

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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015  
AND LIMITED REVIEW REPORT

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015**

	<b>Page</b>
Limited review report	2
Interim consolidated balance sheet	3
Interim consolidated income statement	4
Interim consolidated cash flow statement	5 - 6
Notes to the interim consolidated financial statements	7 - 20



## LIMITED REVIEW REPORT

April 19, 2015

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

### Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Savola Group Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2015 and the interim consolidated statements of income and cash flows for the three-month period then ended and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

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

### Review conclusion

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

### **PricewaterhouseCoopers**

By: \_\_\_\_\_  
Ali A. Alotaibi  
License Number 379



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

	Note	March 31,	
		2015 (Unaudited)	2014 (Unaudited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,846,880	953,107
Accounts receivable		1,076,313	1,363,201
Inventories		4,200,063	4,566,525
Prepayments and other receivables		2,029,968	2,309,325
Assets classified as held-for-sale	3	58,360	94,557
		<b>9,211,584</b>	<b>9,286,715</b>
<b>Non-current assets</b>			
Long-term receivables		333,029	49,928
Investments	4	8,132,009	8,278,454
Property, plant and equipment		6,979,765	6,405,488
Intangible assets		1,161,171	1,323,532
		<b>16,605,974</b>	<b>16,057,402</b>
<b>Total assets</b>		<b>25,817,558</b>	<b>25,344,117</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	5	3,804,528	3,388,342
Current maturity of long-term borrowings	6	280,689	658,340
Accounts payable		2,868,571	2,515,858
Accrued and other liabilities		2,412,593	2,534,705
Liabilities associated with assets classified as held-for-sale	3	104,928	92,025
		<b>9,471,309</b>	<b>9,189,270</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	4,569,983	4,264,765
Deferred tax liability		77,621	43,697
Deferred gain		188,136	192,362
Long-term payables		64,311	54,435
Employee termination benefits		375,981	354,919
		<b>5,276,032</b>	<b>4,910,178</b>
<b>Total liabilities</b>		<b>14,747,341</b>	<b>14,099,448</b>
<b>Equity</b>			
Share capital	7	5,339,807	5,339,807
Share premium reserve		342,974	342,974
Statutory reserve		1,594,910	1,387,678
General reserve		4,000	4,000
Retained earnings		3,936,400	3,227,720
Fair value reserve		36,451	255,910
Effect of acquisition transaction with non-controlling interest without change in control	1	(218,851)	27,905
Currency translation differences		(932,575)	(672,867)
<b>Equity attributable to shareholders' of the parent company</b>		<b>10,103,116</b>	<b>9,913,127</b>
Non-controlling interest		967,101	1,331,542
<b>Total equity</b>		<b>11,070,217</b>	<b>11,244,669</b>
<b>Total liabilities and equity</b>		<b>25,817,558</b>	<b>25,344,117</b>
<b>Contingencies and commitments</b>	11		

The notes on pages 7 to 20 form an integral part of these interim consolidated financial statements.

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

	Note	Three-month period ended March 31,	
		2015 (Unaudited)	2014 (Unaudited)
Revenues		6,547,028	6,240,842
Cost of revenues		(5,365,431)	(5,147,905)
Gross profit		1,181,597	1,092,937
Share in net income of associates and dividend income of available-for-sale investments - net	4	142,619	233,594
<b>Total income</b>		<b>1,324,216</b>	<b>1,326,531</b>
<b>Operating expenses</b>			
Selling and marketing		(792,851)	(643,241)
General and administrative		(145,069)	(152,527)
<b>Total expenses</b>		<b>(937,920)</b>	<b>(795,768)</b>
<b>Income from operations</b>		<b>386,296</b>	<b>530,763</b>
<b>Other income (expense)</b>			
Gain on disposal of investments	1	265,152	-
Financial charges – net		(143,917)	(49,617)
Income before zakat and foreign income tax		507,531	481,146
Zakat and foreign income tax		(38,903)	(25,377)
Income from continuing operations		468,628	455,769
Income from discontinued operations	1	-	5,021
<b>Net income for the period</b>		<b>468,628</b>	<b>460,790</b>
Net income attributable to:			
• Shareholders' of the parent company		470,510	423,259
• Non-controlling interest's share of period's net income in subsidiaries		(1,882)	37,531
<b>Net income for the period</b>		<b>468,628</b>	<b>460,790</b>
<b>Earnings per share:</b>	10		
Operating income		0.72	0.99
Net income for the period attributable to the shareholders' of the parent company		0.88	0.79
Weighted average number of shares outstanding (in thousand)	10	533,981	533,981

The notes on pages 7 to 20 form an integral part of these interim consolidated financial statements.

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

	Note	Three-month period ended March 31,	
		2015 (Unaudited)	2014 (Unaudited)
<b>Cash flow from operating activities</b>			
Net income for the period		468,628	460,790
<u>Adjustments for non-cash items</u>			
Depreciation, amortization and impairment		147,484	154,145
Capital gain		(265,152)	-
Financial charges - net		143,917	53,342
Share in net income of associates		(142,619)	(233,594)
Gain on sale of property, plant and equipment		-	199
<u>Changes in working capital</u>			
Accounts receivable		(35,313)	(98,097)
Inventories		146,164	(78,862)
Prepayments and other receivables		(291,005)	(479,990)
Net change in long-term receivable		(10,933)	2,392
Accounts payable		175,339	(152,470)
Accrued and other liabilities		86,248	249,949
Employee termination benefits		5,223	3,950
Net cash generated from (utilized in) operating activities		427,981	(118,246)
<b>Cash flow from investing activities</b>			
Proceeds from sale of subsidiary		910,000	-
Purchase of property, plant and equipment		(503,383)	(247,530)
Net change in intangible assets		(8,757)	10,385
Dividends received		-	27,968
Proceeds from sale of property, plant and equipment		-	76,539
Net cash generated from (utilized in) investing activities		397,860	(132,638)
<b>Cash flow from financing activities</b>			
Net change in short-term borrowings	5	(58,138)	(146,090)
Net change in long term borrowings	6	(361,034)	50,243
Net change in long term payables		1,753	-
Net change in deferred tax liability		2,283	-
Changes in non-controlling interest		19,254	53,443
Financial charges paid		(143,917)	(53,342)
Dividends paid	7	(2,358)	(62,773)
Net cash utilized in financing activities		(542,157)	(158,519)
Net change in cash and cash equivalents		283,684	(409,403)
Effect of currency exchange rates on cash and cash equivalents		(71,316)	(1,214)
Cash and cash equivalents at beginning of period		1,634,512	1,363,724
Cash and cash equivalents at end of period		1,846,880	953,107

(Continued)

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

	<b>Three-month period</b>	
	<b>ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Supplemental schedule of non-cash financial information</b>		
Fair value reserve	<b>53,916</b>	123,918
Currency translation differences	<b>(131,498)</b>	(17,488)
Directors' remuneration	550	550

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**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(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.

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

At March 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	Direct ownership interest (%) at March 31	
			2015	2014
Savola Foods Company ("SFC")	Saudi Arabia	Foods	100	100
Panda Retail Company (Formally known as Al-Azizia Panda United Company) ("Panda")	Saudi Arabia	Retail	92	92
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	Manufacturing of plastic packaging products	-	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

Pursuant to the sale purchase agreement signed during December 2014 by the Group with Takween Advanced Industries (a third party) for sale of its ownership interest in SPS, which represented the Groups' plastic segment. During the three month period ended March 31, 2015, all legal formalities for the sale of SPS were completed. In accordance with the generally accepted accounting standards in Saudi Arabia, financial information relating to SPS in the 2014 interim consolidated income statement have also been reclassified as 'Income from discontinued operations'. SPS controls the following subsidiaries:

Subsidiary name	Country of incorporation	Principal business Activity	Direct ownership interest (%) at March 31	
			2015	2014
New Marina for Plastic Industries	Egypt	Manufacturing of plastic packaging products	100	100
Al Sharq Company for Plastic Industries. Ltd.	Saudi Arabia	Manufacturing of plastic packaging products	100	100



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**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

(ii) Dormant and Holding subsidiaries

Subsidiary name	Country of incorporation	Principal business Activity	Direct ownership interest (%) at March 31	
			2015	2014
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	Holding company	100	100
Alwaqat Al Kawniah Limited	Saudi Arabia	Holding company	100	100
Aalinh Al Kawniah Limited	Saudi Arabia	Holding company	100	100
Abtkar Al Kawniah Limited	Saudi Arabia	Holding company	100	100
Adeem Arabia Company Ltd.	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
Arabian Al Utur Holding Company for Commercial Investment	Saudi Arabia	Holding company	100	100
Al Mojammat Al Mowahadah Real Estate Company	Saudi Arabia	Holding company	100	100
Marasina International Real Estate Investment Ltd.	Saudi Arabia	Holding company	100	100
Asda'a International Real Estate Investment Ltd.	Saudi Arabia	Holding company	100	100
Masa'ay International Real Estate Investment Ltd.	Saudi Arabia	Holding company	100	100
Saraya International Real Estate Investment Ltd.	Saudi Arabia	Holding company	100	100
Savola Trading International Limited	British Virgin Islands	Dormant company	100	100
United Properties Development Company ("UPDC")	Saudi Arabia	Dormant company	100	100
Kamin Al Sharq for Industrial Investments ("Kamin")	Saudi Arabia	Dormant company	100	100
Arabian Sadouk for telecommunications Co. ("Sadouk")	Saudi Arabia	Dormant company	100	100
Al Maoun International Holding Company	Saudi Arabia	Dormant company	100	100
Afia Foods Arabia	Saudi Arabia	Dormant company	100	100

(b) Subsidiaries controlled through SFC

Subsidiary name	Country of incorporation	Principal business Activity	Subsidiary direct ownership interest (%) at March 31	
			2015	2014
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oil	95.19	95.19
SIIC	Saudi Arabia	Holding company	95	95
Savola Foods Emerging Markets Company Limited ("SFEM")	British Virgin Islands	Holding company	95.43	95.43
Savola Foods for Sugar Company	Cayman Islands	Holding company	95	95
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	100	100
El Farasha for Food Industries Company	Egypt	Manufacturing of pasta	100	100
Savola Foods Company International ("SFCI") Limited	UAE	Holding company	100	100
International Foods Industries Company Limited	Saudi Arabia	Manufacturing of specialty fats	60	60
Alexandria Sugar Company Egypt ("ASCE")	Egypt	Manufacturing of sugar	19	19
<u>SFCI</u>				
Modern 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

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**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

Subsidiary name	Country of incorporation	Principal business Activity	Subsidiary direct ownership interest (%)	
			at March 31 2015	2014
<u>USC</u>				
USCE	Egypt	Manufacturing of sugar	<b>56.75</b>	56.75
ASCE	Egypt	Manufacturing of sugar	<b>62.13</b>	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	<b>100</b>	100
<u>USCE</u>				
ASCE	Egypt	Manufacturing of sugar	<b>18.87</b>	18.87
<u>ASCE</u>				
Alexandria United Company for Land reclamation	Egypt	Agro cultivation	<b>100</b>	-
<u>SFEM</u>				
Savola Morocco Company	Morocco	Manufacturing of edible oils	<b>100</b>	100
Savola Edible Oils (Sudan) Ltd. ("Savola Sudan")	Sudan	Manufacturing of edible oils	<b>100</b>	100
AFIA International Company – Algeria	Algeria	Manufacturing of edible oils	<b>100</b>	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 adjusters, 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**

Savola Behshahr Company (SBeC)	Iran	Holding company	<b>90</b>	80
Malintra Holdings	Luxembourg	Holding company	<b>100</b>	100
Savola Foods Limited ("SFL")	British Virgin Islands	Holding company	<b>100</b>	100
Afia International Company - Jordan	Jordan	Manufacturing of edible oils	<b>97.4</b>	97.4
Inveskz Inc.	British Virgin Islands	Holding company	<b>90</b>	90
Afia Trading International	British Virgin Islands	Trading company	<b>100</b>	100
Savola Foods International	British Virgin Islands	Dormant company	<b>100</b>	100
KUGU Gida Yatim Ve Ticaret A.S ("KUGU")	Turkey	Holding company	<b>100</b>	100
<u>SBeC</u>				
Behshahr Industrial Company	Iran	Manufacturing of edible oils	<b>79.9</b>	79.9
Margarine Manufacturing Company	Iran	Manufacturing of edible oils	-	79.9
Savola Beshahr Sugar Company	Iran	Trading and distribution	<b>100</b>	100
Tolue Pakshe Aftab Company	Iran	Trading and distribution	<b>100</b>	100
<u>SFL</u>				
Afia International Company, Egypt	Egypt	Manufacturing of edible oils	<b>99.92</b>	99.92
Latimar International Limited	British Virgin Islands	Dormant company	<b>100</b>	100
Elington International Limited	British Virgin Islands	Dormant company	<b>100</b>	100
<u>Inveskz Inc.</u>				
Savola Foods CIS	Kazakhstan	Manufacturing of edible oils	-	100
<u>KUGU</u>				
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	Manufacturing of edible oils	100	100

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**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 direct ownership interest (%)	
			at March 31 2015	2014
<u>Panda</u>				
Giant Stores Trading Company Limited ("Giant")	Saudi Arabia	Retail	90	90
Panda for Operating Services, Maintenance and Contracting Company Limited	Saudi Arabia	Services and maintenance	100	100
Panda International Retail LLC	United Arab Emirates	Retail	100	-
Panda International for Retail Trading – Egypt	Egypt	Retail	100	-
<u>Giant</u>				
Lebanese Sweets and Bakeries Company ("LSBC")	Saudi Arabia	Dormant company	95	95

These interim consolidated financial statements were authorized for issue by the Company's Board of Directors on April 19, 2015.

**2 Summary of significant accounting policies**

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

**2.1 Basis of preparation**

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

The interim consolidated financial statements for the three-month period ended March 31, 2015, have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim consolidated financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fair statements of financial position, results of operations and cash flows. The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended December 31, 2014.

**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:

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

(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.

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

(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.

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2.7 Accounts receivable**

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

**2.8 Inventories**

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

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

**2.9 Property, plant and equipment**

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

	<b>Years</b>
• 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 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

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 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 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 the 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.



**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**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 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.

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**(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.

**2.25 Reclassification**

For better presentation, certain amounts relating to 2014 comparative interim consolidated financial statements have been reclassified to conform to the 2015 presentation.

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

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'. Efforts to sell these assets which are held for sale have commenced. During 2014, Group management sold one part of such business. The net profit relating to these business disposal groups amounted to Saudi Riyals 0.27 million during 2015 (2014: net loss of Saudi Riyals 0.29 million). At March 31, 2015, the 'held for sale' business comprised assets of Saudi Riyals 58.3 million (2014: Saudi Riyals 94 million) after recognition of an impairment loss of Saudi Riyals 65 million during 2010 and liabilities of Saudi Riyals 104.9 million (2014: Saudi Riyals 92.0 million).

**4 Investments**

	<b>Note</b>	<b>2015</b> <b>(Unaudited)</b>	<b>2014</b> <b>(Unaudited)</b>
Investments in associates	4.1	<b>7,259,276</b>	7,355,219
Available-for-sale (AFS) investments	4.2	<b>872,733</b>	915,217
Other investments mainly representing long term bank deposits of a subsidiary		-	8,018
		<b>8,132,009</b>	<b>8,278,454</b>

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**4.1 Investment in associates**

	Effective ownership interest (%)		2015	2014
	2015	2014	(Unaudited)	(Unaudited)
Almarai Company Limited ("Almarai")	<b>36.52</b>	36.52	<b>5,896,330</b>	5,687,266
Kinan International for Real Estate Development Company ("Kinan")	<b>29.9</b>	29.9	<b>601,691</b>	625,032
Intaj Capital Limited ("Intaj")	<b>49</b>	49	<b>186,745</b>	244,544
Herfy Foods Services Company	<b>49</b>	49	<b>389,988</b>	346,202
Al-Seera City Company For Real Estate Development	<b>40</b>	40	<b>164,578</b>	164,578
Knowledge Economic City Development Company	<b>17</b>	17	<b>17,200</b>	17,200
Diyar Al Mashreq ("Diyar") (Note 4.1.1)	-	30	-	268,772
Other	<b>Various</b>	Various	<b>2,744</b>	1,625
			<b>7,259,276</b>	7,355,219

4.1.1 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 interim consolidated balance sheet. The schedules for the receipt of remaining three installments for the above transactions are due as follows:

**Years ending December 31:**

2015	<b>153,395</b>
2016 & onward	<b>298,480</b>
	<b>451,875</b>

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

AFS investments at March 31 principally comprise the following:

	Effective ownership interest (%)		2015	2014
	2015	2014	(Unaudited)	(Unaudited)
<u>Quoted investments</u>				
Emaar the Economic City ("Emaar")	<b>0.9</b>	0.9	<b>98,180</b>	128,028
Knowledge Economic City	<b>6.4</b>	6.4	<b>498,257</b>	460,464
Taameer Jordan Holding Company	<b>5</b>	5	-	-
<u>Unquoted investments</u>				
Joussor Holding Company ("Joussor")	<b>14.81</b>	14.81	<b>135,869</b>	186,298
Swicorp, Saudi Arabia	<b>15</b>	15	<b>115,674</b>	115,674
Others	<b>Various</b>	Various	<b>24,753</b>	24,753
			<b>872,733</b>	915,217

**5 Short-term borrowings**

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

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**6 Long-term borrowings**

	Note	2015 (Unaudited)	2014 (Unaudited)
Commercial banks	(a)	3,350,672	3,408,476
Saudi Industrial Development Fund (SIDF)	(a)	-	14,629
		<b>3,350,672</b>	3,423,105
Sukuk	(b)	1,500,000	1,500,000
		<b>4,850,672</b>	4,923,105
Current maturity shown under current liabilities		<b>(280,689)</b>	(658,340)
		<b>4,569,983</b>	4,264,765

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

**7 Share capital and dividends declaration**

At March 31, 2015, the Company's share capital of Saudi Riyals 5.3 billion consists of 533.9 million fully paid shares of Saudi Riyals 10 each (March 31, 2014: Saudi Riyals 5.3 billion consisting of 533.9 million fully paid shares of Saudi Riyals 10 each). Please also refer to Note 1.

The Board of Directors in its meeting held on April 19, 2015, approved interim dividends of Saudi Riyals 266.99 million (representing Saudi Riyals 0.50 per share).

**8 Seasonal changes**

Some of the Group's activities are affected by seasonal movements related to the holy months of Ramadan, Shawwal and Hajj season, which cause revenue to increase significantly during those periods. The effect of such period for 2015 and 2014 principally fall in second and third quarters of the financial year.

**9 Segment information**

During the period ended March 31, 2015 and 2014, the principal activities of the Group related to the Foods, Retail trading in various types of food and related products, and Investments and other related activities. Selected financial information as of March 31, and for the three-month period ended on those dates, summarized by segment, is as follows:

2015 (Unaudited)	Foods	Retail	Plastic Investments (discontinued operations)	and other activities	Eliminations	Total
Property, plant and equipment - net	3,178,588	3,278,601	-	522,576	-	6,979,765
Other non-current assets	1,136,057	341,314	-	8,148,838	-	9,626,209
Revenues - net	3,409,974	3,192,492	-	14,693	(70,131)	6,547,028
Net income	94,755	18,401	-	367,789	(10,435)	470,510

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim consolidated financial statements**  
**For the three-month period ended March 31, 2015 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

<b>2014 (Unaudited)</b>	<b>Foods</b>	<b>Retail</b>	<b>Plastic (discontinued operations)</b>	<b>Investments and other activities</b>	<b>Eliminations</b>	<b>Total</b>
Property, plant and equipment - net	3,387,599	1,988,217	526,945	502,727	-	<b>6,405,488</b>
Other non-current assets	914,070	349,354	135,626	8,252,864	-	<b>9,651,914</b>
Revenues - net	3,463,822	2,818,183	-	16,370	(57,533)	<b>6,240,842</b>
Net income	162,318	72,172	5,021	193,968	(10,220)	<b>423,259</b>

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and other countries. Selected financial information as of March 31 and for the three-month period ended on those dates summarized by geographic area, is as follows:

<b>2015 (Unaudited)</b>	<b>Saudi Arabia</b>	<b>Egypt</b>	<b>Iran</b>	<b>Other countries</b>	<b>Total</b>
Property, plant and equipment - net	4,478,184	1,562,616	724,840	214,125	<b>6,979,765</b>
Other non-current assets	8,862,893	433,008	84,351	245,957	<b>9,626,209</b>
Revenues – net	4,191,530	880,623	798,575	676,300	<b>6,547,028</b>
Net income (loss)	486,737	(77,051)	35,167	25,657	<b>470,510</b>

<b>2014 (Unaudited)</b>	<b>Saudi Arabia</b>	<b>Egypt</b>	<b>Iran</b>	<b>Other countries</b>	<b>Total</b>
Property, plant and equipment – net	3,616,555	1,642,847	836,222	309,864	6,405,488
Other non-current assets	8,699,920	502,916	139,946	309,132	9,651,914
Revenues – net	3,933,507	730,753	896,305	680,277	6,240,842
Net income (loss)	383,695	(25,148)	52,048	12,664	423,259

## **10 Earnings per share**

Earnings per share for the three-month periods ended March 31, 2015 and 2014, have been computed by dividing the operating income and net income attributable to shareholders of the Company for such periods by the weighted average number of shares outstanding during such periods.

## **11 Contingencies and commitments**

- (i) At March 31, 2015, the Group had outstanding commitments of Saudi Riyals 81.1 million (2014: Saudi Riyals 111 million) for investments.
- (ii) At March 31, 2015, the Department of Zakat and Income Tax (DZIT) has assessed an additional Zakat liability of Saudi Riyals 42.7 million (2014: Saudi Riyals 43.5 million) relating to prior periods against the Company and certain of its consolidated subsidiaries. Management has appealed such assessments and believes that the DZIT will eventually reverse the assessments. Accordingly, no provision for such amount has been made in the accompanying interim consolidated financial statements.