - | - | (2,200) | (2,200) | - | (2,200) |
| Acquisition of non-controlling interest without change in control | | - | - | - | - | 61,485 | - | - | 61,485 | - | 61,485 |
| Other changes in non-controlling interests | | - | - | - | - | - | - | - | - | (158,128) | (158,128) |
| December 31, 2012 | | 5,000,000 | 1,217,231 | 4,000 | (5,701) | 2,042 | (471,068) | 2,540,166 | 8,286,670 | 1,595,382 | 9,882,052 |
| January 1, 2011 | | 5,000,000 | 956,772 | 4,000 | (90,112) | (45,637) | (230,426) | 1,425,440 | 7,020,037 | 1,194,831 | 8,214,868 |
| Net income for the year | | - | - | - | - | - | - | 1,202,376 | 1,202,376 | 266,360 | 1,468,736 |
| Transfer to statutory Reserve | 22 | - | 120,238 | - | - | - | - | (120,238) | - | - | - |
| Dividends | 29 | - | - | - | - | - | - | (500,000) | (500,000) | - | (500,000) |
| Other reserves adjustment | 10 | - | - | - | 89,304 | - | - | - | 89,304 | - | 89,304 |
| Currency translation differences | | - | - | - | - | - | (73,244) | - | (73,244) | - | (73,244) |
| Directors remuneration | 20 | - | - | - | - | - | - | (2,200) | (2,200) | - | (2,200) |
| Acquisition of non-controlling interest without change in control | | - | - | - | - | (13,806) | - | - | (13,806) | - | (13,806) |
| Other changes in non-controlling interests | | - | - | - | - | - | - | - | - | (112,841) | (112,841) |
| December 31, 2011 | | 5,000,000 | 1,077,010 | 4,000 | (808) | (59,443) | (303,670) | 2,005,378 | 7,722,467 | 1,348,350 | 9,070,817 |

The notes on pages 8 to 30 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, 2012

(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 | |
|--|--------------------------|---|---------------------------------------|------|
| | | | 2012 | 2011 |
| 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 | Saudi Arabia | Real Estate | 80 | 80 |
| 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 subsidiaries

| Subsidiary name | Country of incorporation | Principal business Activity | Ownership interest (%) at December 31 | |
|---|--------------------------|-----------------------------|---------------------------------------|------|
| | | | 2012 | 2011 |
| Kafazat Al Kawniah for Real Estate Limited | Saudi Arabia | Holding Company | 80 | 80 |
| Alwaqat Al Kawniah Limited | Saudi Arabia | Holding Company | 60 | 60 |
| Aalintah Al Kawniah Limited | Saudi Arabia | Holding Company | 100 | 100 |
| Abtkar Al Kawniah Limited | Saudi Arabia | Holding Company | 80 | 80 |
| Adeem Arabia Company Ltd. ("AAC") | Saudi Arabia | Holding Company | 80 | 80 |
| Savola Industrial Investments Co. ("SIIC") | Saudi Arabia | Holding Company | 4.5 | 4.5 |
| Utur Packaging Materials Company Limited ("Utur") | Saudi Arabia | Holding Company | 100 | 100 |
| Al Mojammat Al Mowahadah Real Estate Company ("Mojammat") | Saudi Arabia | Holding Company | 100 | 100 |
| Marasina International Real Estate Investment Ltd. | Saudi Arabia | Holding Company | 100 | 100 |
| Asda'a International Real Estate Investment Ltd. | Saudi Arabia | Holding Company | 100 | 100 |
| Masa'ay International Real Estate Investment Ltd. | Saudi Arabia | Holding Company | 100 | 100 |

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(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 2012 | 2011 |
| Saraya International Real Estate Investment Ltd. | Saudi Arabia | Holding Company | 100 | 100 |
| Savola Trading International Limited | Saudi Arabia | 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 |
| Al Gharra International for Real Estate Development Company | Saudi Arabia | Holding Company | 100 | - |

(b) Subsidiaries controlled through SFC

| | | | | |
|--|------------------------|---------------------------------|-------|-------|
| 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 | 100 |
| El Farasha for Food Industries Company ("El Farasha") | Egypt | Manufacturing of Pasta | 100 | 100 |
| Savola Foods Company International ("SFCI") Limited | UAE | Holding Company | 100 | - |
| International Foods Industries Company Limited ("IFI") | Saudi Arabia | Manufacturing of Specialty fats | 60 | - |
| Alexandria Sugar Company Egypt ("ASCE") | Egypt | Manufacturing of Sugar | 19 | 19 |
| <u>SIIC</u> | | | | |
| United Sugar Company ("USC") | Saudi Arabia | Manufacturing of Sugar | 74.48 | 74.48 |
| <u>USC</u> | | | | |
| USCE | Egypt | Manufacturing of Sugar | 56.75 | 56.75 |
| ASCE | Egypt | Manufacturing of Sugar | 62 | 62 |
| Beet Sugar Industries | Cayman Islands | Dormant Company | 100 | 100 |
| <u>USCE</u> | | | | |
| ASCE | Egypt | Manufacturing of Sugar | 19 | 19 |
| <u>SFEM</u> | | | | |
| Savola Morocco Company | Morocco | Manufacturing of Edible oils | 100 | 100 |
| Savola Edible Oils (Sudan) Ltd. | Sudan | Manufacturing of Edible oils | 100 | 100 |
| AFIA International Company – Algeria | Algeria | Manufacturing of Edible oils | 100 | 100 |

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Notes to the consolidated financial statements for the year ended December 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

(c) Subsidiaries controlled through AIC

| Subsidiary name | Country of incorporation | Principal business activity | Subsidiary ownership interest (%) at December 31 | |
|--|--------------------------|------------------------------|--|-------|
| | | | 2012 | 2011 |
| Savola Behshahr Company (SBeC) | Iran | Holding Company | 80 | 80 |
| Malintra Holdings | Luxembourg | Holding Company | 100 | 100 |
| Savola Foods Limited ("SFL") | British Virgin Islands | Holding Company | 100 | 100 |
| Afia International Company - Jordan | Jordan | Manufacturing of Edible oils | 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 |
| <u>SBeC</u> | | | | |
| Behshahr Industrial Company | Iran | Manufacturing of Edible oils | 79.9 | 79.9 |
| Margarine Manufacturing Company | Iran | Manufacturing of Edible oils | 79.9 | 79.9 |
| Tolue Pakshe Aftab ("TPA") Company | Iran | Trading and Distribution | 100 | - |
| <u>SFL</u> | | | | |
| Afia International Company, Egypt | Egypt | Manufacturing of Edible oils | 99.92 | 99.92 |
| Latimar International Limited | British Virgin islands | Dormant Company | 100 | 100 |
| Elington International Limited | British Virgin islands | Dormant Company | 100 | 100 |
| <u>Inveskz Inc.</u> | | | | |
| Savola Foods CIS | Kazakhstan | Manufacturing of Edible oils | 100 | 100 |
| <u>KUGU</u> | | | | |
| Yudum Gida Sanayi ve Ticaret A.S ("Yudum") | Turkey | Manufacturing of Edible oils | 100 | 100 |

(d) Subsidiaries controlled through APU

| | | | | |
|--------------------------------------|--------------|-----------------|----|----|
| <u>APU</u> | | | | |
| Giant | Saudi Arabia | Retail | 90 | 90 |
| UCCM | Lebanon | Retail | 90 | 90 |
| <u>Giant</u> | | | | |
| Lebanese Sweets and Bakeries ("LSB") | Saudi Arabia | Dormant Company | 95 | 95 |

(e) Subsidiaries controlled through SPS

| | | | | |
|--|--------------|---|-----|-----|
| <u>SPS</u> | | | | |
| New Marina for Plastic Industries | 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 | 100 |

During 2012, as per the terms of the Master Joint Venture Agreement between the Group and Al Muhaidib Holding Company Limited ("Al Muhaidib") entered into during the year ended December 31, 2008 to acquire Giant and other operations and sell 20% of APU equity, the Group received a settlement of Saudi Riyals 61.4 million from Al Muhaidib relating to non-completion of transfer of ownership of the Al Muhaidib's Qatar operations to Savola Group due to certain local regulations. Such settlement was recorded within equity as part of 'Effect of transactions with non-controlling interest without change in control' since it is treated as additional consideration on disposal of 20% APU equity.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

Effective September 16, 2009, the Group's subsidiary, APU 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, Geant is entitled to acquire 1% share of APU each year at the fair value for a period of up to 3 years.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 13, 2013.

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 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

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Notes to the consolidated financial statements for the year ended December 31, 2012

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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 acquisition transactions with non-controlling interest without change in control".

(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 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.

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.

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Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as other reserves 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.

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.

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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.

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.

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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, all 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 continued to be measured in accordance with their initial accounting policies. Gains or losses on disposal of such assets or disposal group are recognized in 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.

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.

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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.

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.

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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.

As at December 31, 2012, the Group has unused bank financing facilities amounting to Saudi Riyals 3.2 billion (2011: Saudi Riyals 3.4 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.

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(a) Selected financial information as of December 31, 2012 and 2011, and for the year ended on those dates, summarized by segment, is as follows:

| 2012 | Food | Retail | Plastic | Investments and other activities | Eliminations | Total |
|-------------------------------------|-------------------|-------------------|------------------|---|---------------------|-------------------|
| Property, plant and equipment | 2,907,906 | 1,719,790 | 500,999 | 651,256 | - | 5,779,951 |
| Other non-current assets | 873,057 | 318,576 | 139,112 | 7,685,947 | | 9,016,692 |
| Revenues - net | 16,388,682 | 10,156,521 | 1,053,183 | 138,536 | (345,429) | 27,391,493 |
| Net income | 626,275 | 311,462 | 100,193 | 515,603 | (151,324) | 1,402,209 |
| 2011 | | | | | | |
| Property, plant and equipment - net | 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 - net | 15,223,918 | 9,181,551 | 1,001,533 | 122,815 | (334,115) | 25,195,702 |
| Net income | 489,075 | 200,151 | 91,242 | 515,708 | (93,800) | 1,202,376 |

(b) The Group's operations are conducted in Saudi Arabia, Egypt, Iran and other countries. Selected financial information as of December 31, 2012 and 2011 and for the years then ended summarized by geographic area, was as follows:

| 2012 | Saudi Arabia | Egypt | Iran | Other countries | Total |
|--------------------------------|---------------------|------------------|------------------|------------------------|-------------------|
| Property, plant and equipment | 3,464,689 | 1,553,250 | 531,693 | 230,319 | 5,779,951 |
| Other non-current assets – net | 8,336,354 | 525,738 | 118,360 | 36,240 | 9,016,692 |
| Revenues – net | 16,436,689 | 3,294,778 | 4,404,415 | 3,255,611 | 27,391,493 |
| Net income | 1,114,083 | 12,919 | 207,133 | 68,074 | 1,402,209 |
| 2011 | | | | | |
| 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 - net | 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 |

5 Cash and cash equivalents

| | 2012 | 2011 |
|--------------------------|----------------|-------------|
| Cash in hand | 27,424 | 21,622 |
| Cash at bank | 783,491 | 881,508 |
| Short term bank deposits | 132,344 | 310,954 |
| | 943,259 | 1,214,084 |

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

6 Accounts receivable

| | 2012 | 2011 |
|------------------------------------|------------------|-------------|
| Trade | 1,541,489 | 1,687,955 |
| Less: provision for doubtful debts | (199,808) | (74,513) |
| | 1,341,681 | 1,613,442 |
| Related parties | 106,279 | 202,198 |
| | 1,447,960 | 1,815,640 |

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7 Inventories

| | 2012 | 2011 |
|--|------------------|-------------|
| Finished products | 1,981,367 | 1,516,400 |
| Raw and packing materials | 1,454,606 | 1,214,047 |
| Work in process | 180,431 | 120,980 |
| Spare parts and supplies, not held for sale | 210,098 | 213,054 |
| Goods in transit | 243,229 | 175,532 |
| | 4,069,731 | 3,240,013 |
| Less: provision for inventory obsolescence / slow moving | (96,309) | (87,564) |
| | 3,973,422 | 3,152,449 |

Certain inventories at December 31, 2012 and 2011 are pledged with foreign banks as collateral against bank borrowing facilities of certain consolidated subsidiaries.

8 Prepayments and others

| | Note | 2012 | 2011 |
|---|-------------|------------------|-------------|
| Advances to vendors and others | | 735,007 | 224,029 |
| Investment properties classified as held for sale | 8.2, 10.3 | 467,359 | 467,359 |
| Prepaid rent and expenses | | 231,589 | 207,741 |
| Receivable from government authorities | 8.1 | 198,113 | 137,056 |
| Current portion of long term receivables | 10.3 | 163,687 | 132,550 |
| Employee receivables | | 64,614 | 68,339 |
| Balance relating to commodity future contracts | | 44,865 | 34,435 |
| Unclaimed dividends | | 12,044 | 29,031 |
| Restricted deposits | | 24,499 | 32,978 |
| Other receivables | | 52,121 | 90,724 |
| | | 1,993,898 | 1,424,242 |

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 Investment properties classified as held for sale

Investment properties classified as held for sale at December 31, 2012 and 2011 represents land parcels owned by the Company held for sale. Also see note 10.3.

9 Assets and liabilities classified as held for sale

During the fourth quarter of 2010, as an outcome of the 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, some of the overseas operations within the edible oils segment are presented as disposal group 'held for sale'. Efforts to sell the disposal group have commenced. During the current year, Group management has entered into agreement with a third party to sell one part of such business. The net loss relating to these business disposal groups amounted to Saudi Riyals 2.1 million during 2012 (2011: net loss of Saudi Riyals 5.1 million). At December 31, 2012, the disposal group comprised assets of Saudi Riyals 186.3 million (2011: Saudi Riyals 167.4 million) and liabilities of Saudi Riyals 159.2 million (2011: Saudi Riyals 181.3 million) after recognition of impairment loss of Saudi Riyals 115 million during fourth quarter of 2010 held as follows:

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| | 2012 | 2011 |
|---|------------------|-----------|
| Assets classified as held for sale at their recoverable amount | | |
| Property, plant and equipment | 16,976 | 32,225 |
| Inventories | 82,820 | 61,250 |
| Trade receivables and other receivables | 86,557 | 73,923 |
| | 186,353 | 167,398 |
| Liabilities classified as held for sale | | |
| Borrowings | (133,971) | (113,854) |
| Trade and other payables | (25,268) | (67,445) |
| | (159,239) | (181,299) |

10 Investments

| | Note | 2012 | 2011 |
|--------------------------------|------|------------------|-----------|
| Investment in associates | 10.1 | 6,806,659 | 4,528,075 |
| Available for sale investments | 10.2 | 694,234 | 795,472 |
| Other investments | 10.3 | 25,767 | 8,614 |
| | | 7,526,660 | 5,332,161 |

10.1 Investment in associates

| | 2012 | 2011 |
|---------------------------------|------------------|-----------|
| January 1 | 4,528,075 | 4,567,301 |
| Additions | 1,980,679 | 219,892 |
| Share in net income | 568,793 | 436,863 |
| Other reserves adjustment | (41,205) | 17,894 |
| Disposal | (1,748) | - |
| Dividends | (228,098) | (222,303) |
| Effect of consolidation of ASCE | - | (436,358) |
| Other adjustments | 163 | (55,214) |
| December 31 | 6,806,659 | 4,528,075 |

| | Effective ownership interest (%) | | 2012 | 2011 |
|---|----------------------------------|---------|------------------|-----------|
| | 2012 | 2011 | | |
| Al Marai Company Ltd ("Al Marai") (see below) | 36.52 | 29.95 | 5,200,273 | 2,961,937 |
| Kinan International for Real Estate Development Company ("Kinan International") | 29.9 | 30 | 511,857 | 507,160 |
| Intaj Capital Limited ("Intaj") | 49 | 49 | 365,044 | 374,324 |
| Diyar Al Mashreq ("Diyar") | 30 | 30 | 263,230 | 259,353 |
| Al-Seera City Company for Real Estate Development | 40 | 40 | 164,578 | 164,578 |
| Herfy Foods Services Company ("Herfy") | 49 | 49 | 282,477 | 241,166 |
| Knowledge Economic City Development Company | 17 | 17 | 17,200 | 17,200 |
| Other | Various | Various | 2,000 | 2,357 |
| | | | 6,806,659 | 4,528,075 |

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During October, 2012, the Company acquired 6.57% additional ownership equity in Al Marai amounting to Saudi Riyals 1.98 billion. The acquisition resulted in the increase in the Company's ownership interest in Al Marai to 36.52% at December 31, 2012.

10.2 Available-for-sale investments

AFS investments at December 31, principally comprise the following:

| | 2012 | 2011 |
|-----------------------------------|----------------|-------------|
| <u>Quoted investments</u> | | |
| Emaar the Economic City ("Emaar") | 61,782 | 183,751 |
| Knowledge Economic City | 273,672 | 238,920 |
| Taameer Jordan Holding Company | 9,534 | 23,555 |
| <u>Unquoted investments</u> | | |
| Swicorp Joussour Company | 208,819 | 208,819 |
| Swicorp, Saudi Arabia | 115,674 | 115,674 |
| Others | 24,753 | 24,753 |
| | 694,234 | 795,472 |

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

| | 2012 | 2011 |
|----------------------------|------------------|-------------|
| January 1 | 795,472 | 725,572 |
| Disposals | (124,650) | (1,510) |
| Other reserves adjustments | 36,312 | 71,410 |
| Other Adjustment | (12,900) | - |
| December 31 | 694,234 | 795,472 |

During 2012, the Group partially disposed its investment in Emaar at a capital gain of Saudi Riyals 46.7 million.

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

| | 2012 | 2011 |
|-----------------|----------------|-------------|
| Saudi Riyals | 684,700 | 771,916 |
| Jordanian Dinar | 9,534 | 23,556 |
| | 694,234 | 795,472 |

10.3 Other investments

| | 2012 | 2011 |
|---------------------------------|---------------|-------------|
| Long term bank deposits of SBeC | 25,767 | 8,614 |
| Investment properties | - | - |
| | 25,767 | 8,614 |

Movement in investment properties is as follows:

| | Note | 2012 | 2011 |
|----------------------|-------------|-------------|-------------|
| January 1, | | - | 803,998 |
| Additions | | - | 3,239 |
| Assets held for sale | 8 | - | (467,359) |
| Disposals | | - | (339,878) |
| December 31, | | - | - |

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Investment properties represent land parcels owned by the Company in Saudi Arabia. During 2011, the Company's land parcels located in Riyadh having carrying value of Saudi Riyals 340 million were sold to Kinan International (an Associate company) at a total price of Saudi Riyals 608 million. The Company made a gain of Saudi Riyals 152.8 million on these sales. As per the terms of the agreement, Kinan International will pay the price in installments ranging upto the year 2014. The total payments of Saudi Riyals 261.9 million have been received by the Company as of December 31, 2012.

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 installments for the above transactions are due as follows:

Years ending December 31:

| | |
|--|-----------------------|
| 2013 (Included in prepayments and other receivables) | 163,687 |
| 2014 (Disclosed as long term receivables) | 167,899 |
| | <u>331,586</u> |

The installments due in 2014 amounting to Saudi Riyals 167.97 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. Under the agreement, the Company will transfer its ownership in two land parcels located in the Madina Al Munawarah to Mojammat at a sale value of Saudi Riyals 631.3 million and subsequently sell its 80% equity ownership in Mojammat to KEC. Pursuant to the agreement, KEC paid an advance amount of Saudi Riyals 16.3 million to the Company upon signing of the agreement and remaining amount will be paid upon completion of transferring of land ownership deeds to Mojammat and the completion of formalities for transfer of 80% equity ownership of Mojammat to KEC. Accordingly, Mojammat was not consolidated in the accompanying consolidated financial statements as at December 31, 2012.

11 Property, plant and equipment

| Cost | Land | Buildings | Leasehold improvements | Plant and equipment | Furniture and office equipment | Vehicles | Construction work in progress | Total |
|---------------------------------|----------------|------------------|------------------------|---------------------|--------------------------------|------------------|-------------------------------|--------------------|
| January 1, 2012 | 662,288 | 1,751,401 | 542,294 | 3,651,355 | 1,230,677 | 281,993 | 899,616 | 9,019,624 |
| Additions | 50,166 | 32,953 | 16,155 | 75,130 | 67,543 | 36,012 | 792,224 | 1,070,183 |
| Disposals | (30,731) | (15,802) | (1,061) | (32,982) | (19,375) | (9,819) | (2,664) | (112,434) |
| Transfer from / (to) CWIP | - | 8,748 | 122,605 | 41,277 | 92,286 | 170 | (265,086) | - |
| Currency translation adjustment | (2,224) | (34,119) | (1,680) | (85,561) | (5,018) | (3,957) | (30,349) | (162,908) |
| December 31, 2012 | 679,499 | 1,743,181 | 678,313 | 3,649,219 | 1,366,113 | 304,399 | 1,393,741 | 9,814,465 |
| Accumulated depreciation | | | | | | | | |
| January 1, 2012 | (397) | (603,747) | (161,437) | (1,970,637) | (720,989) | (162,492) | - | (3,619,699) |
| Additions | - | (51,764) | (63,428) | (210,794) | (153,174) | (54,579) | - | (533,739) |
| Disposals | - | 8,918 | 295 | 25,373 | 16,973 | 8,564 | - | 60,123 |
| Currency translation adjustment | - | 9,368 | (470) | 45,443 | 7,821 | 13,615 | - | 75,777 |
| December 31, 2012 | (397) | (637,225) | (225,040) | (2,110,615) | (849,369) | (194,892) | - | (4,017,538) |
| NBV of assets held for sale | (3,573) | (13,104) | - | - | - | - | (299) | (16,976) |
| December 31, 2012 | 675,529 | 1,092,852 | 453,273 | 1,538,604 | 516,744 | 109,507 | 1,393,442 | 5,779,951 |
| December 31, 2011 | 658,313 | 1,145,710 | 380,955 | 1,668,826 | 510,932 | 120,078 | 899,616 | 5,384,430 |

- (i) Additions include Saudi Riyals 31 million in respect of finance costs capitalized during 2012 (2011: Saudi Riyals 0.4 million). The average rate used to determine the amount of finance costs capitalized during 2012 was 9.0% (2011: 2.4%).

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- (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, Riyadh Industrial City, and Industrial zone, Sokhna port, Egypt 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

| | Goodwill | Deferred charges | Other intangible assets (Note 12.1) | Total |
|---------------------------------|-----------------|-------------------------|--|------------------|
| Cost | | | | |
| January 1, 2012 | 1,153,250 | 603,674 | - | 1,756,924 |
| Additions | - | 51,309 | - | 51,309 |
| Adjustments | (181,177) | - | 181,177 | - |
| Write-off | - | (4,683) | - | (4,683) |
| Currency translation adjustment | (1,190) | - | - | (1,190) |
| December 31, 2012 | 970,883 | 650,300 | 181,177 | 1,802,360 |

| | | | | |
|---------------------|----------------|------------------|----------------|------------------|
| Amortization | | | | |
| January 1, 2012 | - | (454,630) | - | (454,630) |
| Additions | - | (25,597) | - | (25,597) |
| December 31, 2012 | - | (480,227) | - | (480,227) |
| Net balance | 970,883 | 170,073 | 181,177 | 1,322,133 |

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

| | | | |
|-------------------------------------|------------------|----------------|------------------|
| Amortization | | | |
| January 1, 2011 | - | (413,681) | (413,681) |
| Additions | - | (40,949) | (40,949) |
| December 31, 2011 | - | (454,630) | (454,630) |
| Net balance as at December 31, 2011 | 1,153,250 | 149,044 | 1,302,294 |

12.1 Other intangible assets

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) |
| Excess of purchase consideration paid over net assets acquired | 321,041 |
| Less: allocated to other intangible assets | (181,177) |
| Goodwill | 139,864 |

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Subsequent to Group's acquisition in 2011 of 100% ownership interest El Maleka and El Farasha in Egypt, for a total consideration of Saudi Riyals 453 million, and payment of total amount of excess of purchase consideration paid over net assets acquired 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 was completed during 2012 and upon its finalization an amount of Saudi Riyals 181.1 million was allocated to 'Other Intangible Assets' mainly representing value of brands acquired.

12.2 Goodwill

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, 2012 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, 2012 were guaranteed by corporate guarantees of the Company.

14 Long-term borrowings

| | Note | 2012 | 2011 |
|--|-------------|------------------|-------------|
| Commercial bank loans | 14.1 | 4,503,509 | 3,453,768 |
| SIDF loans | 14.2 | 19,689 | 23,829 |
| | | 4,523,198 | 3,477,597 |
| Current maturity shown under current liabilities | | (910,952) | (656,103) |
| | | 3,612,246 | 2,821,494 |

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, 2012 includes assets of certain consolidated subsidiaries having net book value of approximately Saudi Riyals 1,235 million (2011: Saudi Riyals 957 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.

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, 2012, property, plant and equipment having a net book value of Saudi Riyals 292 million (2011: Saudi Riyals 233 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.

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14.3 Maturity profile of long-term borrowings

Years ending December 31:

| | |
|---------------------|-------------------------|
| 2013 | 910,952 |
| 2014 | 2,628,694 |
| 2015 | 560,644 |
| 2016 | 185,897 |
| 2017 and thereafter | 237,011 |
| | <u>4,523,198</u> |

In an extra ordinary general meeting held on December 15, 2012, the Company's shareholders approved the establishment of Sukuk program pursuant to which the Company can issue Sukuk through one or more tranches for an amount that will not exceed the Company's paid-up capital amounting to Saudi Riyals 5 billion. The Company had not issued any Sukuk as at December 31, 2012.

As of January 22, 2013, the Group has completed the offering and issuance of the first tranche of the Sukuk with a total value of SR 1.5 billion. The Sukuk issued have a tenor of 7 years, and have been offered at nominal value with an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.10%.

15 Accounts payable

| | Note | 2012 | 2011 |
|-----------------|-------------|-------------------------|------------------|
| Trade | | 2,658,452 | 2,620,594 |
| Related parties | 20.2 | 85,752 | 98,333 |
| | | <u>2,744,204</u> | <u>2,718,927</u> |

16 Accrued and other liabilities

| | Note | 2012 | 2011 |
|------------------------------------|-------------|-------------------------|------------------|
| Accrued expenses | | 390,075 | 360,906 |
| Accrued zakat and tax | 16.1 | 342,337 | 214,218 |
| Accrued interest | | 214,113 | 16,114 |
| Employee related accrual | | 174,718 | 146,018 |
| Marketing related accruals | | 170,730 | 131,782 |
| Unclaimed dividend | | 165,054 | 177,864 |
| Advance against sale of land | | 119,378 | 119,378 |
| Payable to contractors | | 90,932 | 33,435 |
| Advances from customers | | 56,971 | 11,774 |
| Payable to government authorities | | 53,276 | 12,476 |
| Accrued utilities | | 43,415 | 31,651 |
| Provision for dividend (BID) | | 31,370 | 23,196 |
| Accruals for un-invoiced purchases | | 23,609 | 17,163 |
| Other liabilities | | 85,281 | 132,546 |
| | | <u>1,961,259</u> | <u>1,428,521</u> |

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16.1 Zakat and tax matters

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

| | 2012 | 2011 |
|--------------|----------------|-------------|
| Income tax | 202,963 | 88,948 |
| Zakat | 42,193 | 43,076 |
| Deferred tax | 22,992 | - |
| | 268,148 | 132,024 |

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

| | 2012 | 2011 |
|--------------|------------------|-------------|
| January 1, | 214,218 | 166,634 |
| Charge | 245,156 | 132,024 |
| Payments | (117,037) | (84,440) |
| December 31, | 342,337 | 214,218 |

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 2004. The Company has filed the Zakat returns for the years 2005 to 2011.

The DZIT issued the assessment for the year 2009 and claimed zakat differences of Saudi Riyals 1.3 million. The Company has paid for such zakat differences and is also appealing such differences with the DZIT.

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 20.1 million (2011: Saudi Riyals 62.3 million).

The subsidiaries have objected to such assessments 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 have 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.

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.

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

16.2 Deferred tax liability

Deferred tax liability is calculated on temporary difference on end of service provision, deferred rent payable and property plant and equipment under the liability method using effective tax rate.

17 Deferred gain

| | 2012 | 2011 |
|--------------|----------------|-------------|
| January 1 | 103,181 | 111,630 |
| Addition | 9,120 | - |
| Amortization | (9,108) | (8,449) |
| December 31 | 103,193 | 103,181 |

Deferred gain principally relates to deferral of capital gain on land and building sale and operating leaseback transaction by the Group. Such gains are deferred 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 2013 and, accordingly, they have been classified under non-current liabilities.

19 Employee termination benefits

| | 2012 | 2011 |
|-------------|-----------------|-------------|
| January 1 | 307,263 | 276,106 |
| Provisions | 84,082 | 68,767 |
| Payments | (37,594) | (37,610) |
| December 31 | 353,751 | 307,263 |

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 has a group treasury function and arranges for credit facilities to its affiliated entities through local commercial banks. 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:

| | 2012 | 2011 |
|---|----------------|-------------|
| Sales | 638,618 | 788,125 |
| Purchases | 508,822 | 477,600 |
| Rent expense charged by related parties | 88,339 | 88,470 |
| Key management personnel remuneration | 31,282 | 27,244 |
| Investment property sold to a related party | - | 336,567 |

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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 | 2012 | 2011 |
|----------------------------------|-------------------------------|----------------|-------------|
| Intaj | Associate | 51,806 | 70,560 |
| Certain shareholders of USC | Shareholders of a subsidiary | 45,151 | 47,933 |
| Kinan International | Associate | 3,351 | - |
| Afia Wings International Company | Associate | 2,757 | 2,757 |
| Al Muhaidib Holding Company | Shareholder of the subsidiary | - | 63,234 |
| Other | | 3,214 | 17,714 |
| | | 106,279 | 202,198 |

(ii) Payable to related parties

| Company name | Relationship | 2012 | 2011 |
|---------------------------------------|----------------------------|---------------|-------------|
| Abdul Kadir Al Muhaidib Company | Shareholder of the Company | 33,433 | 41,597 |
| Al Marai Company | Associate | 27,871 | 24,229 |
| Herfy | Associate | 7,375 | 9,498 |
| Hail Agricultural Development Company | Associate | 4,329 | 4,533 |
| Diyar | Associate | - | 13,699 |
| Other | | 12,744 | 4,777 |
| | | 85,752 | 98,333 |

20.3 Board of directors remuneration

Board of Directors' remuneration for the year ended December 31, 2012 amounting to Saudi Riyals 2.2 million (2011: 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 shareholders' equity. Attendance allowances and other expenses to the directors and members of various board committees for the year ended December 31, 2012 amounting to Saudi Riyals 636 thousand (2011: Saudi Riyals 634 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, 2012 and 2011 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

| | 2012 | 2011 |
|-------------------------------|------------------|-------------|
| Salaries, wages and benefits | 817,932 | 713,265 |
| Advertisement | 410,483 | 387,252 |
| Rent | 380,639 | 339,086 |
| Depreciation and amortization | 276,024 | 272,085 |
| Utilities | 154,504 | 151,108 |
| Commission | 116,093 | 79,329 |
| Maintenance | 109,014 | 91,735 |
| Transportation | 10,552 | 6,890 |
| Provision for doubtful debts | 2,603 | 3,150 |
| Other | 89,448 | 100,913 |
| | 2,367,292 | 2,144,813 |

24 General and administrative expenses

| | 2012 | 2011 |
|---|----------------|-------------|
| Salaries, wages and benefits | 394,657 | 351,066 |
| Professional fees | 28,048 | 25,996 |
| Depreciation | 24,226 | 32,875 |
| Traveling | 12,750 | 10,632 |
| Rent | 12,225 | 11,292 |
| Utilities, telephone and communication cost | 10,967 | 10,511 |
| Insurance | 10,704 | 14,207 |
| Training | 10,327 | 9,350 |
| Repairs and maintenance | 9,165 | 7,968 |
| Transportation | 8,634 | 5,116 |
| Supplies and packaging | 4,480 | 4,150 |
| Information technology | 4,205 | 6,201 |
| Inter-Company write-offs | - | 9,266 |
| Other | 59,929 | 63,842 |
| | 590,317 | 562,472 |

25 Other income (expenses)

| | 2012 | 2011 |
|---|---------------|-------------|
| Scrap sales | 30,381 | 26,751 |
| Product listing and opening fees | 30,144 | 29,344 |
| Amortization of deferred gain | 9,108 | 8,449 |
| Gains on disposal of property and equipment | 3,542 | 10,087 |
| Insurance recoveries | - | 3,824 |
| Rental income | - | 1,401 |
| Other | 546 | 16,911 |
| | 73,721 | 96,767 |

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.

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26 Financial charges

| | Note | 2012 | 2011 |
|---|-------------|-----------------|-------------|
| Bank commission on loans and other borrowings | 13,14,20 | 456,174 | 328,244 |
| Income earned on short-term bank deposits | 5 | (28,793) | (10,772) |
| | | 427,381 | 317,472 |

27 Operating leases

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2012 amounted to Saudi Riyals 393 million (2011: Saudi Riyals 371 million). Future rental commitments at December 31, 2012 under these operating leases are as follows:

| | 2012 | 2011 |
|----------------------------|------------------|-------------|
| Within one year | 497,685 | 397,886 |
| Between two and five years | 2,611,474 | 1,673,237 |
| More than five years | 4,149,669 | 4,095,107 |
| | 7,258,828 | 6,166,230 |

28 Earnings per share

Earnings per share the years ended December 31, 2012 and 2011 has been computed by dividing the operating income and net income attributable to shareholders of the Company for each year 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 725 million in 2012. 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> Saudi Riyals in million |
|------------------|----------------------|------------------------|---|
| April 17, 2012 | SR 0.30 per share | Interim | 150 |
| July 18, 2012 | SR 0.30 per share | Interim | 150 |
| October 16, 2012 | SR 0.30 per share | Interim | 150 |
| January 15, 2013 | SR 0.50 per share | Final 2012 | 250 |

30 Contingencies and commitments

- i) The Group has outstanding bank guarantees and letters of credit amounting to Saudi Riyals 227.4 million at December 31, 2011 (2011: Saudi Riyals 250.4 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) At December 31, 2012, one of the subsidiaries had commitments to sell in 2013 refined sugar of approximately 378,682 MT (2011: 737,003 MT to sell in 2012) 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;
- iv) At December 31, 2012, the Group had outstanding commitments of Saudi Riyals 167.3 million (2011: Saudi Riyals 138 million) for investments; and
- v) At December 31, 2012, the Group had outstanding capital commitments of Saudi Riyals 295.5 million (2011: Saudi Riyals 219.3 million).