

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**

UNAUDITED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE THREE-MONTH PERIOD AND YEAR  
ENDED DECEMBER 31, 2012  
AND INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2012**

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**INDEPENDENT ACCOUNTANTS' LIMITED REVIEW' REPORT**

January 15, 2013

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

**Scope of the review**

We have reviewed the accompanying interim consolidated balance sheet of Savola Group Company (A Saudi Joint Stock Company) (the "Company") and Subsidiaries (collectively the "Group") as of December 31, 2012 and the related interim consolidated statement of income for the three-month period and year ended December 31, 2012, and the interim consolidated statement of cash flows for the year ended December 31, 2012 including the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management.

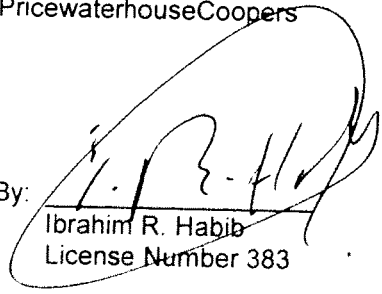
We conducted our limited review in accordance with the Standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of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

**Conclusion**

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

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

	Note	December 31,	
		2012 (Unaudited)	2011 (Audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		965,386	1,214,084
Accounts receivable		1,734,867	1,815,640
Inventories		3,977,356	3,152,449
Prepayments and other receivables		2,215,750	1,424,242
Assets classified as held for sale	3	186,353	167,398
		<u>9,079,712</u>	<u>7,773,813</u>
<b>Non-current assets</b>			
Long term receivables	4	167,899	308,678
Investments	4	7,520,899	5,332,161
Intangible assets		1,309,228	1,302,294
Property, plant and equipment		5,750,409	5,384,430
		<u>14,748,435</u>	<u>12,327,563</u>
<b>Total assets</b>		<u>23,828,147</u>	<u>20,101,376</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	5	3,569,164	2,755,429
Current maturity of long-term borrowings	6	942,963	656,103
Accounts payable		3,011,954	2,718,927
Accrued and other liabilities		2,090,472	1,428,521
Liabilities classified as held for sale	3	159,239	181,299
		<u>9,773,792</u>	<u>7,740,279</u>
<b>Non-current liabilities</b>			
Long-term borrowings	6	3,608,286	2,821,494
Deferred gain		100,897	103,181
Long-term payables		53,781	58,342
Employee termination benefits		344,561	307,263
		<u>4,107,525</u>	<u>3,290,280</u>
<b>Total liabilities</b>		<u>13,881,317</u>	<u>11,030,559</u>
<b>Equity</b>			
Share capital	7	5,000,000	5,000,000
Statutory reserve		1,217,231	1,077,010
General reserve		4,000	4,000
Retained earnings		2,539,966	2,005,378
Fair value reserve		25,715	(808)
Effect of acquisition transaction with non-controlling interest without change in control		2,042	(59,443)
Currency translation differences		(454,141)	(303,670)
<b>Equity attributable to shareholders' of the parent company</b>		<u>8,334,813</u>	<u>7,722,467</u>
Non-controlling interest		<u>1,612,017</u>	<u>1,348,350</u>
<b>Total equity</b>		<u>9,946,830</u>	<u>9,070,817</u>
<b>Total liabilities and equity</b>		<u>23,828,147</u>	<u>20,101,376</u>

Contingencies and commitments

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The notes on pages 7 to 18 form an integral part of these interim consolidated financial statements.

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

Note	Three-month period ended December 31,		Year ended December 31,		
	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Audited)	
Revenues	6,926,903	6,424,753	27,374,738	25,195,702	
Cost of sales	(5,514,834)	(5,262,204)	(22,612,383)	(21,224,980)	
Gross profit	1,412,069	1,162,549	4,762,355	3,970,722	
Share in net income of associates and dividend income of available-for- sale investment - net	4	158,629	99,347	556,695	440,613
Other income - net	17,865	31,074	82,447	96,767	
<b>Total income</b>	<b>1,588,563</b>	<b>1,292,970</b>	<b>5,401,497</b>	<b>4,508,102</b>	
<b>Operating expenses</b>					
Selling and marketing	(631,529)	(542,843)	(2,381,146)	(2,144,813)	
General and administrative	(164,753)	(151,254)	(568,566)	(562,472)	
Total expenses	(796,282)	(694,097)	(2,949,712)	(2,707,285)	
Income from operations	792,281	598,873	2,451,785	1,800,817	
<b>Other income (expenses)</b>					
Gain on disposal of investments	1,4	-	152,781	46,822	152,781
Impairment loss	-	(35,366)	-	(35,366)	
Financial charges	(124,025)	(65,421)	(429,788)	(317,472)	
Income before zakat and foreign income taxes	668,256	650,867	2,068,819	1,600,760	
Zakat and foreign income tax	(116,356)	(48,976)	(264,794)	(132,024)	
Net income for the period / year	551,900	601,891	1,804,025	1,468,736	
Net income attributable to:					
Shareholders' of the parent company	413,359	498,593	1,402,209	1,202,376	
Non-controlling interest's share of period's / year's net income in subsidiaries	138,541	103,298	401,816	266,360	
<b>Net income for the period / year</b>	<b>551,900</b>	<b>601,891</b>	<b>1,804,025</b>	<b>1,468,736</b>	
<b>Earnings per share:</b>	10				
▪ Operating income	1.58	1.20	4.90	3.60	
▪ Net income for the period / year	0.83	1.00	2.80	2.40	
Weighted average number of shares outstanding (in thousand)	5,000,000	5,000,000	5,000,000	5,000,000	

The notes on pages 7 to 18 form an integral part of these interim consolidated financial statements.

**SAVOLA GROUP COMPANY**  
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**Interim consolidated cash flow statement**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Year ended December 31,	
	2012 (Unaudited)	2011 (Audited)
<b>Cash flow from operating activities</b>		
Net income for the year	1,804,025	1,468,736
<u>Adjustments for non-cash items</u>		
Depreciation, amortisation and impairment	546,640	558,234
Financial charges - net	429,788	317,472
Share in net income of associates	(546,711)	(436,863)
Gain from disposal of investments	(46,822)	(152,781)
Gain on sale of property, plant and equipment	(8,878)	(10,087)
<u>Changes in working capital</u>		
Accounts receivable	80,773	(71,319)
Inventories	(824,907)	(596,908)
Prepayments and other receivables	(810,462)	174,191
Accounts payable	293,027	486,910
Accrued and other liabilities	650,524	(195,281)
Employee termination benefits	37,298	31,157
Net cash generated from operating activities	<u>1,604,295</u>	<u>1,573,461</u>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(1,072,609)	(674,044)
Additions to investments	(1,980,679)	(219,892)
Proceeds from sale of property, plant and equipment	46,284	94,807
Proceeds from sale of investment	172,621	142,069
Proceeds from long term receivables	140,779	-
Effect of transaction with non-controlling interest without change in control	61,485	-
Net change in investments	11,277	7,864
Dividend received	228,098	222,303
Net change in intangible assets	(37,106)	(37,054)
Acquisition of subsidiaries, net of cash	-	(445,642)
Cash effect of consolidation of an associate	-	141,313
Net cash utilized in investing activities	<u>(2,429,850)</u>	<u>(768,276)</u>
<b>Cash flow from financing activities</b>		
Net change in short-term borrowings	813,735	644,686
Net change in long-term borrowings	1,073,652	135,753
Net change in restricted deposits financing	-	(20,963)
Changes in non-controlling interest	(138,148)	(112,841)
Financial charges – net	(429,788)	(317,472)
Dividends paid	(742,594)	(497,678)
Net cash generated from (utilized in) financing activities	<u>576,857</u>	<u>(168,515)</u>

(Continued)

**SAVOLA GROUP COMPANY**  
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**Interim consolidated cash flow statement (continued)**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	<b>Year ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Net (decrease) / Increase in cash and cash equivalents</b>	<b>(248,698)</b>	636,670
Cash and cash equivalents at beginning of year	<b>1,214,084</b>	577,414
<b>Cash and cash equivalents at end of year</b>	<b>965,386</b>	1,214,084
 <b>Supplemental schedule of non-cash Information</b>		
Properties classified as held for sale	-	467,359
Fair value reserve	<b>26,523</b>	89,304
Currency translation differences	<b>(150,472)</b>	(73,244)
Directors' remuneration	<b>2,400</b>	2,200

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**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period and year ended December 31, 2012 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**1 General information**

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

The accompanying interim consolidated financial statements include the accounts of the Company's and its local and foreign consolidated subsidiaries.

At December 31, the Company 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
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 subsidiaries**

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at December 31	
			2012	2011
Kafazat Al Kawnihah for Real Estate Limited	Saudi Arabia	Holding Company	100	100
Alwaqat Al Kawnihah Limited	Saudi Arabia	Holding Company	100	100
Aalinhah Al Kawnihah Limited	Saudi Arabia	Holding Company	100	100
Abtkar Al Kawnihah 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
Utur Packaging Materials Company Limited ("Utur")	Saudi Arabia	Holding Company	100	100
Al Mojammat Al Mowahadah Real Estate Company ("Mojammat") (see Note 4.1)	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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(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

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2012	2011
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
EI Maleka for Food Industries Company ("EI Maleka")	Egypt	Manufacturing of Pasta	100	100
EI Farasha for Food Industries Company ("EI Farasha")	Egypt	Manufacturing of Pasta	100	100
SFCI Limited	UAE	Holding Company	100	-
International Foods Industries Company Limited	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
<u>USCE</u>				
ASCE	Egypt	Manufacturing of Sugar	19	19
<u>SFEM</u>				
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

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(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 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
<u>SBeC</u>				
Behshahr Industrial Company	Iran	Manufacturing of Edible oil	79.9	79.9
Margarine Manufacturing Company	Iran	Manufacturing of Edible oil	79.9	79.9
Toloo Paksh Aftab (TPA) Company	Iran	Trading and Distribution	100	-
<u>SFL</u>				
Afia International Company, Egypt	Egypt	Manufacturing of Edible oil	99.92	99.92
<u>Inveskz Inc.</u>				
Savola Foods CIS	Kazakhstan	Manufacturing of Edible oil	100	100
<u>KUGU</u>				
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	Manufacturing of Edible oil	100	100

**(d) Subsidiaries controlled through APU**

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2012	2011
<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**

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2012	2011
<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 the three-month period ended March 31, 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.

**SAVOLA GROUP COMPANY****(A Saudi Joint Stock Company)****Notes to the interim consolidated financial statements****For the three-month period and year ended December 31, 2012 (Unaudited)**

(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 interim consolidated financial statements were authorized for issue by the Company's Board of Directors on January 15, 2013.

**2 Summary of significant accounting policies**

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

**2.1 Basis of preparation**

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

The interim consolidated financial statements for the three-month period and year ended December 31, 2012 have been prepared in accordance with SOCPA's Standard of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim consolidated financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fair statements of financial position, results of operations and cash flows. The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended December 31, 2011.

**2.2 Critical accounting estimates and judgments**

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

**(a) Estimated impairment of goodwill**

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

**(b) Provision for doubtful debts**

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are over due, are assessed collectively and a provision is recognized considering the length of time considering the past recovery rates.

**(c) Provision for inventory obsolescence**

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and

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offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

**2.3 Investment in subsidiaries**

(a) Subsidiaries

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

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

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

(b) Associates

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, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

Dilution gains and losses arising in investments in associates are recognized in the interim consolidated 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.

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**For the three-month period and year ended December 31, 2012 (Unaudited)**  
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**2.4 Segment reporting**

(a) Business segment

A business segment is group of assets and operations:

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

(b) Geographical segment

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

**2.5 Foreign currency translations**

(a) Reporting currency

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

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies for the years ended December 31, 2012 and 2011, are recognized in the interim consolidated 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.

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 interim consolidated income statement.

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

**2.6 Cash and cash equivalents**

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

**2.7 Accounts receivable**

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "selling and marketing expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "selling and marketing expenses" in the interim consolidated income statement.

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**2.8 Inventories**

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

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

**2.9 Property, plant and equipment**

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

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

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

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

**2.10 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. Investment property comprises only land parcels. Investment property is recorded at historical cost. 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.

**2.11 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.

**2.12 Deferred charges**

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

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**2.13 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 interim consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

**2.14 Borrowings**

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

**2.15 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 non-controlling interest in the accompanying interim consolidated financial statements. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

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

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

**2.18 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.

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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.

Promotional and display income is comprised of income earned from promotion and display of various products by vendors within the Group's retail stores, and is recognized in the period the product is listed.

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

**2.20 Selling, marketing and general and administrative expenses**

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

**2.21 Dividends**

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

**2.22 Operating leases**

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

**3 Assets and liabilities classified as held for sale**

During the fourth quarter of 2010, as an outcome of review of its foods business pruning strategy, the Group has decided to entrench its position in core markets and assess exiting from certain overseas operations. Accordingly, some of the overseas operations within the edible oil 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.

**4 Investments**

	Note	2012 (Unaudited)	2011 (Audited)
Investments in associates	4.1	6,820,973	4,528,075
Available-for-sale (AFS) investments	4.2	694,234	795,472
Other investments		5,692	8,614
		<u>7,520,899</u>	<u>5,332,161</u>



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**4.1 Investment in associates**

	Effective ownership interest (%)		2012	2011
	2012	2011	(Unaudited)	(Audited)
Almarai Company - Saudi Arabia ("Al Marai")	36.52	29.95	5,218,812	2,961,937
Kinan International for Real Estate Development Company ("Kinan")	29.90	30	511,857	507,160
Intaj Capital Limited - British Virgin Islands	49	49	365,044	374,324
Herfy Foods Services Company	49	49	278,251	241,166
Diyar Al Mashreq	30	30	263,231	259,353
Al-Seara City Company For Real Estate Development	40	40	164,578	164,578
Knowledge Economic City Development Company	17	17	17,200	17,200
Al Mojammatt Al Mowahadah Real Estate Company ("Mojammatt") (see the note below)	100	100	2,000	2,000
Others	-	Various	-	357
			<b>6,820,973</b>	<b>4,528,075</b>

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.

During the fourth quarter of 2011, the Company bought the remaining 80% ownership interest in Mojammatt at the book value from non-controlling interest. As of December 26, 2011, the Company entered into an agreement to sell its 80% equity ownership interest in Mojammatt 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 Mojammatt at a sale value of Saudi Riyals 631.3 million and subsequently sell its 80% equity ownership in Mojammatt 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 Mojammatt and the completion of formalities for transfer of 80% equity ownership of Mojammatt to KEC. Accordingly, Mojammatt was not consolidated in the accompanying interim consolidated financial statements as at December 31, 2012.

**4.2 Available for sale (AFS) investments**

AFS investments at December 31, 2012 principally comprise the following:

	Effective ownership interest (%)		2012	2011
	2012	2011	(Unaudited)	(Audited)
<u>Quoted investments</u>				
Emaar the Economic City	0.9	2.9	61,782	183,751
Knowledge Economic City	6.4	6.4	273,672	238,920
Taameer Jordan Holding Company	5	5	9,534	23,555
<u>Unquoted investments</u>				
Swicorp Joussour Company	14	14	208,819	208,819
Swicorp, Saudi Arabia	15	15	115,674	115,674
Others	Various	Various	24,753	24,753
			<b>694,234</b>	<b>795,472</b>

During the current year, the Company partially disposed its investment in Emaar at a capital gain of Saudi Riyals 46.8 million.

**5 Short-term borrowings**

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

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**6 Long-term borrowings**

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

**7 Share capital and dividends declaration**

At December 31, 2012, the Company's share capital of Saudi Riyals 5 billion consists of 500 million fully paid shares of Saudi Riyals 10 each (December 31, 2011: Saudi Riyals 5 billion consisting of 500 million fully paid shares of Saudi Riyals 10 each).

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

**8 Seasonal changes**

Some of the Group's activities are affected by seasonal movements related to the holy months of Ramadan, Shawwal and Hajj season, which cause revenue to increase significantly during those periods. The effect of such period for 2012 and 2011 principally fall in third and fourth quarters of the financial year. Accordingly, the results of operations presented in the interim consolidated financial statements for the quarter may not be a fair indicator of the results of operations for the full year.

**9 Segment information**

During the year ended December 31, 2012 and 2011, the principal activities of the Group related to the Food, Retail trading in various types of food and related products, Plastic manufacturing and Investment and other related activities. Selected financial information as of December 31, 2012 and 2011, and for the year ended on those dates, summarized by segment, is as follows:

<b>2012 (Unaudited)</b>	<b>Food</b>	<b>Retail</b>	<b>Plastic</b>	<b>Investments and other activities</b>	<b>Eliminations</b>	<b>Total</b>
Property, plant and equipment	2,882,588	1,705,814	510,750	651,257	-	<b>5,750,409</b>
Other non-current assets	867,659	318,622	128,276	7,683,469	-	<b>8,998,026</b>
Revenues	16,388,682	10,168,508	1,059,617	77,730	(319,799)	<b>27,374,738</b>
Net income	626,272	311,408	100,193	515,603	(151,267)	<b>1,402,209</b>

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2011 (Audited)	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

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:

2012 (Unaudited)	Saudi Arabia	Egypt	Iran	Other countries	Total
Property, plant and equipment	3,403,563	1,549,623	531,693	265,530	5,750,409
Other non-current assets	7,933,128	503,401	103,883	457,614	8,998,026
Revenues	16,486,145	3,275,110	4,412,501	3,200,982	27,374,738
Net income	1,114,083	12,919	207,133	68,074	1,402,209

2011 (Audited)	Saudi Arabia	Egypt	Iran	Other countries	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

## 10 Earnings per share

Earnings per share for the three-month period and year ended December 31, 2012 and 2011 have been computed by dividing the operating income and net income for such periods by weighted average number of shares outstanding during such periods.

## 11 Contingencies and commitments

- (i) At December 31, 2012, the Group had outstanding commitments of Saudi Riyals 138 million (2011: Saudi Riyals 138 million) for investments.
- (ii) At December 31, 2012, the Department of Zakat and Income Tax (DZIT) has assessed an additional Zakat liability of Saudi Riyals 30.6 million (2011: Saudi Riyals 62.3 million) concerning prior periods against the Company and certain of its consolidated subsidiaries. Management has appealed such assessments and believes that the DZIT will eventually reverse the assessments. Accordingly, no provision for such amount has been made in the accompanying interim consolidated financial statements.
- (iii) Also see note 4.1 for the commitment to sell two lands and Mojammatt.