

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
AND INDEPENDENT AUDITORS' REPORT

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

February 23, 2014

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 its subsidiaries (collectively referred to as the "Group") as of December 31, 2013 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 29 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.

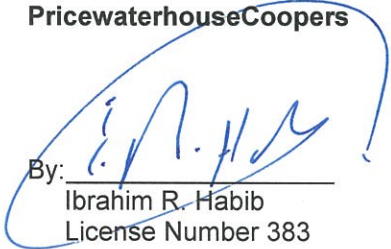
We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies 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, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards 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 By-laws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By: 
Ibrahim R. Habib
License Number 383



PricewaterhouseCoopers, Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

Consolidated balance sheet

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31,	
		2013	2012
Assets			
Current assets			
Cash and cash equivalents	5	1,363,724	943,259
Accounts receivable	6	1,265,104	1,447,960
Inventories	7	4,487,663	3,973,422
Prepayments and other receivables	8	1,819,913	1,993,898
Assets classified as held for sale	9	103,979	186,353
		9,040,383	8,544,892
Non-current assets			
Long term receivables	8	52,320	167,899
Investments in associates and other investments	10	7,943,367	7,526,660
Property, plant and equipment	11	6,382,958	5,779,951
Intangible assets	12	1,343,828	1,322,133
		15,722,473	14,796,643
Total assets		24,762,856	23,341,535
Liabilities			
Current liabilities			
Short-term borrowings	13	3,534,432	3,527,275
Current maturity of long-term borrowings	14	746,484	910,952
Accounts payable	15	2,668,328	2,744,204
Accrued and other liabilities	16	2,071,121	1,961,259
Liabilities classified as held for sale	9	92,737	159,239
		9,113,102	9,302,929
Non-current liabilities			
Long-term borrowings	14	4,126,378	3,612,246
Deferred tax liability	16	45,939	33,583
Deferred gain	17	180,116	103,193
Long-term payables	18	54,807	53,781
Employee termination benefits	19	350,969	353,751
		4,758,209	4,156,554
Total liabilities		13,871,311	13,459,483
Equity			
Share capital	21	5,339,807	5,000,000
Share premium	21	342,974	-
Statutory reserve	22	1,387,678	1,217,231
General reserve		4,000	4,000
Retained earnings		3,072,000	2,540,166
Fair value reserves	10	131,992	(5,701)
Effect of acquisition transactions with non-controlling interest without change in control		27,905	2,042
Currency translation differences		(655,379)	(471,068)
Equity attributable to shareholders' of the parent company		9,650,977	8,286,670
Non-controlling interest		1,240,568	1,595,382
Total equity		10,891,545	9,882,052
Total liabilities and equity		24,762,856	23,341,535
Contingencies and commitments	29		

The notes on pages from 8 to 31 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,	
		2013	2012
Revenues	4, 20	26,369,971	27,391,493
Cost of sales	20	(21,433,663)	(22,599,544)
Gross profit		4,936,308	4,791,949
Share in net income of associates and dividend income of available-for-sale investments – net	10	760,379	578,567
Total operating income		5,696,687	5,370,516
Operating expenses			
Selling and marketing	20, 23	(2,476,482)	(2,323,952)
General and administrative	20, 24	(633,267)	(590,317)
Total operating expenses		(3,109,749)	(2,914,269)
Income from operations		2,586,938	2,456,247
Other income (expenses)			
Gain on disposal of investments	8.1, 10	231,411	46,651
Impairment loss	10	(100,000)	-
Financial charges – net	25	(258,961)	(427,381)
Income before zakat and foreign income tax		2,459,388	2,075,517
Zakat and foreign income tax	16	(312,219)	(268,148)
Net income for the year		2,147,169	1,807,369
Net income attributable to:			
Shareholders' of the parent company		1,704,481	1,402,209
Non-controlling interest's share of year's net income in subsidiaries		442,688	405,160
Net income for the year		2,147,169	1,807,369
Earnings per share (in Saudi Riyals):	27		
• Operating income		5.12	4.91
• Net income for the year attributable to the shareholders' of the parent company		3.37	2.80
Weighted average number of shares outstanding (in thousand)		505,663	500,000

The notes on pages from 8 to 31 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,	
	2013	2012
Cash flow from operating activities		
Net income for the year	2,147,169	1,807,369
<u>Adjustments for non-cash items</u>		
Depreciation, amortization, impairment and amortization of deferred gain	657,012	564,007
Share in net income of associates and dividend income	(749,796)	(568,793)
Financial charges - net	258,961	427,381
Gain from disposal of investments	(231,411)	(46,651)
Gain on sale of property, plant and equipment	(2,008)	(3,542)
<u>Changes in working capital</u>		
Accounts receivable	182,855	367,680
Inventories	(514,241)	(820,973)
Prepayments and other receivables	(264,938)	(661,925)
Accounts payable	(75,876)	25,277
Accrued and other liabilities	114,658	554,871
Employee termination benefits	(2,782)	46,488
Net cash generated from operating activities	1,519,603	1,691,189
Cash flow from investing activities		
Dividends received	352,364	228,098
Proceeds from sale of investments	672,107	173,049
Change in long term receivables	115,579	140,779
Effect of acquisition transaction with non-controlling interest without change in control	40,061	61,485
Proceeds from sale of property, plant and equipment	152,709	55,853
Addition to intangible assets	(81,212)	(51,309)
Purchase of property, plant and equipment	(1,160,527)	(1,004,378)
Additions to investments	-	(1,997,832)
Net cash generated from (utilized in) investing activities	91,081	(2,394,255)
Cash flow from financing activities		
Net change in short-term borrowings	212,731	771,846
Additions to long-term borrowings - net	404,383	1,045,601
Net change in restricted deposits financing	16,586	8,479
Changes in non-controlling interest	(300,464)	(158,128)
Financial charges - net	(258,961)	(427,381)
Dividends paid	(993,119)	(742,371)
Net cash (utilized in) generated from financing activities	(918,844)	498,046

(Continued)

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

	Note	Year ended December 31,	
		2013	2012
Net change in cash and cash equivalents		691,840	(205,020)
Effect of currency translation on cash and cash equivalents		(271,375)	(65,805)
Cash and cash equivalents at beginning of year		943,259	1,214,084
Cash and cash equivalents at end of year		1,363,724	943,259
Supplemental schedule of non-cash information			
Directors' remuneration		2,200	2,200
Fair value reserves	10	137,693	(4,893)
Currency translation differences	10	(184,311)	(167,398)

The notes on pages from 8 to 31 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
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Notes to the consolidated financial statements for the year ended December 31, 2013

Consolidated statement of changes in shareholders' equity

(All amounts in Saudi Riyals thousands unless otherwise stated)

		Share capital	Share premium	Statutory reserve	General Reserve	Fair value 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
	Note											
January 1, 2013		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
Shares issued		339,807	342,974						-	682,781		682,781
Net income for the year		-							1,704,481	1,704,481	442,688	2,147,169
Transfer to statutory reserve	22	-		170,447					(170,447)			-
Dividends	28	-							(1,000,000)	(1,000,000)		(1,000,000)
Fair value reserve adjustment	10	-				137,693				137,693		137,693
Currency translation differences		-						(184,311)		(184,311)		(184,311)
Directors remuneration	20	-							(2,200)	(2,200)		(2,200)
Acquisition of non-controlling interest without change in control	1	-					25,863			25,863		25,863
Other changes in non-controlling interests		-									(797,502)	(797,502)
December 31, 2013		5,339,807	342,974	1,387,678	4,000	131,992	27,905	(655,379)	3,072,000	9,650,977	1,240,568	10,891,545
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	28	-							(725,000)	(725,000)		(725,000)
Fair value reserve 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

The notes on pages 8 to 3 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
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Notes to the consolidated financial statements for the year ended December 31, 2013

(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	Direct ownership interest (%) at December 31	
			2013	2012
Savola Foods Company ("SFC")	Saudi Arabia	Foods	100	90
Al-Azizia Panda United Company ("APU")	Saudi Arabia	Retail	92	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	19.32	19.32
Giant Stores Trading Company ("Giant")	Saudi Arabia	Retail	10	8
United Company for Central Markets ("UCCM")	Lebanon	Retail	-	8

(ii) Dormant and Holding subsidiaries

Subsidiary name	Country of incorporation	Principal business Activity	Direct ownership interest (%) at December 31	
			2013	2012
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	Holding company	100	80
Alwaqat Al Kawniah Limited	Saudi Arabia	Holding company	100	60
Aalintah Al Kawniah Limited	Saudi Arabia	Holding company	100	100
Abtkar Al Kawniah Limited	Saudi Arabia	Holding company	100	80
Adeem Arabia Company Ltd.	Saudi Arabia	Holding company	100	80
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	Holding company	5	4.5
Madarek Investment Company	Jordan	Holding company	100	100
Arabian Al Utur Holding Company for Commercial Investment	Saudi Arabia	Holding company	100	100
Al Mojammatt Al Mowahadah Real Estate Company	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	Direct ownership interest (%)	
			at December 31 2013	2012
Saraya International Real Estate Investment Ltd.	Saudi Arabia	Holding company	100	100
Savola Trading International Limited	British Virgin Island	Dormant company	100	100
United Properties Development Company ("UPDC")	Saudi Arabia	Dormant company	100	100
Kamin Al Sharq for Industrial Investments ("Kamin")	Saudi Arabia	Dormant company	100	100
Arabian Sadouk for telecommunications Co. ("Sadouk")	Saudi Arabia	Dormant company	100	100
Al Maoun International Holding Company	Saudi Arabia	Dormant company	100	100
Afia Foods Arabia	Saudi Arabia	Dormant company	100	100

(b) Subsidiaries controlled through SFC

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary direct ownership interest (%) at December 31	
			2013	2012
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	95.43	95.43
Savola Foods for Sugar Company	Cayman Islands	Holding company	95	95
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	100	100
El Farasha for Food Industries Company	Egypt	Manufacturing of pasta	100	100
Savola Foods Company International ("SFCI") Limited	UAE	Holding company	100	100
International Foods Industries Company Limited	Saudi Arabia	Manufacturing of specialty fats	60	60
Alexandria Sugar Company Egypt ("ASCE")	Egypt	Manufacturing of sugar	19	19
<u>SFCI</u>				
Modern Behbam Royan Kareh Company ("MBRK")	Iran	Food and confectionary	100	-
<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	62.13	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	100	100
<u>USCE</u>				
ASCE	Egypt	Manufacturing of sugar	18.87	18.87
<u>SFEM</u>				
Savola Morocco Company	Morocco	Manufacturing of edible oils	100	100
Savola Edible Oils (Sudan) Ltd. ("Savola Sudan")	Sudan	Manufacturing of edible oils	100	100
AFIA International Company – Algeria	Algeria	Manufacturing of edible oils	100	100

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(c) Subsidiaries controlled through AIC

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary direct ownership interest (%) at December 31	
			2013	2012
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	Dormant 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 Company	Iran	Trading and distribution	100	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
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	100	-
<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.	Saudi Arabia	Manufacturing of plastic packaging products	100	100

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 an option value approximate to its fair value for a period of up to 3 years. During 2013, Geant has exercised its right of acquiring 1% ownership interest in APU. The Group realized a capital gain of Saudi Riyals 25.87 million, which is recorded in the balance sheet within 'Effect of acquisition transaction with non-controlling interest without change in control'. Geant is entitled to acquire additional 2% ownership interest in APU.

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Notes to the consolidated financial statements for the year ended December 31, 2013

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During 2013, the Company has acquired the non-controlling interest ownership equity of 18.6% in APU and 10% in SFC from Al Muhaidib Holding Company in exchange for the issue of 33.9 million new shares of the Company having face value of Saudi Riyals 10 and issued at price of Saudi Riyals 39.4 per share. Accordingly, shares having total value of Saudi Riyals 1,338 million were issued of which Saudi Riyals 339 million has been classified as share capital and the balance of Saudi Riyals 999 million was the realized share premium. Further, a net amount of Saudi Riyals 657.8 million representing the excess of consideration over the net assets value of the acquired ownership interest in APU and SFC was set off from the share premium as per the applicable accounting standards. Thus, at December 31, 2013, a net amount of Saudi Riyals 342.9 million is recorded as share premium. The transaction was approved by the shareholders in an extra ordinary general meeting held during November 2013.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 20, 2014.

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

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sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

(e) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

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 or losses on transactions between Group companies are 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 non-controlling 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 investment 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

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- (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. Where fair values cannot be reliably estimated, the Group records such investment at cost.

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.

- (d) Hyperinflationary economies

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When the economy of a country in which the Group operates is deemed hyper inflationary and the functional currency of a Group entity is the currency of that hyper inflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the balance sheet, such as property, plant and equipment and inventories, to reflect current purchasing power as at the period end using a general price index from the date when they were first recognized. The gain or loss on the net monetary position for the year is included in finance costs or income. Comparative amounts are not adjusted.

The Group has operations in Iran and Sudan through its subsidiaries namely SBeC and Savola Sudan (the entities). As per the information provided by International Monetary Fund (IMF), the cumulative three year inflation rate for Iran and Sudan exceeded 100 percent as of December 31, 2013, this, combined with other indicators, resulted Iran and Sudan being declared as hyperinflationary economies during December 2013.

The main implications of above application are as follows:

- Adjustment of the historical cost of the entities non-monetary assets and liabilities and the various items of equity of the entities from their date of acquisition or inclusion in the Group consolidated balance sheet to the end of year ended December 31, 2013 to reflect the changes in purchasing power of the currency caused by inflation.
- Adjustment of the income statement of the entities to reflect the financial gain/loss caused by the impact of inflation during the year on net monetary liabilities/assets (loss/gain of purchasing power).
- The various components of the financial statements of these entities have been adjusted for the inflation index since their generation.
- The results and financial position of the entities are translated into Saudi Riyals as per the requirements of applicable accounting standard:
 - (i) assets and liabilities for each balance sheet item presented are translated at the closing exchange rate at the date of that balance sheet; and
 - (ii) income and expenses for each income statement are translated at closing exchange rate.
- The 2012 comparative amounts of the Group consolidated financial statements for the entities were not restated, as not required under the applicable accounting standard.
- The cumulative impact of the accounting restatement to adjust for the effects of hyperinflation for the entities for years prior to 2013 are reflected in the translation differences at the beginning of the 2013 financial year.

The main effects on the Savola Group's consolidated financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) for the year ended December 31, 2013, are as follows:

	Saudi Riyals in thousands
Revenue decreased by	469,722
Income from operations decreased by	59,433
Total non-current assets increased by	460,459
Currency translation differences decreased by	420,478

The management applied the consumer price index (CPI), published by the World Bank and the respective Central Banks of the entities to adjust their financial information. The conversion factors used for the CPI adjustment are given below:

	Iran	Sudan
Conversion factor	1.3	1.2

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 work 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 Deferred charges

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

2.11 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.

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2.12 Assets and liabilities classified as held for sale

Assets and liabilities classified as 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.

2.13 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.

2.14 Accounts payable and accruals

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

2.15 Provision

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

2.16 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the non-controlling 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.

2.17 Employee termination benefits

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

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

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2.18 Revenues

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

Rental income from operating leases is recognized in the income statement 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.

2.19 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.

2.20 Dividends

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

2.21 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.

2.22 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.

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

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between local currencies against Turkish Lira, Egyptian Pounds and Iranian Riyals. Such fluctuations are recorded as a separate component of shareholders' equity in the accompanying financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

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.. USCE entered into Interest Rate Swaps ("IRS") to manage its exposure to interest rate risk. Such IRS is designated as a Cash flow hedge.

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. USCE and USC uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

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 and other 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, 2013, the Group has unused bank financing facilities amounting to Saudi Riyals 3.1 billion (2012: Saudi Riyals 3.2 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 and derivative financial instruments 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:

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

Retail - includes hyper markets, super markets and convenience stores 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, 2013 and 2012, and for the year ended on those dates, summarized by segment, is as follows:

2013	Food	Retail	Plastic	Investments and other activities	Eliminations	Total
Property, plant and equipment - net	3,375,862	1,927,769	538,557	540,770	-	6,382,958
Other non-current assets	869,689	333,868	135,754	8,000,204	-	9,339,515
Revenues - net	14,552,391	10,924,602	1,119,633	140,986	(367,641)	26,369,971
Net income	630,770	405,372	69,520	731,549	(132,730)	1,704,481
				Investments and other activities		
2012	Food	Retail	Plastic		Eliminations	Total
Property, plant and equipment - net	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

(b) The Group's operations are conducted in Saudi Arabia, Egypt, Iran and other countries. Selected financial information as of December 31, 2013 and 2012 and for the years then ended summarized by geographic area, was as follows:

2013	Saudi Arabia	Egypt	Iran	Other countries	Total
Property, plant and equipment - net	3,622,680	1,638,428	831,805	290,045	6,382,958
Other non-current assets	8,386,474	550,449	81,999	320,593	9,339,515
Revenues – net	16,405,862	3,189,259	3,934,882	2,839,968	26,369,971
Net income	1,362,712	59,841	271,926	10,002	1,704,481
2012					
Property, plant and equipment - net	3,464,689	1,553,250	531,693	230,319	5,779,951
Other non-current assets	7,961,777	525,738	118,360	410,817	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

5 Cash and cash equivalents

	2013	2012
Cash in hand	22,761	27,424
Cash at bank	1,193,353	783,491
Short term deposits	147,610	132,344
	1,363,724	943,259

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

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6 Accounts receivable

	Note	2013	2012
Trade		1,286,246	1,541,489
Less: provision for doubtful debts		(135,599)	(199,808)
		1,150,647	1,341,681
Related parties	20.2	114,457	106,279
		1,265,104	1,447,960

7 Inventories

	2013	2012
Finished products	2,394,039	1,981,367
Raw and packing materials	1,541,405	1,454,606
Work in process	180,931	180,431
Spare parts and supplies, not held for sale	207,148	210,098
Goods in transit	263,836	243,229
	4,587,359	4,069,731
Less: provision for inventory obsolescence / slow moving	(99,696)	(96,309)
	4,487,663	3,973,422

Certain inventories at December 31, 2013 and 2012 are pledged with foreign banks as collateral against bank borrowing facilities of certain consolidated subsidiaries.

8 Prepayments and others

	Note	2013	2012
Advances to vendors and others		763,822	735,007
Investment properties classified as held for sale	8.1	-	467,359
Prepaid rent and expenses		282,645	231,589
Insurance claim receivable	8.2	224,959	-
Current portion of long term receivables	8.3	164,248	163,687
Receivable from government authorities	8.4	146,124	198,113
Employee receivables		68,494	64,614
Balance relating to commodity future contracts		55,214	44,865
Unclaimed dividends		14,531	12,044
Restricted deposits		7,913	24,499
Other		91,963	52,121
		1,819,913	1,993,898

8.1 Investment properties classified as held for sale

During 2011, the Company entered into an agreement to sell certain land parcels for an amount of Saudi Riyals 467 million to Knowledge Economic City ("KEC"). Under the agreement, the Company transferred its ownership in two land parcels located in Al Madinah Al Munawarah to one of its subsidiary and subsequently sold its 80% equity ownership in the subsidiary to KEC at a sale value of Saudi Riyal 631.3 million. The Company had received an advance of Saudi Riyal 119.38 million against this sale in prior years (Note 16). The legal formalities of the transaction were completed during November 2013. Accordingly, the Company recorded a capital gain of Saudi Riyals 231.4 million during 2013, in the accompanying consolidated financial statements.

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8.2 Insurance claim receivable

During June 2013, there was a fire incident in the Jeddah raw sugar warehouse of USC. The loss adjuster, appointed by the insurance company, has completed his initial assessment of the losses incurred and submitted the report to the insurance company. USC has recorded an insurance claim, which principally relates to damage to inventories, property, plant and equipment, warehouse and loss of profit claim.

8.3 Current portion of long term receivables

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 up to the year 2014. The total payments of Saudi Riyals 425.6 million (2012: Saudi Riyals 261.9 million) have been received by the Company as of December 31, 2013.

As of December 31, 2013, the installments due in 2014 amounting to Saudi Riyals 164.2 million (2012: classified as long term receivable) are classified as current receivables under prepayments and other receivables in the accompanying consolidated financial statements.

As of December 31, 2013, SBEC and USCE had a long term receivable amounting to Saudi Riyals 52.3 million (2012: Nil).

8.4 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.

9 Assets and liabilities classified as held for sale

During the fourth quarter of 2010, as an outcome of review of its foods business pruning strategy, the Group has decided to entrench its position in core markets and assess exiting from certain overseas operations. Accordingly, parts of manufacturing facilities within the edible oil segment of the Group are presented as 'held for sale'. Efforts to sell these assets which are held for sale have commenced. During the current period, 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 2.9 million during 2013 (2012: net loss of Saudi Riyals 2.1 million). At December 31, 2013, the 'held for sale' business comprised of the following:

	2013	2012
Assets classified as held for sale at their recoverable amount		
Property, plant and equipment	8,088	16,976
Inventories	29,509	82,820
Trade receivables and other receivables	66,382	86,557
	103,979	186,353
Liabilities classified as held for sale		
Borrowings	25,821	133,971
Trade and other payables	66,916	25,268
	92,737	159,239

10 Investments

	Note	2013	2012
Investment in associates	10.1	7,125,209	6,806,659
Available for sale investments (AFS)	10.2	810,140	694,234
Other investments	10.3	8,018	25,767
		7,943,367	7,526,660

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10.1 Investment in associates

Investment in associates at December 31, 2013 and 2012 comprised of the following:

	Effective ownership interest (%)		2013	2012
	2013	2012		
Al Marai Company Ltd ("Al Marai")	36.52	36.52	5,562,966	5,200,273
Kinan International for Real Estate Development Company ("Kinan International")	29.9	29.9	512,328	511,857
Herfy Foods Services Company ("Herfy")	49	49	320,805	282,477
Intaj Capital Limited ("Intaj")	49	49	247,044	365,044
Diyar Al Mashreq ("Diyar")	30	30	298,289	263,230
Al-Seera City Company for Real Estate Development	40	40	164,578	164,578
Knowledge Economic City Development Company	17	17	17,200	17,200
Other	Various	Various	1,999	2,000
			7,125,209	6,806,659

Movement in the investment in associates is as follows:

	2013	2012
January 1	6,806,659	4,528,075
Additions	-	1,980,679
Share in net income	681,912	568,793
Fair value reserves adjustment	(1,405)	(41,205)
Disposals	-	(1,748)
Dividends	(261,957)	(228,098)
Impairment	(100,000)	163
December 31	7,125,209	6,806,659

During December 2013, the Company recognized an impairment provision amounting to Saudi Riyals 100 million on its investment in Intaj.

10.2 Available-for-sale investments

AFS investments at December 31, principally comprise the following:

	Effective ownership interest (%)		2013	2012
	2013	2012		
<u>Quoted investments</u>				
Emaar the Economic City ("Emaar")	0.9	0.9	98,998	61,782
Knowledge Economic City ("KEC")	6.4	6.4	384,417	273,672
Taameer Jordan Holding Company	5.0	5.0	-	9,534
<u>Unquoted investments</u>				
Swicorp Joussour Company	14.81	14	186,298	208,819
Swicorp, Saudi Arabia	15	15	115,674	115,674
Others	Various	Various	24,753	24,753
			810,140	694,234

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

	2013	2012
January 1	694,234	795,472
Disposals	-	(124,650)
Fair value reserves adjustments	125,440	36,312
Other Adjustment	(9,534)	(12,900)
December 31	810,140	694,234

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

10.3 Other investments

	2013	2012
Long term bank deposits of SBeC	8,018	25,767
	8,018	25,767

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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, 2013	679,499	1,743,181	678,313	3,649,219	1,366,113	304,399	1,393,741	9,814,465
Additions	99,110	3,887	36,881	50,357	73,802	49,689	846,801	1,160,527
Disposals	(118,677)	(72,961)	(41,644)	(61,406)	(81,024)	(15,554)	(2,193)	(393,459)
Transfer from / (to) CWIP	-	14,374	73,949	262,194	61,099	177	(411,793)	-
Hyperinflation adjustment	40,471	34,049	3,463	333,357	15,159	2,900	92,923	522,322
Currency translation adjustment	(10,634)	(99,061)	(3,510)	(207,127)	(15,333)	(8,748)	(99,806)	(444,219)
December 31, 2013	689,769	1,623,469	747,452	4,026,594	1,419,816	332,863	1,819,673	10,659,636
Accumulated depreciation								
January 1, 2013	(397)	(637,225)	(225,040)	(2,110,615)	(849,369)	(194,892)	-	(4,017,538)
Additions	-	(55,416)	(71,542)	(207,486)	(164,048)	(41,663)	-	(540,155)
Disposals	-	36,112	6,386	54,728	52,288	13,265	-	162,779
Hyperinflation adjustment	-	(3,041)	-	(38,730)	(3,708)	(786)	-	(46,265)
Currency translation adjustment	-	35,029	915	118,965	11,083	6,597	-	172,589
December 31, 2013	(397)	(624,541)	(289,281)	(2,183,138)	(953,754)	(217,479)	-	(4,268,590)
NBV of assets held for sale as of December 31, 2013	(5,908)	(2,180)	-	-	-	-	-	(8,088)
December 31, 2013	683,464	996,748	458,171	1,843,456	466,062	115,384	1,819,673	6,382,958
NBV of assets held for sale as of December 31, 2012	(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

- (i) Additions include Saudi Riyals 53.6 million in respect of finance costs capitalized during 2013 (2012: Saudi Riyals 31 million). The average rate used to determine the amount of finance costs capitalized during 2013 was 12% (2012: 12%).
- (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 certain subsidiaries of SFC and SPS.
- (iii) Certain property, plant and equipment of certain subsidiaries of the Group are pledged as collateral with Saudi Industrial Development Fund (SIDF) and commercial banks. Also see Note 14.

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12 Intangible assets

	Goodwill	Deferred charges	Other intangible assets	Total
Cost				
January 1, 2013	970,883	650,300	181,177	1,802,360
Additions	-	82,436	-	82,436
Adjustments	(1,225)	-	-	(1,225)
Currency translation adjustment	(31,588)	-	-	(31,588)
December 31, 2013	938,070	732,736	181,177	1,851,983
Amortization				
January 1, 2013	-	(473,102)	(7,125)	(480,227)
Additions	-	(13,088)	(14,840)	(27,928)
December 31, 2013	-	(486,190)	(21,965)	(508,155)
Net balance	938,070	246,546	159,212	1,343,828
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	-	(18,472)	(7,125)	(25,597)
December 31, 2012	-	(473,102)	(7,125)	(480,227)
Net balance	970,883	177,198	174,052	1,322,133

12.1 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, 2013 indicated no impairment charge.

13 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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14 Long-term borrowings

	Note	2013	2012
Commercial bank loans	14.1	3,358,233	4,503,509
Sukuk	14.2	1,500,000	-
SIDF loans	14.3	14,629	19,689
		4,872,862	4,523,198
Current maturity shown under current liabilities		(746,484)	(910,952)
		4,126,378	3,612,246

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, 2013 includes assets of certain consolidated subsidiaries having net book value of approximately Saudi Riyals 1,362 million (2012: Saudi Riyals 1,235 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 Sukuk

In an extraordinary general meeting held on December 15, 2012, the Company's shareholders approved the establishment of a 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.

As of January 22, 2013, the Group completed its initial offering under this program by issuing Sukuk with a total value of Saudi Riyals 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%.

The covenants of the Sukuk require the Group to maintain certain financial and other conditions.

14.3 SIDF loans

Saudi Industrial Development Fund (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, 2013, property, plant and equipment of SPS having a net book value of Saudi Riyals 340.9 million (2012: Saudi Riyals 292 million) were collateralized as security against SIDF loans. The SIDF loan agreements include certain covenants, which among other things require that certain financial ratios be maintained.

14.4 Maturity profile of long-term borrowings

Years ending December 31:

2014	746,484
2015	1,648,128
2016	398,179
2017	344,899
2018 and thereafter	1,735,172
	4,872,862

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15 Accounts payable

	Note	2013	2012
Trade		2,577,575	2,658,452
Related parties	20.2	90,753	85,752
		2,668,328	2,744,204

16 Accrued and other liabilities

	Note	2013	2012
Accrued expenses		485,602	413,684
Accrued zakat and tax	16.1	376,004	342,337
Accrued interest		185,593	214,113
Employee related accrual		165,032	174,718
Marketing related accruals		165,806	170,730
Unclaimed dividend		172,614	165,054
Advance against sale of land	8.1	-	119,378
Payable to contractors		103,031	78,679
Advances from customers		39,103	56,971
Payable to government authorities		25,519	53,276
Accrued utilities		49,221	43,415
Dividend payable to non-controlling interest		29,992	31,370
Balances related to forward contracts		20,685	5,458
Other liabilities		252,919	92,076
		2,071,121	1,961,259

16.1 Zakat and tax matters

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

	2013	2012
Income tax	283,327	225,955
Zakat	28,892	42,193
	312,219	268,148

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

	2013	2012
January 1,	342,337	214,218
Charge	312,219	268,148
Payments / Currency translation adjustment	(278,552)	(140,029)
December 31,	376,004	342,337

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.

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16.1.2 Status of final assessments**(a) Zakat status**

The Company has finalized its zakat status up to the year 2004 and 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 under appeal.

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 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 43.7 million (2012: Saudi Riyals 20.1 million). The subsidiaries have have appealed such additional 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 foreign subsidiaries are currently tax exempt. Tax paying foreign 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 foreign subsidiaries have received final tax assessments for certain years and provisional tax assessments for other years. They have also received queries from departments of income tax after their assessment or inspections for open years, for which replies have been filed.

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

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 of certain foreign subsidiaries of the Group under the liability method using effective tax rate.

17 Deferred gain

	2013	2012
January 1	103,193	103,181
Addition	87,994	9,120
Amortization	(11,071)	(9,108)
December 31	180,116	103,193

Deferred gain principally relates to deferral of capital gain on land and building sale and operating leaseback transaction by the Group subsidiaries. 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

	2013	2012
January 1	353,751	307,263
Provisions	85,268	84,082
Payments / Currency translation adjustment	(88,050)	(37,594)
December 31	350,969	353,751

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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. 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:

	2013	2012
Sales	674,256	638,618
Purchases	583,311	508,822
Rent expense charged by related parties	87,356	88,339
Key management personnel remuneration	37,647	31,282

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	2013	2012
Intaj	Associate	51,806	51,806
Certain shareholders of USC	Shareholders of a subsidiary	62,152	45,151
Kinan International	Associate	-	3,351
Afia Wings International Company	Associate	-	2,757
Other		499	3,214
		<u>114,457</u>	<u>106,279</u>

(ii) Payable to related parties

Company name	Relationship	2013	2012
Abdul Kadir Al Muhaidib Company	Shareholder of the Company	46,571	33,433
Al Marai Company	Associate	24,987	27,871
Herfy	Associate	6,808	7,375
Hail Agricultural Development Company	Affiliate	10,788	4,329
Other		1,599	12,744
		<u>90,753</u>	<u>85,752</u>

20.3 Board of directors remuneration

Board of Directors' remuneration for the year ended December 31, 2013 amounting to Saudi Riyals 2.2 million (2012: 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, 2013 amounting to Saudi Riyals 1,554 thousand (2012: Saudi Riyals 675 thousand) are charged to expenses and included under general and administrative expenses.

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21 Share capital

At December 31, 2013, the Company's share capital of Saudi Riyals 5.3 billion consists of 533.9 million fully paid shares of Saudi Riyals 10 each (December 31, 2012: Saudi Riyals 5 billion consisting of 500 million fully paid shares of Saudi Riyals 10 each). Please also refer to Note 1.

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.

23 Selling and marketing expenses

	2013	2012
Salaries, wages and benefits	877,519	817,932
Rent	427,089	380,639
Advertisement	416,981	410,483
Depreciation and amortization	272,098	276,024
Utilities	170,197	154,504
Maintenance	130,431	109,014
Commission	85,122	116,093
Transportation	14,120	10,552
Other	82,925	48,711
	2,476,482	2,323,952

24 General and administrative expenses

	2013	2012
Salaries, wages and benefits	412,923	394,657
Depreciation and amortization	35,569	24,226
Professional fees	25,666	28,048
Insurance	14,025	10,704
Rent	12,893	12,225
Traveling	12,331	12,750
Training	12,310	10,327
Utilities, telephone and communication cost	7,977	10,967
Information technology	3,628	4,205
Supplies and packaging	3,595	4,480
Repairs and maintenance	2,310	9,165
Other	90,040	68,563
	633,267	590,317

25 Financial charges

	Note	2013	2012
Bank commission on loans and other borrowings	13,14	330,911	456,174
Income earned on short-term bank deposits	5	(71,950)	(28,793)
		258,961	427,381

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26 Operating leases

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2013 amounted to Saudi Riyals 467.2 million (2012: Saudi Riyals 393 million). Future rental commitments at December 31, 2013 under these operating leases are as follows:

	2013	2012
Within one year	554,750	497,685
Between two and five years	2,539,466	2,611,474
More than five years	4,046,610	4,149,669
	7,140,826	7,258,828

27 Earnings per share

Earnings per share for the years ended December 31, 2013 and 2012, have been computed by dividing the operating income and net income attributable to shareholders of the Company for such years by the weighted average number of shares outstanding during such years. The weighted average number of shares for the year ended December 31, 2013, were computed based on the number of original shares issued at the beginning of the year and the new shares issued to Al Muhaidib Holding Company in November 2013. Also, see note 1 and 21.

28 Dividends

The Company's shareholders have approved and paid dividends amounting to Saudi Riyals 1,017 million in 2013. 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 11, 2013	SR 0.50 per share	Interim	250
July 16, 2013	SR 0.50 per share	Interim	250
October 23, 2013	SR 0.50 per share	Interim	250
January 19, 2014	SR 0.50 per share	Final 2013	266.99

29 Contingencies and commitments

- i) The Group has outstanding bank guarantees and letters of credit amounting to Saudi Riyals 274.3 million at December 31, 2013 (2012: Saudi Riyals 227.4 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 26 with respect to leases;
- iii) At December 31, 2013, one of the subsidiaries had commitments to sell in 2014 refined sugar of approximately 398,137 MT (2012: 378,682 MT to sell in 2013) 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, 2013, the Group had outstanding commitments of Saudi Riyals 111 million (2012: Saudi Riyals 167.3 million) for investments; and
- v) At December 31, 2013, the Group had outstanding capital commitments of Saudi Riyals 341.5 million (2012: Saudi Riyals 295.5 million).