SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013 AND INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013

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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW' REPORT

April 13, 2013

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

Scope of the review

We have reviewed the accompanying interim consolidated balance sheet of Savola Group Company (A Saudi Joint Stock Company) (the "Company") and Subsidiaries (collectively the "Group") as of March 31, 2013 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.

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

Conclusion

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

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

	Note	March 31, 2013 (Unaudited)	March 31, 2012 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents		**1,017,232**	957,745
Accounts receivable		**1,463,428**	1,612,030
Inventories		**3,504,840**	3,204,742
Prepayments and other receivables		**2,102,215**	2,194,230
Assets classified as held for sale	3	**154,309**	173,080
		8,242,024	8,141,827
Non-current assets			
Long term receivables	4	**170,378**	327,374
Investments	4	**7,646,691**	5,752,258
Intangible assets		**1,327,971**	1,297,779
Property, plant and equipment		**5,614,737**	5,275,261
		14,759,777	12,652,672
Total assets		**23,001,801**	20,794,499
Liabilities			
Current liabilities			
Short-term borrowings	5	**3,312,691**	2,604,958
Current maturity of long-term borrowings	6	**822,697**	821,505
Accounts payable		**2,439,748**	2,677,195
Accrued and other liabilities		**1,847,722**	1,821,284
Liabilities classified as held for sale	3	**144,188**	183,370
		8,567,046	8,108,312
Non-current liabilities			
Deferred gain		**100,773**	103,060
Deferred tax liability		**35,731**	-
Long-term payables		**52,646**	57,461
Long-term borrowings	6	**4,454,402**	2,507,401
Employee termination benefits		**329,145**	312,610
		4,972,697	2,980,532
Total liabilities		**13,539,743**	11,088,844
Equity			
Share capital	7	**5,000,000**	5,000,000
Statutory reserve		**1,217,231**	1,077,010
General reserve		**4,000**	4,000
Fair value reserve		**24,072**	300,417
Effect of acquisition transaction with non-controlling interest without change in control		**2,042**	2,042
Currency translation differences		**(860,957)**	(345,409)
Retained earnings		**2,584,818**	2,247,085
Equity attributable to shareholders' of the parent company		**7,971,206**	8,285,145
Non-controlling interest		**1,490,852**	1,420,510
Total equity		**9,462,058**	9,705,655
Total liabilities and equity		**23,001,801**	20,794,499
Contingencies and commitments	11		

The notes on pages 7 to 19 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, 2013 (Unaudited)	2012 (Unaudited)
Revenues		**7,189,864**	6,588,972
Cost of sales		**(5,827,831)**	(5,593,266)
Gross profit		**1,362,033**	995,706
Share in net income of associates and dividend income of available-for-sale investments - net	4	**110,034**	107,111
Other income - net		**32,831**	16,628
Total income		**1,504,898**	1,119,445
Operating expenses			
Selling and marketing		**(634,176)**	(539,697)
General and administrative		**(159,424)**	(140,860)
Total expenses		**(793,600)**	(680,557)
Income from operations		**711,298**	438,888
Other income (expenses)			
Financial charges		**(128,245)**	(98,232)
Income before zakat and foreign taxes		**583,053**	340,656
Zakat and foreign income tax		**(130,337)**	(40,040)
Net income for the period		**452,716**	300,616
Net income attributable to:			
Shareholders' of the parent company		**295,202**	242,307
Non-controlling interest's share of period's net income in subsidiaries		**157,514**	58,309
		452,716	300,616
Earnings per share:	10		
Operating income		**1.42**	0.88
Net income for the period attributable to the shareholders' of the parent company		**0.59**	0.48

The notes on pages 7 to 19 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)

	Three-month period ended March 31,	
	2013	**2012**
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Net income for the period	**452,716**	300,616
Adjustments for non-cash items		
Depreciation, amortisation and impairment	**137,072**	138,770
Financial charges – net	**128,245**	98,232
Share in net income of associates	**(110,330)**	(107,111)
Gain on sale of property, plant and equipment	**(2,975)**	(2,892)
Changes in working capital		
Accounts receivable	**(115,484)**	203,610
Inventories	**134,634**	(52,293)
Prepayments and other receivables	**(342,968)**	(775,670)
Net change in long term receivable	**(2,479)**	(18,696)
Accounts payable	**(249,238)**	(41,732)
Accrued and other liabilities	**293,719**	418,575
Employee termination benefits	**(1,711)**	5,347
Net cash generated from operating activities	**321,201**	166,756
Cash flow from investing activities		
Net change in deferred tax liability	**2,148**	-
Purchase of property, plant and equipment	**(142,942)**	(88,846)
Net change in investments	**11,759**	(13,590)
Proceeds from sale of property, plant and equipment	**22,644**	46,284
Additions to other non-current assets	**(11,450)**	-
Net change in intangible assets	**(8,106)**	(3,391)
Proceeds from sale of investment	**-**	1,830
Effect of transaction with non-controlling interest without change in control	**-**	61,485
Net cash utilized in investing activities	**(125,947)**	3,772
Cash flow from financing activities		
Net change in short-term borrowings	**(177,816)**	(150,471)
Net change in long-term borrowings	**753,901**	(148,691)
Changes in non-controlling interest	**50,356**	13,850
Financial charges – net	**(128,245)**	(98,232)
Dividends paid	**(243,903)**	(25,222)
Net cash generated from (utilized in) financing activities	**254,293**	(408,766)
Net change in cash and cash equivalents	**449,547**	(238,238)
Effect of currency exchange rates on cash and cash equivalents	**(375,574)**	(18,101)
Cash and cash equivalents at beginning of period	**943,259**	1,214,084
Cash and cash equivalents at end of period	**1,017,232**	957,745

(Continued)

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

	Three-month period ended March 31, 2013 (Unaudited)	2012 (Unaudited)
Supplemental schedule of non-cash information		
Fair value reserve	**29,773**	301,225
Currency translation differences	**(389,889)**	(41,739)
Directors' remuneration	**550**	600

The notes on pages 7 to 19 form an integral part of these interim consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

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

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

At 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	Ownership interest (%) at March 31 2013	2012
Savola Foods Company (“SFC”)	Saudi Arabia	Foods	**90**	90
Al-Azizia Panda United Company (“APU”)	Saudi Arabia	Retail	**74.4**	74.4
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	Manufacturing of Plastic packaging products	**100**	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	**80**	80
United Sugar Company, Egypt (“USCE”)	Egypt	Manufacturing of Sugar	**19.1**	19.1
Giant Stores Trading Company (“Giant”)	Saudi Arabia	Retail	**8**	8
United Company for Central Markets (“UCCM”)	Lebanon	Retail	**8**	8

(ii) Dormant and Holding subsidiaries

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at March 31 2013	2012
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	Holding Company	**80**	80
Alwaqat Al Kawniah Limited	Saudi Arabia	Holding Company	**60**	60
Aalinah Al Kawniah Limited	Saudi Arabia	Holding Company	**100**	100
Abtkar Al Kawniah Limited	Saudi Arabia	Holding Company	**80**	80
Adeem Arabia Company Ltd. (“AAC”)	Saudi Arabia	Holding Company	**80**	80
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	Holding Company	**4.5**	4.5
Utur Packaging Materials Company Limited (“Utur”)	Saudi Arabia	Holding Company	**100**	100
Al Mojammat Al Mowahadah Real Estate Company (“Mojammat”)	Saudi Arabia	Holding Company	**100**	100
Marasina International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	**100**	100
Asda'a International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	**100**	100
Masa'ay International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	**100**	100

(All amounts in Saudi Riyals thousands unless otherwise stated)

(ii) Dormant and Holding subsidiaries (continued)

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at March 31 2013	2012
Saraya International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	**100**	100
Savola Trading International Limited	British Virgin Island	Dormant Company	**100**	100
United Properties Development Company ("UPDC")	Saudi Arabia	Dormant Company	**100**	100
Kamin Al Sharq for Industrial Investments ("Kamin")	Saudi Arabia	Dormant Company	**100**	100
Arabian Sadouk for telecommunications Co.("Sadouk")	Saudi Arabia	Dormant Company	**100**	100
Al Maoun International Holding Company	Saudi Arabia	Dormant Company	**100**	100
Afia Foods Arabia	Saudi Arabia	Dormant Company	**100**	100
Al Gharra International for Real Estate Development Company	Saudi Arabia	Holding Company	**100**	-

(b) Subsidiaries controlled through SFC

Afia International Company ("AIC")	Saudi Arabia	Manufacturing of Edible oil	**95.19**	95.19
SIIC	Saudi Arabia	Holding Company	**95**	95
Savola Foods Emerging Markets Company Limited ("SFEM")	British Virgin Islands	Holding Company	**95.4**	95.4
Savola Foods for Sugar Company ("SFSC")	Cayman Islands	Holding Company	**95**	95
El Maleka for Food Industries Company	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**	-
International Foods Industries Company Limited ("IFI")	Saudi Arabia	Manufacturing of Specialty fats	**60**	-
Alexandria Sugar Company Egypt ("ASCE")	Egypt	Manufacturing of Sugar	**19**	19
<u>SIIC</u>				
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of Sugar	**74.48**	74.48
<u>USC</u>				
USCE	Egypt	Manufacturing of Sugar	**56.75**	56.75
ASCE	Egypt	Manufacturing of Sugar	**62**	62
Beet Sugar Industries	Cayman Islands	Dormant Company	**100**	100
<u>USCE</u>				
ASCE	Egypt	Manufacturing of Sugar	**19**	19
<u>SFEM</u>				
Savola Morocco Company	Morocco	Manufacturing of Edible oils	**100**	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of Edible oils	**100**	100
AFIA International Company – Algeria	Algeria	Manufacturing of Edible oils	**100**	100

(All amounts in Saudi Riyals thousands unless otherwise stated)

(c) Subsidiaries controlled through AIC

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at March 31 2013	2012
Savola Behshahr Company (SBeC)	Iran	Holding Company	**80**	80
Malintra Holdings	Luxembourg	Holding Company	**100**	100
Savola Foods Limited ("SFL")	British Virgin Islands	Holding Company	**100**	100
Afia International Company - Jordan	Jordan	Manufacturing of Edible oils	**97.4**	97.4
Inveskz Inc.	British Virgin islands	Holding Company	**90**	90
Afia Trading International	British Virgin islands	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	Iran	Manufacturing of Edible oils	**79.9**	79.9
Margarine Manufacturing Company	Iran	Manufacturing of Edible oils	**79.9**	79.9
Tolue Pakshe Aftab ("TPA") Company	Iran	Trading and Distribution	**100**	-
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**	100
KUGU				
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	Manufacturing of Edible oils	**100**	100

(d) Subsidiaries controlled through APU

APU				
Giant	Saudi Arabia	Retail	**90**	90
UCCM	Lebanon	Retail	**90**	90
Giant				
Lebanese Sweets and Bakeries ("LSB")	Saudi Arabia	Dormant Company	**95**	95

(e) Subsidiaries controlled through SPS

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

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

Effective September 16, 2009, the Group's subsidiary, APU acquired the operations of Saudi Geant Company Limited ("Geant") for a total consideration of Saudi Riyals 469.3 million, including cash consideration of Saudi Riyals 232 million and a deferred equity consideration of Saudi Riyals 237.3 million. The Company had paid the cash consideration on October 12, 2009 whereas the deferred equity component was settled during 2010, through issuance of 45.7 million new shares of APU at a price of Saudi Riyals 51.92 per share. Also as per the agreement, Geant is entitled to acquire 1% share of APU each year at the fair value for a period of up to 3 years.

During April 2013, the Board of Directors of the Company has approved to acquire the non-controlling interest ownership equity in APU and SFC from Al Muhaidib in exchange for the issue of 33.9 million new shares of the Company. The legal formalities of the transaction are currently in progress.

These interim consolidated financial statements were authorized for issue by the Company's Board of Directors on April 11, 2013.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

The interim consolidated financial statements for the three-month period ended March 31, 2013 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, 2012.

2.2 Critical accounting estimates and judgments

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

(a) Estimated impairment of goodwill

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

(b) 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 trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are overdue, 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.

2.3 Investment in subsidiaries

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any. The subsidiaries over which the Group control is temporary are not consolidated and are accounted for as associates.

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

Changes in a group’s ownership interest in a subsidiary after acquiring control, is accounted as equity transactions and the carrying amounts of the minority interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under “Effect of acquisition transactions with non-controlling interest without change in control”.

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group’s investment in associates includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any.

The Group’s share of its associates’ post-acquisition income or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in associate companies equals or exceeds its interest in the associate and jointly-controlled company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

(c) Investment in available-for sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted/unquoted investments. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the balance sheet date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

(i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
(ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or are based on the expected discounted cash flows.

Cumulative adjustments arising from revaluation of these investments are reported as a separate component of equity, as fair value reserve until the investment is disposed.

2.4 Segment reporting

(a) Business segment

A business segment is group of assets and operations:

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

(b) Geographical segment

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

2.5 Foreign currency translations

(a) Reporting currency

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

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, for the three-month period ended March 31, 2013 and 2012, are recognized in the interim consolidated income statement.

(c) Group companies

The results and financial position of foreign subsidiaries and associates having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
(ii) income and expenses for each 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 that 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.6 Cash and cash equivalents

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

2.7 Accounts receivable

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

2.8 Inventories

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

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

2.9 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation, except construction in progress which is carried at cost. Land is not depreciated. Depreciation is charged to the interim consolidated income statement, using 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
Motor vehicles	4 - 10

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

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

2.10 Investment property

Property held for long-term rental yields or for capital appreciation or both, which is not occupied by the Group is classified as investment property and is reported under "Other investments". Investment property comprises land, buildings and leasehold improvements. Investment property is recorded at historical cost, net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Land is not depreciated.

2.11 Assets and liabilities classified as held for sale

Assets held for sale, comprises of assets and liabilities or a disposal group that is expected to be recovered primarily through sale rather than through continuing use. Immediately before classification as held for sale, all assets in a 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 the remaining assets and liabilities on pro rata basis. However, no loss is allocated to financial assets, which continue to be measured in accordance with their initial accounting policies. Gains or losses on disposal of such assets or disposal groups are currently recognized in the consolidated income statement.

2.12 Deferred charges

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

2.13 Impairment of non-current assets

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

2.14 Borrowings

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

2.15 Accounts payable and accruals

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

2.16 Provisions

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

2.17 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Foreign shareholders in consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to foreign shareholders in such subsidiaries are charged to the minority interest in the accompanying interim consolidated financial statements. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

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

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

2.18 Employee termination benefits

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

Foreign subsidiaries currently provide 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 foreign subsidiaries.

2.19 Revenues

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

Rental income from operating leases is recognized in the income statement on a straight-line basis over the lease term. Promotional and display income is comprised of income earned from promotion and display of various products by vendors within the Group's retail stores, and is recognized in the period in which the product is listed.

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

2.20 Selling, marketing and general and administrative expenses

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

2.21 Dividends

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

2.22 Operating leases

Rental expenses under operating leases are charged to the interim consolidated income statement over the period of the respective lease.

2.23 Reclassification

For better presentation, certain amounts relating to 2012 comparative interim consolidated financial statements have been reclassified to conform to the 2013 presentation.

3 Assets and liabilities classified as held for sale

During the fourth quarter of 2010, as an outcome of review of its foods business pruning strategy, the Group has decided to entrench its position in core markets and assess exiting from certain overseas operations. Accordingly, 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. At March 31, 2013, the 'held for sale' business comprised assets of Saudi Riyals 154 million (2012: Saudi Riyals 173 million) after recognition of an impairment loss of Saudi Riyals 115 million during fourth quarter of 2010 and liabilities of Saudi Riyals 144 million (2012: Saudi Riyals 183 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Investments

	Note	2013 (Unaudited)	2012 (Unaudited)
Investments in associates	4.1	**6,899,416**	4,633,848
Available-for-sale (AFS) investments	4.2	**746,081**	1,102,197
Other investments mainly representing long term bank deposits of a subsidiary		**1,194**	16,213
		7,646,691	5,752,258

4.1 Investment in associates

	Effective ownership interest (%)		2013	2012
	2013	2012	**(Unaudited)**	(Unaudited)
Almarai Company ("Almarai")	**36.52**	29.95	**5,275,440**	3,034,872
Kinan International for Real Estate Development Company	**29.9**	30	**512,979**	522,412
Intaj Capital Limited	**49**	49	**360,544**	372,004
Diyar Al Mashreq	**30**	30	**262,085**	259,045
Herfy Foods Services Company	**49**	49	**304,965**	261,381
Al-Seara City Company For Real Estate Development	**40**	40	**164,578**	164,578
Knowledge Economic City Development Company	**17**	17	**17,200**	17,200
Others	**Various**	Various	**1,625**	2,356
			6,899,416	4,633,848

a) During October, 2012, the Company acquired an additional 6.57% equity in Almarai at a cost of Saudi Riyals 1.98 billion. The acquisition increased the Company's ownership interest in Almarai to 36.52%.

b) During 2011 the Company entered into an agreement to sell its remaining land parcels for an amount of Saudi Riyals 467 million to Knowledge Economic City ("KEC"), accordingly these have been classified as held for sale in the accompanying interim consolidated financial statements and are included within 'prepayments and other receivables' on the interim consolidated balance sheet. Under the agreement, the Company will transfer its ownership in two land parcels located in the Madina Al Munawarah to a Saudi Limited Liability Company namely Al Mojammat Al Mowahadah Real Estate Company ("Mojammat") at a sale value of Saudi Riyals 631.3 million and subsequently sell its 80% equity ownership in Mojammat to KEC. Pursuant to the agreement, KEC paid an advance amount of Saudi Riyals 16.3 million to the Company upon signing of the agreement and the remaining amount will be paid upon completion of the transfer of land ownership deeds to Mojammat and the completion of formalities for transfer of its 80% equity ownership of Mojammat to KEC. Accordingly, Mojammat was not consolidated in the accompanying interim consolidated financial statements as at March 31, 2013.

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

The abovementioned receivable amounts from Kinan International are discounted at their respective present values and are disclosed as Long term receivables on the balance sheet. The installments due in 2014 amounting to Saudi Riyals 170.4 million are classified as long term receivables in the accompanying consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4.2 Available for sale (AFS) investments

AFS investments at March 31, principally comprise the following:

	Effective ownership interest (%)			
	2013	2012	**2013 (Unaudited)**	2012 (Unaudited)
Quoted investments				
Emaar the Economic City ("Emaar")	**0.9**	2.9	**70,714**	326,250
Knowledge Economic City	**6.4**	6.4	**316,026**	412,680
Taameer Jordan Holding Company	**5**	5	**10,095**	14,021
Unquoted investments				
Swicorp Joussour Company	**14**	14	**208,819**	208,819
Swicorp, Saudi Arabia	**15**	15	**115,674**	115,674
Others	**Various**	Various	**24,753**	24,753
			746,081	1,102,197

During the quarter ended September 30, 2012, the Company partially disposed its investment in Emaar at a capital gain of Saudi Riyals 46.8 million.

5 Short-term borrowings

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

6 Long-term borrowings

	Note	2013 (Unaudited)	2012 (Unaudited)
Saudi Industrial Development Fund (SIDF)	(a)	**17,159**	21,759
Commercial banks	(a)	**3,759,940**	3,307,147
		3,777,099	3,328,906
Sukuk	(b)	**1,500,000**	-
		5,277,099	3,328,906

(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 amounting to Saudi Riyals 5 billion.

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, 2013, the Company's share capital of Saudi Riyals 5 billion consists of 500 million fully paid shares of Saudi Riyals 10 each (March 31, 2012: Saudi Riyals 5 billion consisting of 500 million fully paid shares of Saudi Riyals 10 each).

(All amounts in Saudi Riyals thousands unless otherwise stated)

As disclosed in Note 1 to the accompanying interim consolidated financial statements, during April 2013, the board of directors has approved to acquire the non-controlling interest from Al Muhaidib in APU and SFC in exchange of 33.9 million new shares of the Company to be issued to Al Muhaidib.

The Board of Directors on April 11, 2013, approved interim dividends of Saudi Riyals 250 million (representing Saudi Riyals 0.5 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 2013 and 2012 principally fall in third and fourth quarters of the financial year. Accordingly, the results of operations presented in the interim consolidated financial statements for the quarter may not be a fair indicator of the results of operations for the full year.

9 Segment information

During the three-month periods ended March 31, 2013 and 2012, the principal activities of the Group related to the Food, Retail trading in various types of food and related products, Plastic manufacturing and Investment and other related activities. Selected financial information as of March 31, and for the three-month period ended on those dates, summarized by segment, is as follows:

2013	**Foods**	**Retail**	**Plastic**	**Investments and other activities**	**Eliminations**	**Total**
Property, plant and equipment - net	2,771,232	1,684,199	512,038	647,268	-	**5,614,737**
Other non-current assets	891,852	328,691	130,319	7,794,178	-	**9,145,040**
Revenues - net	4,386,490	2,606,246	249,058	19,294	(71,224)	**7,189,864**
Net income	189,847	52,853	15,450	74,560	(37,508)	**295,202**

2012	**Foods**	**Retail**	**Plastic**	**Investments and other activities**	**Eliminations**	**Total**
Property, plant and equipment - net	2,658,415	1,600,225	448,048	568,573	-	**5,275,261**
Other non-current assets	864,138	320,303	128,522	6,064,448	-	**7,377,411**
Revenues - net	4,068,669	2,329,292	236,237	20,448	(65,674)	**6,588,972**
Net income	123,278	35,921	14,143	92,417	(23,452)	**242,307**

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 periods then ended summarized by geographic area, is as follows:

2013	**Saudi Arabia**	**Egypt**	**Iran**	**Other countries**	**Total**
Property, plant and equipment - net	3,392,879	1,537,299	417,836	266,723	**5,614,737**
Other non-current assets	8,052,015	538,420	97,053	457,552	**9,145,040**
Revenues – net	4,058,973	674,900	1,654,569	801,422	**7,189,864**
Net income	224,118	(9,196)	75,390	4,890	**295,202**

(All amounts in Saudi Riyals thousands unless otherwise stated)

2012	**Saudi Arabia**	**Egypt**	**Iran**	**Other countries**	**Total**
Property, plant and equipment - net	3,181,185	1,333,300	490,547	270,229	**5,275,261**
Other non-current assets	6,336,298	455,793	121,391	463,929	**7,377,411**
Revenues - net	3,945,856	850,296	977,403	815,417	**6,588,972**
Net income	179,735	6,306	32,316	23,950	**242,307**

10 Earnings per share

Earnings per share for the three-month periods ended March 31, 2013 and 2012 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, 2013, the Group had outstanding commitments of Saudi Riyals 126.8 million (2012: Saudi Riyals 138 million) for investments.

(ii) At March 31, 2013, the Department of Zakat and Income Tax (DZIT) has assessed an additional Zakat liability of Saudi Riyals 8.5 million (2012: Saudi Riyals 34 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.

(iii) Also see note 4.1 for the commitment to sell land and the Company's subsidiary Mojammat.