SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
AND INDEPENDENT AUDITORS' REPORT

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Page
Independent auditors' report	2
Consolidated balance sheet	3
Consolidated income statement	4
Consolidated cash flow statement	5 - 6
Consolidated statement of changes in shareholders' equity	7
Notes to the consolidated financial statements	8 - 35

pwc

INDEPENDENT AUDITORS' REPORT

February 23, 2015

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, 2014 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 34 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, 2014 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: ____________________
Ali A. Alotaibi
License Number 379

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

PricewaterhouseCoopers, License No. 25,
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, 2014	2013
Assets			
Current assets			
Cash and cash equivalents	5	**1,634,512**	1,363,724
Accounts receivable	6	**1,059,212**	1,265,104
Inventories	7	**4,413,108**	4,487,663
Prepayments and other receivables	8	**1,795,048**	1,819,913
Assets classified as held for sale	9	**1,335,837**	103,979
		10,237,717	9,040,383
Non-current assets			
Long term receivables	10	**322,096**	52,320
Investments	11	**7,920,716**	7,943,367
Property, plant and equipment	12	**6,755,516**	6,382,958
Intangible assets	13	**1,165,581**	1,343,828
		16,163,909	15,722,473
Total assets		**26,401,626**	24,762,856
Liabilities			
Current liabilities			
Short-term borrowings	14	**3,964,079**	3,534,432
Current maturity of long-term borrowings	15	**646,204**	746,484
Accounts payable	16	**2,720,891**	2,668,328
Accrued and other liabilities	17	**2,072,656**	2,060,371
Liabilities associated with assets as held for sale	9	**757,660**	92,737
		10,161,490	9,102,352
Non-current liabilities			
Long-term borrowings	15	**4,602,713**	4,126,378
Deferred tax liability	17	**80,205**	45,939
Deferred gain	18	**192,410**	180,116
Long-term payables	19	**64,588**	65,557
Employee termination benefits	20	**372,168**	350,969
		5,312,084	4,768,959
Total liabilities		**15,473,574**	13,871,311
Equity			
Share capital	22	**5,339,807**	5,339,807
Share premium	1	**342,974**	342,974
Statutory reserve	23	**1,594,910**	1,387,678
General reserve		**4,000**	4,000
Retained earnings		**3,733,430**	3,072,000
Fair value reserves	24	**(17,465)**	131,992
Effect of acquisition transactions with non-controlling interest without change in control		**(229,962)**	27,905
Currency translation differences		**(801,528)**	(655,379)
Equity attributable to shareholders' of the parent company		**9,966,166**	9,650,977
Non-controlling interest		**961,886**	1,240,568
Total equity		**10,928,052**	10,891,545
Total liabilities and equity		**26,401,626**	24,762,856
Contingencies and commitments	34		

The notes on pages from 8 to 35 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, 2014	2013
Revenues	21	**26,587,842**	25,280,718
Cost of sales	21	**(21,724,122)**	(20,507,182)
Gross profit		**4,863,720**	4,773,536
Share in net income of associates and dividend income of available-for-sale investments – net	11	**977,588**	760,379
Total operating income		**5,841,308**	5,533,915
Operating expenses			
Selling and marketing	20, 25	**(2,723,492)**	(2,443,192)
General and administrative	20, 26	**(663,128)**	(600,996)
Total operating expenses		**(3,386,620)**	(3,044,188)
Income from operations		**2,454,688**	2,489,727
Other income (expenses)			
Gain on disposal of investments	27	**209,700**	231,411
Impairment loss	28	**(67,400)**	(100,000)
Financial charges – net	29	**(236,553)**	(240,167)
Income before zakat and foreign income tax		**2,360,435**	2,380,971
Zakat and foreign income tax	17	**(180,426)**	(303,321)
Income from continuing operations		**2,180,009**	2,077,650
Income from discontinued operations	9.2	**50,285**	69,519
Net income for the year		**2,230,294**	2,147,169
Net income attributable to:			
• Shareholders' of the parent company		**2,072,319**	1,704,481
• Non-controlling interest's share of year's net income in subsidiaries		**157,975**	442,688
Net income for the year		**2,230,294**	2,147,169
Earnings per share (in Saudi Riyals):	32		
• Operating income		**4.60**	4.92
• Net income for the year attributable to the shareholders' of the parent company		**3.88**	3.37
Weighted average number of shares outstanding (in thousand)		**533,981**	505,663

The notes on pages from 8 to 35 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,	
	2014	**2013**
Cash flow from operating activities		
Net income for the year	**2,230,294**	2,147,169
Adjustments for non-cash items		
Depreciation, amortization, impairment and amortization of deferred gain	**627,547**	657,012
Share in net income of associates and dividend income	**(930,153)**	(749,796)
Financial charges – net	**236,553**	258,961
Gain from disposal of investments	**(209,700)**	(231,411)
Gain on sale of property, plant and equipment	**(7,193)**	(2,008)
Changes in working capital		
Accounts receivable	**(197,823)**	182,855
Inventories	**(302,996)**	(514,241)
Prepayments and other receivables	**74,658**	(264,938)
Accounts payable	**193,685**	(75,876)
Accrued and other liabilities	**346,038**	114,658
Employee termination benefits	**60,611**	(2,782)
Net cash generated from operating activities	**2,121,521**	1,519,603
Cash flow from investing activities		
Dividends received	**354,939**	352,364
Proceeds from sale of investments	**322,509**	672,107
Change in long term receivables	**4,324**	115,579
Effect of acquisition transaction with non-controlling interest without change in control	**-**	40,061
Proceeds from sale of property, plant and equipment	**147,691**	152,709
Addition to intangible assets	**(27,614)**	(81,212)
Purchase of property, plant and equipment	**(1,818,881)**	(1,160,527)
Net cash (utilized in) generated from investing activities	**(1,017,032)**	91,081
Cash flow from financing activities		
Net change in short-term borrowings	**842,770**	212,731
Additions to long-term borrowings - net	**437,588**	404,383
Net change in restricted deposits financing	**(20,443)**	16,586
Changes in non-controlling interest	**(524,889)**	(300,464)
Financial charges - net	**(236,553)**	(258,961)
Dividends paid	**(1,192,049)**	(993,119)
Net cash utilized in financing activities	**(693,576)**	(918,844)

(Continued)

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

	Note	Year ended December 31, 2014	2013
Net change in cash and cash equivalents		**410,913**	691,840
Effect of currency translation on cash and cash equivalents		**(41,732)**	(271,375)
Cash and cash equivalents at beginning of year		**1,363,724**	943,259
Cash and cash equivalents at end of year		**1,732,905**	1,363,724
Less: cash and cash equivalents classified as held for sale	1(a)	**(45,600)**	-
Less: cash related to subsidiary disposed	1(b)	**(52,793)**	-
Cash and cash equivalents at end of year from continuing operations		**1,634,512**	1,363,724
Supplemental schedule of non-cash information			
Directors' remuneration		**2,200**	2,200
Fair value reserves	24	**(149,457)**	137,693
Currency translation differences		**(146,149)**	(184,311)
Effect of acquisition transaction with minority shareholders without change in control		**(257,867)**	-

The notes on pages from 8 to 35 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2014
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	General Reserve	Retained earnings	Fair value reserves	Effect of acquisition transaction with non-controlling interest without change in control	Currency translation differences	Total shareholders' equity	Non-controlling interest	Total equity
January 1, 2014		**5,339,807**	**342,974**	**1,387,678**	**4,000**	**3,072,000**	**131,992**	**27,905**	**(655,379)**	**9,650,977**	**1,240,568**	**10,891,545**
Net income for the year		-	-	-	-	2,072,319	-	-	-	2,072,319	157,975	**2,230,294**
Transfer to statutory reserve	23	-	-	207,232		(207,232)		-	-	-	-	**-**
Dividends	33	-	-	-	-	(1,201,457)	-	-	-	(1,201,457)	-	**(1,201,457)**
Fair value reserve adjustment	24	-	-	-	-	-	(149,457)	-	-	(149,457)	-	**(149,457)**
Currency translation differences		-	-	-	-	-	-	-	(146,149)	(146,149)	-	**(146,149)**
Directors remuneration	21	-	-	-	-	(2,200)	-	-	-	(2,200)	-	**(2,200)**
Acquisition of non-controlling interest without change in control	1(c)	-	-	-	-	-	-	(257,867)	-	(257,867)	-	**(257,867)**
Other changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(436,657)	**(436,657)**
December 31, 2014		**5,339,807**	**342,974**	**1,594,910**	**4,000**	**3,733,430**	**(17,465)**	**(229,962)**	**(801,528)**	**9,966,166**	**961,886**	**10,928,052**
January 1, 2013		5,000,000	-	1,217,231	4,000	2,540,166	(5,701)	2,042	(471,068)	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	23	-	-	170,447	-	(170,447)	-	-	-	-	-	-
Dividends	33	-	-	-	-	(1,000,000)	-	-	-	(1,000,000)	-	(1,000,000)
Fair value reserve adjustment	24	-	-	-	-	-	137,693	-	-	137,693	-	137,693
Currency translation differences		-	-	-	-	-	-	-	(184,311)	(184,311)	-	(184,311)
Directors remuneration	21	-	-	-	-	(2,200)	-	-	-	(2,200)	-	(2,200)
Acquisition of non-controlling interest without change in control		-	-	-	-	-	-	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	3,072,000	131,992	27,905	(655,379)	9,650,977	1,240,568	10,891,545

The notes on pages 8 to 35 form an integral part of these consolidated financial statements.

(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 Company has investments in the following subsidiaries (collectively referred to 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 2014	2013
Savola Foods Company ("SFC")	Saudi Arabia	Foods	**100**	100
Panda Retail Company ("Panda") (Formerly Al-Azizia Panda United Company)	Saudi Arabia	Retail	**92**	92
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**	10

* Group holds controlling equity ownership interest in USCE and Giant through indirect shareholding of other Group companies.

Effective September 16, 2009, the Group's subsidiary, Panda 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 Panda at a price of Saudi Riyals 51.92 per share. Also as per the agreement, Geant is entitled to acquire 1% share of Panda each year at an option value approximate to its fair value for a period of up to 3 years. In 2013, Geant exercised its right of acquiring 1% ownership interest in Panda. However, Geant did not exercise its right to acquire 1% share in the year 2014.

As part of Group's strategic assessment of its core operations, during December 2014, management has entered into a Sale Purchase Agreement ("Agreement") with a third party for disposal of SPS which represents Group's plastic segment. As at year end date, completion of sale of SPS is pending upon completion of legal formalities including approval from certain government authorities. Accordingly, the assets and liabilities of SPS have been classified as 'held for sale' in the December 31, 2014 consolidated balance sheet and net income of SPS for the year ended December 31, 2014 has been disclosed as 'Income from discontinued operations' in the consolidated income statement. In accordance with the generally accepted accounting standards in Saudi Arabia, financial information relating to SPS in the 2013 consolidated income statement have also been reclassified as 'Income from discontinued operations'. Also, see Note 9 for details.

During second quarter of 2013, the Board of Directors of the Company approved to acquire the non-controlling interest ownership equity of 18.6% in Panda and 10% in SFC from Al Muhaidib Holding Company in exchange for the issue of 33.9 million new shares of the Company. The transaction was completed upon shareholders' approval in an Extra Ordinary General Meeting in November 2013 and certain other legal formalities. As a result, as at December 31, 2013, the Company's share capital increased by Saudi Riyals 339.8 million and share premium increased by Saudi Riyals 342.9 million, upon issuance of new shares.

(All amounts in Saudi Riyals thousands unless otherwise stated)

(ii) Dormant and Holding subsidiaries

Subsidiary name	**Country of incorporation**	**Principal business Activity**	**Ownership interest (%) at December 31 2014**	**2013**
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	Holding Company	**100**	100
Alwaqat Al Kawniah Limited	Saudi Arabia	Holding Company	**100**	100
Aalinah Al Kawniah Limited	Saudi Arabia	Holding Company	**100**	100
Abtkar Al Kawniah Limited	Saudi Arabia	Holding Company	**100**	100
Adeem Arabia Company Ltd. (“AAC”)	Saudi Arabia	Holding Company	**80**	80
Savola Industrial Investments Co. ("SIIC")*	Saudi Arabia	Holding Company	**5**	5
Madarek Investment Company	Jordan	Holding Company	**100**	100
Utur Packaging Materials Company Limited (“Utur”)	Saudi Arabia	Holding Company	**100**	100
Al Mojammat Al Mowahadah Real Estate Company (“Mojammat”)	Saudi Arabia	Holding Company	**100**	100
Marasina International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	**100**	100
Asda'a International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	**100**	100
Masa'ay International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	**100**	100
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

* Group holds controlling equity ownership interest in SIIC through shareholding of SFC.

(b) Subsidiaries controlled through SFC

Subsidiary name	**Country of incorporation**	**Principal business Activity**	**Ownership interest (%) at December 31 2014**	**2013**
Afia International Company (“AIC”)	Saudi Arabia	Manufacturing of Edible oils	**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 (“SFSC”)	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 (“IFI”)	Saudi Arabia	Manufacturing of Specialty fats	**60**	60
Alexandria Sugar Company Egypt (“ASCE”)	Egypt	Manufacturing of Sugar	**19**	19
<u>SFCI</u>				
Modern Behtaam Royan Kaveh Company “MBRK”	Iran	Food and confectionary	**100**	100
<u>SIIC</u>				
United Sugar Company (“USC”)	Saudi Arabia	Manufacturing of Sugar	**74.48**	74.48

(All amounts in Saudi Riyals thousands unless otherwise stated)

(b) Subsidiaries controlled through SFC (continued)

Subsidiary name	Country of incorporation	Principal business Activity	Subsidiary ownership interest (%) at December 31 2014	2013
USC				
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
USCE				
ASCE	Egypt	Manufacturing of Sugar	**18.87**	18.87
ASCE				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	**100**	-
SFEM				
Savola Morocco Company	Morocco	Manufacturing of Edible oils	**100**	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of Edible oils	**100**	100
AFIA International Company – Algeria	Algeria	Manufacturing of Edible oils	**100**	100

During 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’. During June 2014, the Group management sold one part of such business at a gain of Saudi Riyals 22.1 million.

During June 2013, there was a fire incident in the Jeddah raw sugar warehouse of USC. The loss adjuster, appointed by the insurance company of USC, completed its initial assessment of the losses incurred and submitted its report to the insurance company. Management believes that no significant loss will arise as a result of the final settlement of the claim.

(c) Subsidiaries controlled through AIC

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31 2014	2013
Savola Behshahr Company (SBeC)	Iran	Holding Company	**90**	80
Malintra Holdings	Luxembourg	Holding Company	**100**	100
Savola Foods Limited (“SFL”)	British Virgin Islands	Holding Company	**100**	100
Afia International Company - Jordan	Jordan	Dormant Company	**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
SBeC				
Behshahr Industrial Company (“BIC”)	Iran	Manufacturing of Edible oils	**79.9**	79.9
Margarine Manufacturing Company (“MMC”)	Iran	Manufacturing of Edible oils	**-**	79.9
Tolue Pakshe Aftab (“TPA”) Company	Iran	Trading and Distribution	**100**	100
Savola Behshahr Sugar Company	Iran	Trading and Distribution	**100**	-

(All amounts in Saudi Riyals thousands unless otherwise stated)

(c) Subsidiaries controlled through AIC (Continued)

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31 2014	2013
SFL				
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
Inveskz Inc.				
Savola Foods CIS	Kazakhstan	Manufacturing of Edible oils	**-**	100
KUGU				
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	Manufacturing of Edible oils	**100**	100

During May 2014, AIC acquired additional 10% equity ownership interest in SBeC from Behshar Industrial Development Company ("BID"), in exchange of disposing its indirect shareholding of 79.9% equity ownership interest in MMC to BID. Accordingly, the Group recorded an adjustment in 'Effect of acquisition transaction with non-controlling without change in control' on this transaction amounting to Saudi Riyals 257.9 million.

(d) Subsidiaries controlled through Panda

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31 2014	2013
Panda				
Giant	Saudi Arabia	Retail	**90**	90
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services & Maintenance	**100**	100
Panda International for Retail Trading	Egypt	Retail	**100**	-
Panda International Retail Trading	United Arab Emirates	Retail	**100**	-
Giant				
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 2014	2013
SPS				
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

As indicated in Note 1(a), SPS and its subsidiaries are classified as held for sale.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 22, 2015.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

2.2 Critical accounting estimates and judgments

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

(a) Impairment of goodwill

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

(b) Impairment of available for sale investments

The Group exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgment. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Provision for doubtful debts

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

(d) Provision for inventory obsolescence

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

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.

(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. 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

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.

2.6 Cash and cash equivalents

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

2.7 Accounts receivable

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 Other intangible assets with infinite useful life

Other intangible assets comprise of trade name and certain other intangibles. Intangible assets with infinite useful life represent group acquisition of such asset in a business combination. These assets are carried at cost and are not amortized.

2.12 Impairment of non-current assets

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

2.13 Assets and liabilities classified as held for sale

Assets 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.

2.14 Borrowings

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

2.15 Sukuk

The Group classifies its Sukuk as financial liability, in accordance with the substance of the contractual terms of the Sukuk.

2.16 Accounts payable and accruals

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

2.17 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.

2.18 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.

2.19 Employee termination benefits

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

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

2.20 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.

2.21 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.

2.22 Dividends

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

2.23 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 8.2. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Company only applies fair value hedge accounting for hedging commodity (raw sugar) value risk. The gain or loss relating to the effective portion of the hedging transaction is recognised in the income statement within “cost of sales”. The gain or loss relating to the ineffective portion is recognised in the income statement within ‘Finance income / charges - net’. Changes in the fair value of the hedge futures are recognised in the income statement within ‘Cost of Sales’.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Finance income / charges - net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of commodity value is recognised in the income statement within 'Cost of sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'Finance income / charges - net'.

2.24 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, Sudanese Pounds and Turkish Lira.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Iranian Riyals, Turkish Lira, Egyptian Pounds and Sudanese Pounds. 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. During 2014, Company entered into Interest Rate Swaps ("IRS") to manage its exposure to interest rate risk. Such IRS is designated as a Cash flow hedge.

(All amounts in Saudi Riyals thousands unless otherwise stated)

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, 2014, the Group has unused bank financing facilities amounting to Saudi Riyals 3.9 billion (2013: Saudi Riyals 3.1 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.

(a) Selected financial information as of December 31, 2014 and 2013, and for the year ended on those dates, summarized by segment, is as follows:

2014	**Food**	**Retail**	**Plastic**	**Investments and other activities**	**Eliminations**	**Total**
Property, plant and equipment - net	3,261,232	2,983,434	-	510,850	-	**6,755,516**
Other non-current assets	805,757	322,826	-	8,279,810	-	**9,408,393**
Revenues - net	14,591,948	12,204,377	-	127,173	(335,656)	**26,587,842**
Net income	610,285	502,649	50,285	937,564	(28,464)	**2,072,319**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Food	Retail	Plastic	Investments and other activities	Eliminations	Total
2013						
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	-	140,986	(337,260)	**25,280,718**
Net income	630,770	405,372	69,520	731,549	(132,730)	**1,704,481**

(b) The Group's operations are conducted in Saudi Arabia, Egypt, Iran and other countries. Selected financial information as of December 31, 2014 and 2013 and for the years then ended summarized by geographic area, was as follows:

2014	Saudi Arabia	Egypt	Iran	Other countries	Total
Property, plant and equipment - net	4,173,071	1,632,517	515,636	434,292	**6,755,516**
Other non-current assets	8,792,209	441,669	60,956	113,559	**9,408,393**
Revenues – net	16,780,850	3,552,328	3,463,111	2,791,553	**26,587,842**
Net income (loss)	1,863,304	(38,709)	158,909	88,815	**2,072,319**

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	15,447,154	3,059,081	3,914,406	2,860,077	**25,280,718**
Net income	1,362,712	59,841	271,926	10,002	**1,704,481**

5 Cash and cash equivalents

	2014	2013
Cash in hand	**121,266**	22,761
Cash at bank	**1,126,527**	1,193,353
Short term deposits	**386,719**	147,610
	1,634,512	1,363,724

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

6 Accounts receivable

	Note	2014	2013
Trade		**994,932**	1,286,246
Less: provision for doubtful debts		**(57,063)**	(135,599)
		937,869	1,150,647
Related parties	21.2	**121,343**	114,457
		1,059,212	1,265,104

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Inventories

	2014	2013
Finished products	**2,762,835**	2,394,039
Raw and packing materials	**1,142,589**	1,541,405
Work in process	**152,890**	180,931
Spare parts and supplies, not held for sale	**195,635**	207,148
Goods in transit	**239,398**	263,836
	4,493,347	4,587,359
Less: provision for inventory obsolescence / slow moving	**(80,239)**	(99,696)
	4,413,108	4,487,663

Inventories amounting to Saudi Riyals 353.9 million at December 31, 2014 (2013: Saudi Riyals 396.7 million) are pledged with foreign banks as collateral against bank borrowing facilities of certain consolidated subsidiaries.

8 Prepayments and other receivables

	Note	2014	2013
Advances to vendors and others		**625,815**	763,822
Prepaid rent and expenses		**360,177**	282,645
Insurance claim receivable	1(b)	**203,725**	224,959
Current portion of long term receivables	8.1,10.1	**153,395**	164,248
Balance relating to commodity future and forward contracts	8.2	**120,162**	55,214
Receivable from government authorities	8.3	**111,085**	146,124
Employee receivables		**61,158**	68,494
Restricted deposits		**28,356**	7,913
Unclaimed dividends		**16,880**	14,531
Other		**114,295**	91,963
		1,795,048	1,819,913

8.1 Current portion of long term receivables

During 2011, the Company's land parcels (investment property) were sold to Kinan International at a total price of Saudi Riyals 608 million. As per the terms of the agreement, Kinan International paid the price in installments ranging up to the year 2014. During 2014, the last installment amounting to Saudi Riyals 164.2 million was collected by the Group. Also, see note 11.1 for the current portion of long term receivables amounting to Saudi Riyals 153.9 million.

8.2 Balance related to future and forward contracts

Balance related to future and forward contracts represents fair value of hedging contracts outstanding at year end date which were entered into by the Group during the year. The hedge effectiveness test conducted by the management has proven that fair value hedge was highly effective. Accordingly, the effective portion of the changes in the fair value of the derivatives was charged directly to the 'cost of sales' in accordance with the accounting policy. The hedging arrangements that did not qualify for hedge accounting were recognised in the income statement amounting to gain of Saudi Riyals 55 million (2013: Nil). The effective portion recognised in the fair value reserve on the balance sheet that arises from cash flow hedges amounts to a gain of Saudi Riyals 2.5 million (2013: Nil).

8.3 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, subsidies and advance taxes.

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 Assets classified as held for sale and liabilities associated with assets held for sale

As explained in Note 1, during December 2014, subsequent to entering into an Agreement with a third party for disposal of SPS, management has classified the assets and liabilities of SPS, which represent the Plastic segment of the Group, as held for sale. The comparative amounts relates to Foods companies. Details of assets and liabilities held for sale at December 31, are as follows:

	Note	2014	2013
Assets classified as held for sale, relating to			
- Plastics segment	1(a)	**1,298,916**	-
- Food companies	1(c)	**36,921**	103,979
		1,335,837	103,979
Liabilities associated with assets held for sale, relating to			
- Plastics segment	1(a)	**674,561**	-
- Food companies	1(c)	**83,099**	92,737
		757,660	92,737

9.1 Balance sheet

	2014	2013
Assets		
Cash and cash equivalents	**45,600**	3,913
Accounts receivable and other receivables	**350,437**	62,469
Inventories	**275,046**	29,509
Property, plant and equipment	**530,159**	8,088
Other non-current assets	**134,595**	-
Disclosed as 'Assets classified as held for sale' in the interim consolidated balance sheet	**1,335,837**	103,979
Liabilities		
Borrowings	**478,064**	25,821
Accounts payable and other liabilities	**245,159**	66,916
Non-current liabilities	**34,437**	-
Disclosed as 'Liabilities associated with assets held for sale', in the interim consolidated balance sheet	**757,660**	92,737

The "Currency translation differences" and "Effect of acquisition transaction with non-controlling interest without change in control", related to the discontinued plastic segment operations, amounts to Saudi Riyals 21.1 million and Saudi Riyals 11.1 million, respectively as at December 31, 2014.

9.2 Income statement

Details of income from discontinued plastic segment operations for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Sales	**1,110,880**	1,119,633
Cost of sales	**(973,941)**	(964,064)
Gross profit	**136,939**	155,569
Operating expenses		
Selling and marketing	**(38,704)**	(36,600)
General and administrative	**(34,268)**	(28,960)
Income from operations	**63,967**	90,009
Other income (expenses)		
Financial charges	**(10,220)**	(11,592)
Income before foreign income taxes and zakat	**53,747**	78,417
Zakat and foreign income taxes	**(3,462)**	(8,898)
Net income for the year disclosed as 'Income from discontinued operations' in the consolidated income statement	**50,285**	69,519

(All amounts in Saudi Riyals thousands unless otherwise stated)

9.3 Cash flows

Details of cash flows from discontinued plastic segment operations for the year ended December 31, are as follows:

	2014	2013
Cash flows from operating activities	**104,291**	(12,904)
Cash flows from investing activities	**(50,793)**	(102,095)
Cash flows from financing activities	**(75,701)**	101,630
Total cash flows from discontinued operations	**(22,203)**	(13,369)

10 Long term receivables

		2014	2013
Sale proceeds receivable on disposal of investment in Diyar	11.1	**298,480**	-
Non-current trade receivable		**23,616**	52,320
		322,096	52,320

11 Investments

	Note	2014	2013
Investment in associates	11.1	**7,188,197**	7,125,209
Available for sale investments (AFS)	11.2	**732,519**	810,140
Other investments	11.3	**-**	8,018
		7,920,716	7,943,367

11.1 Investment in associates

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

	Effective ownership interest (%)		2014	2013
	2014	2013		
Almarai Company ("Almarai")	**36.52**	36.52	**5,856,686**	5,562,966
Kinan International for Real Estate Development Company ("Kinan")	**29.9**	29.9	**597,418**	512,328
Herfy Foods Services Company	**49**	49	**361,072**	320,805
Intaj Capital Limited	**49**	49	**189,244**	247,044
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
Diyar Al Mashreq ("Diyar")	**-**	30	**-**	298,289
Others	**Various**	Various	**1,999**	1,999
			7,188,197	7,125,209

Movement in the investment in associates is as follows:

	Note	2014	2013
January 1		**7,125,209**	6,806,659
Share in net income		**930,153**	681,912
Fair value reserve adjustment	24	**(98,648)**	(1,405)
Disposals	11.1.1	**(285,026)**	-
Dividends		**(354,939)**	(261,957)
Other adjustments	11.1.2	**(80,752)**	-
Impairment	28	**(47,800)**	(100,000)
December 31		**7,188,197**	7,125,209

(All amounts in Saudi Riyals thousands unless otherwise stated)

11.1.1 During September 2014, the Company sold its direct and indirect ownership in Diyar Al Mashreq (Masharef Project) to its associate Kinan at a total price of Saudi Riyals 593.6 million. Accordingly, the Group recorded a capital gain on this transaction amounting to Saudi Riyals 187.5 million. As per the terms of the agreement, Kinan will pay the proceeds in four installments. First instalment of Saudi Riyals 112 million was paid upon signing of contract. The remaining three installments are due within a period of three years ending in the year 2017. The abovementioned receivable amounts from Kinan are discounted at their respective present values and are included within 'Long term receivables' in the consolidated balance sheet. The schedules for the receipt of remaining three installments for the above transactions are due as follows:

Years ending December 31:	**Note**	
Classified as current within prepayments and other receivables	**8**	**153,395**
Classified as non-current, included within long term receivables	**10**	**298,480**
		451,875

11.1.2 Other adjustment represents the adjustment in the capital gain, as required by general accepted accounting principles, on the sale of Diyar to the extent of Company's shareholding percentage in Kinan, since Kinan is an associate of the Group.

11.2 Available-for-sale investments

AFS investments at December 31, principally comprise the following:

	Effective ownership interest (%)		**2014**	**2013**
	2014	**2014**		
<u>Quoted investments</u>				
Emaar the Economic City	0.9	0.9	**88,503**	98,998
Knowledge Economic City	6.4	6.4	**367,720**	384,417
Taameer Jordan Holding Company	5.0	5.0	**-**	-
<u>Unquoted investments</u>				
Swicorp Joussour Company ("Joussour")	14.81	14.81	**135,869**	186,298
Swicorp, Saudi Arabia	15	15	**115,674**	115,674
Others	Various	Various	**24,753**	24,753
			732,519	810,140

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

	Note	**2014**	**2013**
January 1		**810,140**	694,234
Impairment	28	**(19,600)**	-
Fair value reserves adjustments	24	**(27,193)**	140,611
Capital reduction		**(30,828)**	(24,705)
December 31		**732,519**	810,140

11.3 Other investments

Other investments at December 31, 2013 of Saudi Riyals 8 million (2014: Nil), represents long term deposits of SBeC.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2014
(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Property, plant and equipment

Cost	**Land**	**Buildings**	**Leasehold improvements**	**Plant and equipment**	**Furniture and office equipment**	**Vehicles**	**Construction work in progress**	**Total**
January 1, 2014	676,097	1,026,743	1,280,736	3,972,656	1,678,432	328,541	1,684,582	**10,647,787**
Additions	429,128	28,080	143,234	41,347	256,561	46,362	874,169	**1,818,881**
Assets classified as held for sale	(8,473)	(3,073)	(126,222)	(1,019,577)	(11,878)	(8,352)	(65,542)	**(1,243,117)**
Disposals	(54,912)	(47,846)	(5,292)	-	(15,612)	(8,715)	(1,419)	**(133,796)**
Transfer from / (to) CWIP	(5,174)	(32,345)	140,154	(148,237)	169,354	(2,210)	(268,039)	**(146,497)**
Hyperinflation adjustment	656	9,070	910	(8,840)	1,081	645	(25,513)	**(21,991)**
Currency translation differences	(73,498)	(41,573)	(3,655)	(126,421)	(9,020)	(2,449)	(28,613)	**(285,229)**
December 31, 2014	963,824	939,056	1,429,865	2,710,928	2,068,918	353,822	2,169,625	**10,636,038**
Accumulated depreciation								
January 1, 2014	-	(401,462)	(384,675)	(2,149,983)	(1,106,417)	(214,101)	(103)	**(4,256,741)**
Additions	-	(57,849)	(81,701)	(177,043)	(177,828)	(39,654)	-	**(534,075)**
Assets classified as held for sale	-	-	65,651	610,648	9,967	6,053	-	**692,319**
Disposals	-	32,275	7,674	122,154	19,613	11,071	-	**192,787**
Hyperinflation adjustment	-	(1,625)	(1)	(8,445)	(430)	(1,826)	-	**(12,327)**
Currency translation differences	-	5,964	(3,757)	31,706	2,271	1,331	-	**37,515**
December 31, 2014	-	(422,697)	(396,809)	(1,570,963)	(1,252,824)	(237,126)	(103)	**(3,880,522)**
Net Book value	**963,824**	**516,359**	**1,033,056**	**1,139,965**	**816,094**	**116,696**	**2,169,522**	**6,755,516**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**

a) Currency translation differences at December 2014 pertain to differences from currency translation of the Group's overseas subsidiaries.
b) Property, plant and equipment classified as held-for-sale relates to Savola Morocco Company, Group's subsidiary in Morocco. See note 9 for further details.
c) 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.
d) Disposals include property, plant and equipment of MMC, Group's subsidiary in Iran, which was sold during the year. Please see note 1 for details.
e) Certain property, plant and equipment of the Group overseas subsidiaries are pledged as collateral with commercial banks. Also see Note 15.
f) Additions include Saudi Riyals 5.3 million in respect of finance costs capitalized during 2014 (2013: Saudi Riyals 53.6 million) in Panda (2013: Panda, SPS and SFC). The average rate used to determine the amount of finance costs capitalized during 2014 was 2.4% (2013: 1.85%-12%).
g) Asset held for sale represents property plant and equipment related to plastics operations and certain foods companies classified as held for sale in Note 9.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Intangible assets

	Goodwill	Deferred charges	Other intangible assets	Total
Cost				
January 1, 2014	938,070	571,696	263,176	**1,772,942**
Additions	-	29,710	-	**29,710**
Classified under assets held for sale	(125,909)	(10,684)	-	**(136,593)**
Disposal of subsidiary	-	-	(20,300)	**(20,300)**
Currency translation differences	(10,782)	-	-	**(10,782)**
December 31, 2014	801,379	590,722	242,876	**1,634,977**
Amortization				
January 1, 2014	-	(429,114)	-	**(429,114)**
Classified under assets held for sale	-	1,998	-	**1,998**
Additions	-	(42,280)	-	**(42,280)**
December 31, 2014	-	**(469,396)**	**-**	**(469,396)**
Net balance	**801,379**	**121,326**	**242,876**	**1,165,581**

	Goodwill	Deferred charges	Other intangible assets	Total
Cost				
January 1, 2013	970,883	489,260	263,176	**1,723,319**
Additions	-	82,436	-	**82,436**
Adjustments	(1,225)	-	-	**(1,225)**
Currency translation adjustment	(31,588)	-	-	**(31,588)**
December 31, 2013	**938,070**	**571,696**	**263,176**	**1,772,942**
Amortization				
January 1, 2013	-	(401,186)	-	**(401,186)**
Additions	-	(27,928)	-	**(27,928)**
December 31, 2013	**-**	**(429,114)**	**-**	**(429,114)**
Net balance	**938,070**	**142,582**	**263,176**	**1,343,828**

13.1 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, 2014 and 2013 indicated no impairment charge.

14 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Long-term borrowings

	Note	2014	2013
Commercial bank loans	15.1	**3,748,917**	3,358,233
Sukuk	15.2	**1,500,000**	1,500,000
SIDF loans	15.3	**-**	14,629
		5,248,917	4,872,862
Current maturity shown under current liabilities		**(646,204)**	(746,484)
		4,602,713	4,126,378

15.1 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, 2014 includes assets of certain consolidated subsidiaries having net book value of approximately Saudi Riyals 2,682 million (2013: Saudi Riyals 1,362 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.

15.2 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.

15.3 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, 2014, property, plant and equipment of SPS having a net book value of Saudi Riyals 336.7 million (2013: Saudi Riyals 340.9 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. SPS is accounted for as held for sale. See Note 9. Accordingly, the SIDF loan of Saudi Riyals 8.8 million is included in the liabilities associated with assets held for sale.

15.4 Maturity profile of long-term borrowings

Years ending December 31:

2015	**646,204**
2016	**1,579,164**
2017	**562,435**
2018	**349,131**
2019 and thereafter	**2,111,983**
	5,248,917

15.5 Interest Rate Swaps (IRS)

During 2014, Company entered into IRS contracts with local commercial banks to hedge its interest rate exposure on its borrowings. The fair value of such contracts outstanding as at year end date amounted to Saudi Riyals 23.5 million (2013: Nil) which are disclosed in 'accrued and other liabilities' and the fair value adjustment amount is recorded within equity under fair value reserve. See note 24.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Accounts payable

	Note	2014	2013
Trade		**2,623,219**	2,577,575
Related parties	21.2	**97,672**	90,753
		2,720,891	2,668,328

17 Accrued and other liabilities

	Note	2014	2013
Accrued expenses		**443,282**	472,072
Accrued zakat and tax	17.1	**270,280**	376,004
Marketing related accruals		**220,283**	165,806
Accrued interest		**189,495**	185,593
Employee related accrual		**184,892**	165,032
Unclaimed dividend		**183,556**	172,614
Payable to contractors		**157,285**	103,031
Balances related to forward contracts	8.2	**42,018**	20,685
Accrued utilities		**43,786**	49,221
Advances from customers		**35,257**	39,103
Payable to government authorities		**19,126**	25,519
Dividend payable to non-controlling interest		**18,422**	29,992
Other liabilities		**264,974**	255,699
		2,072,656	2,060,371

17.1 Zakat and tax matters

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

	2014	2013
Income tax	**126,532**	283,327
Zakat	**53,894**	28,892
	180,426	312,219

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

	2014	2013
January 1,	**376,004**	342,337
Charge	**180,426**	312,219
Classified within ‘liabilities associated with assets held for sale’	**(13,649)**	-
Disposal of subsidiary	**(31,405)**	-
Payments / Currency translation adjustment	**(241,096)**	(278,552)
December 31,	**270,280**	376,004

17.1.1 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17.1.2 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 47.1 million (2013: Saudi Riyals 43.7 million). The subsidiaries 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.

17.2 Deferred tax liability

	2014	**2013**
January 1	**45,939**	33,583
Addition	**37,791**	12,356
Disposal of subsidiary	**(3,525)**	-
December 31	**80,205**	45,939

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.

18 Deferred gain

	2014	**2013**
January 1	**180,116**	103,193
Addition	**28,502**	87,994
Amortization	**(16,208)**	(11,071)
December 31	**192,410**	180,116

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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Long-term payables

	Note	2014	2013
Unclaimed dividends	19.1	**53,273**	54,807
Deferred rent payable	19.2	**11,315**	10,750
		64,588	65,557

19.1 Unclaimed dividends

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 2014 and, accordingly, they have been classified under non-current liabilities.

19.2 Deferred rent payable

Deferred rent payable relates to USCE and is represented in the sum of differences between the monthly rent payment of a land and the contracted monthly rent expenses that contains escalated payments in future period. The monthly rent expense is the sum of all rent payments over the term of the lease divided by the number of periods contained in the lease which is known as straight-line amortization. This rent expenses differ from the monthly rent payments and this difference is presented as deferred rent payable

20 Employee termination benefits

	2014	2013
January 1	**350,969**	353,751
Provisions	**109,293**	85,268
Classified within 'liabilities associated with assets held for sale'	**(25,484)**	-
Disposal of subsidiary	**(8,438)**	-
Payments / Currency translation adjustment	**(54,172)**	(88,050)
December 31	**372,168**	350,969

21 Related party matters

Related party transactions mainly represent sale and purchase of products in the ordinary course of business with associate and other 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.

21.1 Related party transactions

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

	2014	2013
Sales	**622,588**	674,256
Purchases	**765,389**	583,311
Rent expense charged by related parties	**113,993**	87,356
Key management personnel remuneration	**40,909**	37,647

(All amounts in Saudi Riyals thousands unless otherwise stated)

21.2 Related party balances

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

(i) Receivable from related parties

Company name	Relationship	2014	2013
Certain shareholders of USC	Shareholders of a subsidiary	**64,166**	62,152
Intaj	Associate	**40,554**	51,806
Kinan International	Associate	**15,196**	-
Other		**1,427**	499
		121,343	114,457

(ii) Payable to related parties

Company name	Relationship	2014	2013
Al Marai Company	Associate	**48,255**	24,987
Abdul Kadir Al Muhaidib Company	Shareholder of the Company	**32,015**	46,571
Hail Agricultural Development Company	Affiliate	**13,153**	10,788
Herfy	Associate	**2,436**	6,808
Other		**1,813**	1,599
		97,672	90,753

21.3 Board of directors remuneration

Board of Directors' remuneration for the year ended December 31, 2014 amounting to Saudi Riyals 2.2 million (2013: 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, 2014 amounting to Saudi Riyals 3,063 thousand (2013: Saudi Riyals 1,554 thousand) are charged to expenses and included under general and administrative expenses.

22 Share capital

At December 31, 2014, 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, 2013: Saudi Riyals 5.3 billion consisting of 533.9 million fully paid shares of Saudi Riyals 10 each). Please also refer to Note 1(a) for the shares issued during 2013.

23 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 consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

24 Fair value reserve

	Note	2014	2013
January 1,		**131,992**	(5,701)
Fair value adjustment from investment in associates	11.1	**(98,648)**	(1,405)
Fair value adjustment from investment in available for sale investments	11.2	**(25,093)**	140,611
Fair value adjustment from derivative financial instruments relating to cashflow hedge	8.2, 15	**(25,716)**	(1,513)
December 31,		**(17,465)**	131,992

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Selling and marketing expenses

	2014	2013
Salaries, wages and benefits	**1,014,235**	863,051
Rent	**515,704**	425,094
Advertisement	**393,432**	416,766
Depreciation and amortization	**314,507**	270,959
Utilities	**157,162**	169,450
Maintenance	**127,272**	129,960
Commission	**84,298**	85,122
Other	**116,882**	82,790
	2,723,492	2,443,192

26 General and administrative expenses

	2014	2013
Salaries, wages and benefits	**412,783**	390,176
Depreciation and amortization	**66,860**	34,299
Professional fees	**26,233**	24,468
Insurance	**27,331**	13,308
Rent	**11,451**	12,255
Traveling	**10,938**	11,660
Training	**13,029**	12,310
Utilities, telephone and communication cost	**3,382**	6,001
Supplies and packaging	**3,928**	5,033
Communication	**4,323**	4,096
Repairs and maintenance	**2,468**	2,310
Other	**80,402**	82,662
	663,128	598,578

27 Gain on disposal of investments

	Note	2014	2013
Gain on disposal of investment in an associate	11.1	**187,505**	-
Gain on disposal of investment in a subsidiary	1(b)	**22,195**	-
Gain on disposal of property held for sale	27.1	**-**	231,411
		209,700	231,411

27.1 Gain on disposal of investments of Saudi Riyals 231.41 million in 2013 relates to sale of certain land parcels to Knowledge Economic City (“KEC”).

28 Impairment loss

During December 2014, the Company recognized an impairment provision amounting to Saudi Riyals 67.4 million (2013: Saudi Riyals 100 million on investment in Intaj) on its investment in Intaj and Joussour.

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Financial charges

	Note	2014	2013
Bank commission		**2,050**	2,854
Financial charges on Loans	14,15	**379,737**	246,852
Income from derivatives	8.2	**(55,536)**	-
Foreign exchange loss		**29,783**	62,411
Commission income earned on short-term bank deposits	5	**(119,481)**	(71,950)
		236,553	240,167

30 Hyperfinflationary accounting

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. Iran and Sudan continue to be declared as hyperinflationary economies by IMF as at December 31, 2014.

The Group has applied the hyperinflationary accounting requirements of IAS 29 to its Iran and Sudan operations with effect from January 1, 2013. The Group continues to adopt hyperinflationary accounting at December 31, 2014 and has used the closing exchange rate at December 31, 2014 of Iranian Rials and Sudanese Pound to translate both the income statement and balance sheet of SBeC and Savola Sudan. The main implications of above application are as follows:

- Adjustment 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, 2014 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 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 years ended December 31, are as follows:

	2014	2013
Revenue increased (decreased) by	**169,742**	(469,722)
Income from operations (decreased) increased by	**(35,899)**	59,433
Total non-current assets increased by	**11,076**	460,459
Currency translation differences impacted by	**(46,978)**	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 for the year ended December 31, 2014	1.16	1.27
Conversion factor for the year ended December 31, 2013	1.30	1.20

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.

31 Operating leases

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2014 amounted to Saudi Riyals 538.4 million (2013: Saudi Riyals 467.2 million). Future rental commitments at December 31, under these operating leases are as follows:

	2014	**2013**
Within one year	**617,270**	554,750
Between two and five years	**1,841,122**	2,539,466
More than five years	**5,786,861**	4,046,610
	8,245,253	7,140,826

32 Earnings per share

Earnings per share for the years ended December 31, 2014 and 2013, have been computed by dividing the operating income and net income attributable to shareholders of the Company for such years by the number of shares outstanding during such years. See the calculation below.

		Total number of shares	Weighted average number of shares
January 1, 2013	Balance at beginning of year	500,000	416,666
November 1, 2013	Issue of new shares	33,981	88,997
December 31, 2013	**Balance at year-end**	**533,981**	**505,663**

Calculation of weighted average

January 1, 2013	500,000 x 10 /12	416,666 shares
November 1, 2013	533,981 x 2 /12	88,997 shares

33 Dividends

The Company's shareholders have approved and paid dividends amounting to Saudi Riyals 1,206.4 million in 2014. The details of interim dividends approved and final dividend proposed by the Board of Directors are as follows:

Date	Dividend rate	Interim / final	Amount Saudi Riyals in million
April 17, 2014	Saudi Riyal 0.50 per share	Interim	266.99
July 16, 2014	Saudi Riyal 0.50 per share	Interim	266.99
October 23, 2014	Saudi Riyal 0.75 per share	Interim	400.49
January 18, 2015	Saudi Riyal 0.50 per share	Final 2014	266.99

34 Contingencies and commitments

i) The Group has outstanding bank guarantees and letters of credit amounting to Saudi Riyals 664.6 million at December 31, 2014 (2013: Saudi Riyals 274.3 million), which were issued in the normal course of business;

ii) Also see Note 14 with respect to guarantees given for certain loans, Note 17 with respect to zakat contingencies and Note 31 with respect to leases;

iii) At December 31, 2014, one of the subsidiaries had commitments to sell in 2015 refined sugar of approximately 713,297 MT (2013: 398,137 MT to sell in 2014) 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, 2014, the Group had outstanding commitments of Saudi Riyals 81.1 million (2013: Saudi Riyals 111 million) for investments; and

v) At December 31, 2014, the Group had outstanding capital commitments of Saudi Riyals 578.7 million (2013: Saudi Riyals 341.5 million).