A holding company with a focused investment strategy in the food and retail sectors

21.6%
Net income growth

28.6%
Profit increase from strategic investments

2.07bn
Group net income

+26bn
Revenues

The Savola Group

Annual Report 2014

In the name of Allah,
The most merciful, the most beneficent

Contents

Savola is one of the fastest-growing corporations in the MENA region and Central Asia. The Group has a diverse portfolio of businesses, and activities including edible oils, vegetable ghee, sugar, pasta, retail and plastics. It also has significant investments in publicly listed Saudi companies, investment funds and real estate.

Financial and Operational Highlights

Net Group income in 2014 totaled SAR 2.07 billion, up 21.6% on 2013, while gross profit of SAR 4.86 billion increased by 1.9%.

Benefits flowing from strategic emphasis on core businesses in the food and retail sectors were evident in operational results.

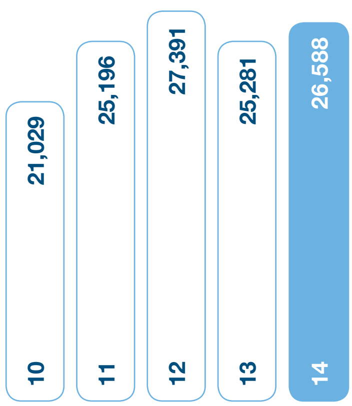
Signing an agreement to sell Savola Packaging Systems Company to Takween Advanced Industries for a total of SAR 910 million.

Selling the edible oil assets and operations in the Republic of Kazakhstan for the equivalent of SAR 107 million, realizing a capital gain of about SAR 17 million.

Selling the Group's entire 30.4% stake in the Masharef real estate development project in Jeddah to Kinan International Real Estate Development Company for SAR 593.5 million.

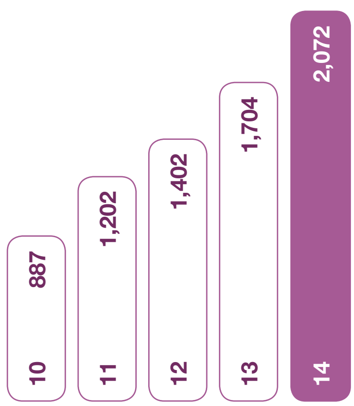
26,588m

Revenues
(SAR millions)



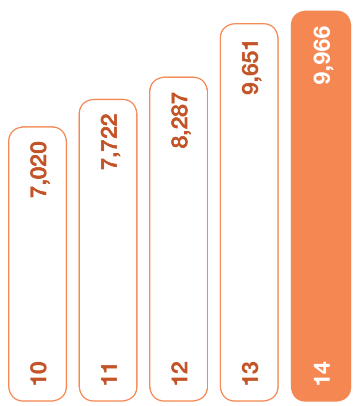
2,072m

Net income
(SAR millions)



9,966m

Shareholders' equity
(SAR millions)



161
New Panda stores

2.09m
Tons edible oils production capacity

2.90m
Tons sugar and sweeteners production capacity

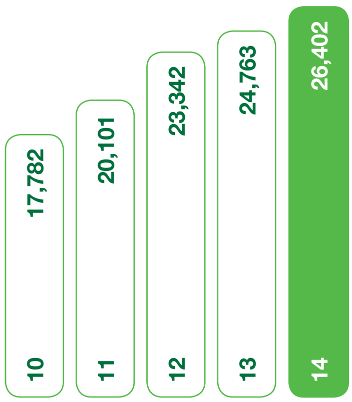
58%
Edible oils market share in Saudi Arabia

41.6%
Increased capacity at United Sugar, Saudi Arabia

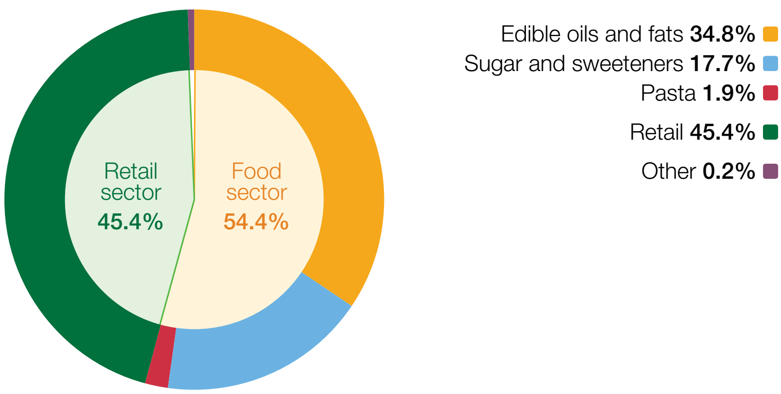
28.6%
Profit increase from strategic investments

26,402m

Total assets
(SAR millions)



Sector contribution to Group revenues, 2014
(Percent)



Chairman's Statement

In the name of Allah, most compassionate, most merciful.

On behalf of my colleagues, the Savola Group Board Members, I am honored to present the Savola Group's annual report for the year ended December 31, 2014. It gives me great pleasure to share with you the remarkable results achieved by the Group.

Net profit for the year reached the unprecedented level of SAR 2.07 billion, 21.6% higher than 2013, with 93.24% attributable to operational profit. Earnings per share reached SAR 3.88, an increase of 15.1%. These results were achieved despite a number of challenges faced by the Group in the regional markets.

To maintain our policy of declaring quarterly dividends, a distribution of SAR 266.9 million was recommended for the fourth quarter of 2014 by the Board of Directors. This brings the year's total distribution to shareholders as dividends to SAR 1,201 million, which represents SAR 2.25 per share and 22.5% of the Group's nominal share value.

Our results reflect the benefits flowing from Savola's strategic emphasis on developing its core businesses in the food and retail sectors, while granting more autonomy to Savola's operating companies to manage their activities within the governance model defined by the parent company.

This autonomy and focus enabled our retail sector to accelerate its growth and thus added 161 new stores during 2014, bringing the total to 345 stores. As part of our strategy to focus on food and retail, the decision was made to divest the Group's entire stake in Savola Packaging Systems Company. We signed an agreement with Takween Advanced Industries to sell our entire stake in Savola Packaging Systems Company for SAR 910 million.

Commitment to the Group's strategic direction will become even more evident in the performance of Group companies over the next few years. Consequently, our target for 2015 is SAR 1,815 million net income (excluding capital gains), despite the disposal of our plastics subsidiary. Savola always discloses its forecast for the next fiscal period, reinforcing our reputation for transparency and high standards of corporate governance.

On behalf of the Board of Directors and all Group employees, I would like to take this opportunity to express sincere appreciation to Dr. Abdulraouf Mannaa – our former CEO and Managing Director – for his efforts and distinguished performance in leading the Group from July 2010 up to the end of 2014. The Group recorded significant growth during his tenure, achieving many strategic goals and overcoming many challenges related to our international expansion.

I also take this opportunity to welcome his successor, Eng. Abdullah Rehaimi, who assumed the role from January 1, 2015. I wish him success in his new tasks and responsibilities. He is no stranger to Savola, having served as a Board Member since 2010 and also served as Chairman of the Group's Investment Committee, before assuming new responsibilities.

Eng. Rehaimi's previous experience includes leadership positions in a number of Governmental and private institutions, such as President of the General Authority of Civil Aviation and Deputy General Director of the Saudi Industrial Development Fund (SIDF). He also holds Board memberships at several Saudi banks and public companies.

The Board of Directors expresses its thanks and admiration to King Salman bin Abdulaziz Al Saud, Custodian of the Two Holy Mosques, HRH Prince Muqrin bin Abdulaziz, and all government ministers for their wise leadership and guidance of the national economy and our beloved country.

Finally, I extend sincere appreciation to Savola's shareholders for their support during 2014 and look forward to their continued support and guidance.
I also wish to acknowledge the efforts, hard work, and dedication of the management team and employees throughout the year. The efforts of the entire team, with the blessings of Allah, led to the outstanding results achieved by the Group in 2014, and we humbly seek Allah's guidance and blessings, enabling us to achieve more excellence in 2015.

Our results reflect the benefits flowing from Savola's strategic emphasis on developing its core businesses in the food and retail sectors.

Mr. Sulaiman A. Al Muhaidib
Chairman

Board of Directors





Mr. Sulaiman A. Al Muhaidib
Chairman

Eng. Abdullah M. Noor Rehaimi
Group CEO and Managing Director

Mr. Amin M. Shakir
Member

Mr. Ibrahim M. Al Issa
Member

Mr. Abdulaziz K. Al Ghufaily
Member






Dr. Abdulraouf M. Mannaa
Member

Mr. Bader A. Al Issa
Member

Mr. Fahad A. Al Kassim
Member

Mr. Abdul Kareem A. Abu Alnasr
Member

Mr. Essam A. Al Muhaidib
Member

Mr. Mohammad A. Al Fadl
Member

Group CEO and Managing Director's Message

The Group has a number of competitive strengths: a clear strategy, highly competent human assets, a sound corporate culture, and a very strong financial position.

Eng. Abdullah M. Rehaimi
Group CEO and Managing Director

Peace, mercy, and Allah's blessings be upon you.

Throughout 2014 The Savola Group continued to implement its strategic plan, focused on developing our core food and retail sectors. We granted more autonomy and flexibility to the Group's operating companies to manage their own affairs within the terms of a governance model that defines their relationship with the parent company. This clearly contributed to enhancing the operating companies' performance, and will continue to do so in the coming years, as indicated in the Chairman's message.

We also continued to build on the Group's strategic advantages – locally and internationally – despite the difficult regional political and economic circumstances that created uncertainty, and the challenges inherent in the pioneering efforts that Savola has undertaken over the last four years. Notwithstanding these factors, the Group has a number of competitive strengths: a clear strategy, highly competent human assets, a sound corporate culture, and a very strong financial position, as reflected in the 2014 financial statements.

In 2014, the Group delivered a record net profit of SAR 2.07 billion, 21.6% higher than 2013. Gross profit amounted to SAR 4.86 billion, an increase of 1.9% compared to the previous year.

Net income (before capital gains and exceptional items) reached SAR 1.93 billion, 23% higher than 2013 and 7.2% higher than the forecast published on the Saudi Stock Exchange (Tadawul) website in January 2014. This impressive growth in profitability is largely attributed to higher revenues and market share of the Group's retail sector, and a 28.3% increase in share of income from associates (including Almarai and Herfy Foods).

Our commitment to the highest standards of corporate governance and transparency was recognized in November when Savola received the Golden Peacock award for excellence in corporate governance from the International Awards Department of the Golden Peacock Awards organization, an achievement of great prestige. The award was presented at the 14th London Global Convention.

The Group works consistently to recruit and develop highly skilled Saudi nationals. Our local and international workforce totals more than 29,000 (23,600 in Saudi Arabia), and the average Saudization ratio is now 40%.

As part of Savola's commitment to serve the needs of the community, we continued to support a range of community initiatives, as detailed in the CSR section of this report. The Group's CSR strategy was reviewed during the year, the objective being to engage a broader range of community issues and needs.

Our CSR department continuously monitors the impacts of the Company's work in this field to be more effective in serving our entire society.

Like the Chairman, I pay tribute to Dr. Abdulraouf Mannaa, our former Group CEO and Managing Director, and acknowledge his achievements and outstanding leadership since 2010. I pray to Allah to guide and grant success in continuing the journey of our predecessors to take Savola to even higher levels of excellence.

We undertake all our efforts with the grace of Allah Almighty and the support of our shareholders, customers, and business partners. We trust that this will help Savola to continue achieving excellent business results in 2015 and beyond.

I also extend thanks to the Group's executive management and all employees for their devoted efforts during 2014, hoping that we will achieve our forecasts for 2015.

We ask God to help and guide us.

Management Executive Team

Mr. Bader H. Al Aujan
Eng. Azhar M. Kenji

Mr. Muwaffaq M. Jamal
Mr. Faysal H. Badran

Mr. Nouman Farrukh
Mr. Tarik M. Ismail

Mr. Bader H. Al Aujan
CEO, Foods Sector (Savola Foods Company)

Mr. Al Aujan was appointed in September 2014. He is CEO of Savola Foods Company (SFC) and a board member of several other Group subsidiaries: Afia International, Alexandria Sugar and Pasta (all in Egypt); and United Sugar Company (Saudi Arabia and Egypt).

Mr. Al Aujan is also Managing Director of Al Muhaidib Foods.

He graduated from King Saud University with a BSc in Mechanical Engineering.

Mr. Al Aujan's illustrious career has included senior management positions in diverse sectors, having been Group Managing Director of Aujan Industries and a Director of United Arab Can Manufacturing Company. His current directorships outside the Savola Group include Eastern Industrial Company (Saudi Arabia), Khairat Al Mazra (Unilever Distribution, Iraq); KOUT International Catering Company (Kuwait) and Teeba Holding (Lebanon).

Mr. Muwaffaq M. Jamal
CEO, Retail Sector (Panda Retail Company)

Mr. Jamal joined Panda in 2004 as Chief Finance Officer, becoming CEO and a board member in 2010. He is also on the board of Herfy Food Services Company. He led Panda's expansion program over two and a half years and was also in charge of the change management program positioning the company for 2015 targets. In 2009, he received the *Revolutionary CFO of the Year Middle East* award at the CFO Mid-East Strategies conference.

Mr. Jamal graduated from King Fahd University of Petroleum & Minerals with a BSC in Accounting and also has a degree in Pre-business Administration from the University of Oregon, USA.

Eng. Azhar M. Kenji
CEO, Plastics Sector

Mr. Kenji joined Savola in1985 after graduating from King Abdulaziz University in Jeddah with a BSc in Industrial Engineering. His first job was with Savola Oils as an industrial engineer. He was appointed President of Savola Plastics in 2005, becoming Chief Executive of the Plastics Sector in 2010.

In this position, Mr. Kenji is responsible for three companies: Savola Packaging Systems and Al Sharq Plastic Industries in Saudi Arabia, and New Marina Plast in Egypt. Outside the Group, he is a board member of SASO (Saudi Standards, Metrology and Quality Organization) and a member of the National Plastics Committee.

Mr. Faysal H. Badran
Chief Investment Officer

Mr. Badran has more than 20 years' experience in investments, asset and risk management, corporate strategy, and entrepreneurial ventures over a career that has spanned the US, Europe, and the Middle East with institutions including Chase, Bankers Trust, UBS, the Middle East Capital Group, and the National Commercial Bank (NCB).

He was appointed to his current position in February 2014, and is also on the board of Herfy Food Services Company, as well as holding several external directorships. Before joining Savola, he was CIO and Head of Asset Management at NCB Capital.

Mr. Badran studied economics at DePauw University, and Economics and Monetary Policy at the University of Chicago. He has also completed several executive programs, most recently the INSEAD Executive Program.

Mr. Nouman Farrukh
Chief Financial Officer

Mr. Farrukh has more than 20 years' experience with the Group, having originally joined Savola Bahrain where he was responsible for management accounting. He has since held progressively senior positions, serving as Deputy CFO, Director Group Finance, and Senior General Manager Finance & IT.

Before joining Savola, Mr. Farrukh spent five years with a Pakistan-based cement manufacturer as Assistant Manager, Cost & Budget. He holds professional qualifications in cost and management accountancy and taxation management, is an Associate of the Institute of Cost & Management Accountants, and a Fellow of the Institute of Taxation Management.

Mr. Tarik M. Ismail
Executive Director, Corporate Affairs & Sustainability, and Board Secretary

Mr. Ismail oversees the Group's CSR, marketing, and communications functions, as well as coordinating the activities of the Board of Directors. He has been with the Group for almost five years, having joined Panda in 2010 as PR Manager. He led Savola's *My Environment is My Friend* initiative, working with Saudi Arabia's Presidency of Meteorology and Environment (PME) to develop programs that raise local environmental awareness.

Mr. Ismail is Vice-President of the Food & Beverage Businessmen Committee at the Jeddah Chamber of Commerce & Industry, and a board member of Tarahum (National Committee for Prisoners) and the World CSR Congress.

Activities and Performance Review

Foods
Sector

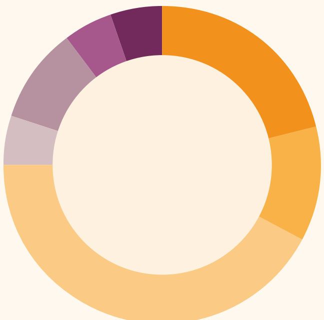
Savola Foods Company (SFC), a 100% owned subsidiary of the Savola Group, has completed the legal process for conversion from a limited liability company to a closed joint stock company, pursuant to the ministerial resolution issued during 2014.

SFC is the flagship operating company of the Group's Foods Sector. SFC owns and manages subsidiaries with production facilities across seven countries covering the Middle East, North Africa, Central Asian regions, and Turkey. SFC owns top brands of high-quality edible oil, ghee, sugar, and pasta products marketed across 30 countries globally, with market leadership position in most of the countries in which it operates.

Consolidated Results

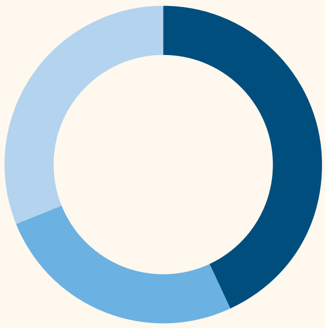
The Company reported consolidated revenues of SAR 14.59 billion, which is almost the same level as last year due to lower commodity prices despite higher sales volumes. Net Income for 2014 reached SAR 610 million, a decrease of 3.3% compared to last year. This is due to the beet sugar startup losses, tough regional market conditions affecting exports, and devaluation of local currencies against the US dollar. The sector performed exceptionally well in all mature markets as well as witnessing growth in some of its emerging markets.

The production capacities of the Group's edible oil refineries reached 2.09 million MT and the production capacities of the Group's sugar refineries reached 2.90 million MT. The production percentages are shown below by geography.



Edible oils production capacity
(Percent)

KSA **20.1%**
Iran **39.71%**
Algeria **9.1%**
Egypt **10.75%**
Turkey **4.78%**
Sudan **4.78%**
Morocco **4.78%**



Sugars and sweeteners production capacity
(Percent)

Jeddah, KSA **31%**
Ain Alsukhnah, Egypt **43.1%**
Alexandria (Beet Sugar) **25.86%**

Note: In addition to pasta factories in Egypt with a total production capacity of 240KMT per year.

Edible oils and fats

9.3bn
Total annual sales

Afia International Company

Afia International Company (Closed Joint Stock Company) is 95.2% owned by SFC. Afia primarily owns and operates edible oils and fats operations in KSA, Iran, Egypt, and Turkey. Below are the performance details of Afia subsidiaries:

Afia operations in Arabia – Gulf, Yemen, and Levant

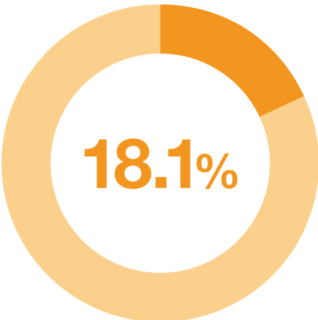
Afia Arabia's operations are focused on Saudi Arabia, Gulf, and Levant markets. The manufacturing facilities are located in Jeddah, which serves the aforementioned markets by supplying them its high-quality products of edible oils.

Afia is focused on providing high-quality edible oil products to its customers; Afia refines and packages different types of oils in multiple packaging units as per consumer needs. Afia continues to enjoy market leadership position in its markets, with a 58% market share in Saudi Arabia, 20% in GCC, and 42% in Jordan.

Despite facing a challenging 2014, Afia continued to invest in its brands and leveraged on its cost efficiencies that resulted in maintaining profit margins despite pricing pressures.

Edible oils and fats

90%
Savola Behshahr Company share



Yudum Edible Oil Company market share

During the year, sales turnover of the company reached SAR 2.17 billion compared to SAR 2.28 billion in 2013. Sales volume for the year was also higher than last year despite the prevailing political and security situation in Iraq, Syria, and Yemen. The company demonstrated its resilience by achieving a net profit of SAR 232 million, compared to SAR 180 million in 2013.

Savola Behshahr Company (SBC) – Iran

Afia owns 90% of Savola Behshahr Company (SBC), a holding company which owns and operates our operations in Iran. BIC owns the market-leading brands Ladan Gold, Ladan, and Bahar. SBC also own 100% of Tolue Pakshe Aftab Distribution Company, which mainly distributes the products manufactured by BIC apart from some third-party products.

In 2014 the SBC sold its 79.9% stake in Margarine Manufacturing Company to Behshahr Industrial Development (BID) to improve efficiency and reduce operational complexities. At the same time, Afia increased its shareholding in SBC from 80% to 90% by purchasing an additional 10% stake from BID.

Sales volume reached 536 KMT, which is 7% lower than 2013 despite disposal of MMC. SBC revenues stood at SAR 3.5 billion due to the 10% devaluation of the Iranian rial, increased competition from local producers coupled with restrictions on price increases. SBC continued to sustain its dominance in the ghee sector, with its flagship brand Ladan leading the way. SBC delivered SAR 259 million net income in 2014.

The key to the performance in this volatile market was the management's ability to anticipate macroeconomic changes, optimizing sales mix, maximizing cost efficiencies, strong marketing activities, and effective working capital management.

It is important to highlight that Iran was declared a "Hyper Inflationary Economy" by IASB in December 2013. Accordingly, the impact was taken into consideration during the preparation of the Group's financial statements for the year ended December 31, 2014.

Afia International Company (AICE) – Egypt

AICE, which is 99.9% owned by AIC, continued to implement its strategy to entrench its leadership position. AICE maintained its growth momentum by promoting its leading position in the ghee segment. This year also showed a substantial rise for the third consecutive year in the oils segment; apart from increasing its volume share in the consumer segment, it also experienced very strong performance in the industrial and business to business (B2B) segment of the market. This increased volume share growth in the consumer segment by 17% and the industrial sales segment by 65% compared to last year, resulting in overall volume growth of 30% from 2013. Total revenues of the company reached to SAR 1.2 billion compared SAR 1.04 billion last year. AICE achieved a net profit of SAR 31 million, an increase of 10% compared to last year.

As a result of the efforts exerted by the marketing and development departments, the premium brands of the Company like Rawaby, Ganna, and Afia continue to maintain their leadership position as they witnessed growth compared to last year. The other brands, which have been re-launched recently in response to consumer demand, are showing positive growth in KPIs. Across the board the likes of Golden Sun, Slite, Helwa, and Hanady are doing quite well.

Yudum Edible Oil Company – Turkey

Yudum Gida (100% owned by Afia International Company) operates an edible oil manufacturing plant in the Izmir region of Turkey. It supplies the Turkish edible oils consumer premium market with the two leading brands of Yudum and Sirma in multiple oil categories (sunflower, canola, corn, hazelnut, and olive oil).

During 2014, the company continued to maintain its sales revenue over SAR 1 billion, despite a minimal reduction in its sales volume from 153KMT to 151KMT in 2014 due to reduction in exports because of the price gap in olive oil products between Turkey and Spain. The domestic sales volume in the premium brand category increased from 138KMT to 150KMT, which improved its market share from 16.5% to 18.1% in 2014.

Yudum was able to gain more experience and improve its upstream supply chain by increasing its involvement and support of the local olive oil harvest. The net profit of the company reached SAR 19 million compared to SAR 25.6 million for last year, which represented a decrease of 27% compared to last year mainly driven by non-occurring income from bulk olive oil, competitive pressure on the margins, coupled with currency devaluation.

Edible oils and fats

Savola Foods Emerging Markets Company

Savola Foods Emerging Markets Company (SFEM) is a 95.4% owned subsidiary of SFC. It owns edible oil operations in Algeria, Sudan, and Morocco. Performance details of the SFEM subsidiaries are:

Savola Edible Oils Company – Sudan

Savola Edible Oils (Sudan) Company "Savola Sudan" is 100% owned by SFEM and was established in 2005, driven by the opportunity of converting the market from loose to refined, packed, and branded edible oil.

The total market of edible oil has reduced by 10% to 250,000 MT due to the separation of South Sudan. The branded packaged market has reached 37% of the total market, where Savola Sudan is taking the strong lead with 85% market share.

2014 was an unprecedented year for Savola Sudan. The company managed to regain its sales volume, reaching 63 KMT, an increase of 94% compared to last year, through improved efficient supply and an important increase in distribution indicators and coverage. Savola Sudan managed to grow its market share by 5% in the branded segment with Sabah, Al Tayeb, and the successful launch of a new brand, Shams, in the sunflower segment.

In 2014, Savola Sudan achieved revenues of SAR 616 million and delivered a net profit of SAR 46 million, which represents an impressive turnaround compared to 2013 when it delivered a loss of SAR 17 million. The management is working on strengthening the business model to adapt to a changing environment that should lead to sustainable business model profits.

Afia International – Algeria

Afia International Algeria is a 100% owned subsidiary of SFEM. It started operations in 2008 and is now the number two player with a market share of 27%, mainly through its Afia brand.

Afia International Algeria achieved sales volume of 99 KMT in 2014, which is 10% lower than the previous year. This was mainly driven by the reduction of the total market volume, estimated to be 8%, which was due to the drastic reduction of the cross-borders trade with neighboring countries. Revenues reached SAR 547 million, which contributed to an overall profitability of SAR 32.6 million, an increase of 60% compared to 2013. Performance was driven by higher efficiency and cost-savings initiatives across the whole supply value chain. The company kept investing in strengthening its brand equity and marketing initiatives in the market.

Savola Morocco

Savola Morocco is a 100% owned subsidiary of SFEM, which started operations in 2004 as a greenfield company after the liberalization of the edible oil market in Morocco.

Savola Morocco grew its volumes by 6.5% compared to last year and managed to sell 61 KMT and generate net revenues of SAR 294 million, while net profit reached SAR 4 million. Savola Morocco enhanced its marketing and distribution investments, which led to its improved market share of 14%.

International Food Industries Company (IFI)

IFI is a joint venture between Savola Foods Co (KSA) and foreign partners. The joint venture was initiated during the fiscal year 2012. The objective of IFI is manufacture and sale of shortening and margarine products. The manufacturing facilities are under construction and it is expected to start trial production during 2016.

Sugars and sweeteners

64%

Market share of Al-Osra brand in Saudi Arabia

United Sugar Company (USC) – Saudi Arabia

United Sugar Company (USC) operates from the Jeddah Islamic Port. It is owned by Savola Industrial Investments Company (by 74.4%) and a number of Saudi investors, which in turn is 95% owned by Savola Foods Company. USC operates the third largest sugar refinery in the world, with annual production capacity of approximately 1.25 MMT.

As a direct result of the management's clear lines of communication and strategic planning efforts during 2014, they have enabled USC to overcome the negative impact of the fire incident of 2013. Thanks to almighty Allah, the current operations and all activities have returned back to their normal course. The company has built a strong marketing base in the Middle East on its core brand – Al-Osra – and holds 64% of the market share in Saudi Arabia.

Sugars and sweeteners

During the year 2014, USC management exerted tremendous and successful efforts to overcome the impact of the fire incident that took place in the company sugar warehouse in Jeddah during 2013.

USC also holds almost 8% of the market share in the diet sweetener category with its product Sweeva. This product was developed in the Saudi market to serve a different class of consumer. It is a sugar substitute for the class of consumers who are looking for a product that fits their health and lifestyle. The distribution range for Sweeva has been expanded by having diverse points of sale such as pharmacies, and the company is aiming to introduce new points of sale by marketing the product through retail market to increase its market share.

The company's sales volume reached 1.32 MMT, an increase of 16% compared to last year. The net revenue of the company reached SAR 2.9 billion, which is 4% higher than last year. The company's net income (standalone) for the year 2014 reached SAR 175 million, an increase of 72% compared with last year.

USC commenced its plan to increase the production capacity of its refinery in Jeddah from 1.2 MMT per year to 1.7 MMT per year, an increase of 41.6%. The total cost of this project is SAR 254 million.

United Sugar Company (USCE) – Egypt

United Sugar Company Egypt (USCE) is a 57% owned subsidiary of United Sugar Company in the KSA; furthermore, Savola Group has a direct 19% shareholding in the company. The USCE began its operations in 2008. The current production capacity for the sugar refinery at Ain Al Sokhna port reached 800 KMT.

In 2014 the company achieved growth in sales volume, where sales reached 760KMT compared to 705KMT in 2013. During 2014, USCE recorded a net profit of SAR 11 million compared to a net profit of SAR 3.6 million for the previous year, despite a number of challenges in the market including political events, depreciation of the local currency against the dollar, and inflation in fuel and energy prices.

Alexandria Sugar Company (ASC) – Egypt

Alexandria Sugar Company (ASC) is 62.1% owned by United Sugar Company in the KSA, 18.9% owned by USCE, and 19% owned directly by SFC. The company is proud to announce that it has started its first and full crushing season in 2014. The company completed 150 working days in its first operational season by processing 900 KMT of beet.

ASC reported losses for the year of 2014 that amounted to SAR 124 million. These losses were due to a variety of reasons: the government announced a low selling price for sugar; a low rate of sugar extraction; and high financing costs as ASC had just started the repayment period.

The issue of the low extraction rate of sugar is being addressed with an ongoing state-of-the-art research project that endeavors to track every aspect of the process with the appropriate KPIs. Since this was the first operational season, management had anticipated that there would be certain learning curves along the way.

Alexandria United Company for Land Reclamation – Egypt

Part of SFC's direction to invest in the agriculture sector is designed to ensure the supply of raw material to its industry from local resources. A multi-faceted feasibility study has been prepared in relation to the investment in the agricultural sector, the launch of the project reclamation, cultivation and processing of land and reclaimed land.

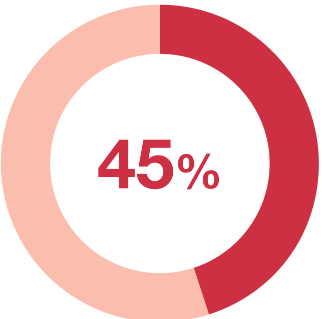
A company was established during the third quarter of 2014, under the name of Alexandria United Company for Land Reclamation, as an Egyptian joint stock company. It has been established in accordance with the provisions of the Investment Guarantees and Incentives Law No 8 of 1997, and its executive regulations.

The issued capital of the company is USD 22.5 million, fully owned by Alexandria Sugar Company.

These efforts are expected to reflect positively on beet supply, as this important step will support stable production by using advanced techniques such as irrigation to increase the beet harvest.

Pasta

42.7m
Net profit



El Maleka brand market share

60%
of the packaged pasta market in Egypt

Pasta – Egypt

The pasta business (100% owned by SFC) continued its strong performance in 2014, as it achieved 15% growth in total sales volume, El Maleka brand reaching 45% of the market share of the packaged pasta sector in Egypt. Collectively our pasta products comprise more than 60% of the packaged pasta market in Egypt.

During 2014, pasta achieved a net profit of SAR 42.7 million. As a result of management efforts, the pasta sector has been able to sustain profitability despite the doubling of energy prices in Egypt after the partial lifting of goverment support.

Retail Sector

Panda Retail Company (closed joint stock company) is a 92% owned subsidiary of Savola Group. Panda operates a network of hypermarkets, supermarkets, and convenience stores across Saudi Arabia and Dubai.

After the addition of 161 new stores during 2014, Panda currently operates a network of 346 supermarkets, hypermarkets, and convenience stores, out of which 345 are located in Saudi Arabia and one in Dubai. Panda, the region's leading and pioneering company in grocery retail, continues to strengthen its position as the largest and fastest-growing retailer in Saudi Arabia through its ambitious expansion plan.

During 2014, Panda revenues reached SAR 12.2 billion compared with SAR 10.9 billion in 2013, recording year-on-year growth of 11.7%. Another historic achievement in 2014 was delivering a net profit of SAR 503 million, compared to SAR 405 million the previous year, an outstanding growth of 24% while the net profit margin reached 4.2%.

Panda was ranked number one in all regions where it operates, based on a customer survey that benchmarks the competitiveness, quality, and standard of services provided, in addition to prices in general, carried out by an independent international research institute. Panda is planning to further enhance its market share in the coming years through superior performance of its existing stores and the ongoing strategy of opening new stores. This will further expand its geographical footprint across Saudi Arabia, which currently spans 38 cities.

One of the pillars of Panda's growth strategy is the development of own label products. During 2014, Panda's label witnessed an expansion of products to include new varieties of food and non-food products at highly competitive quality standards. Panda added 68 new products, in addition to 53 re-launched products.

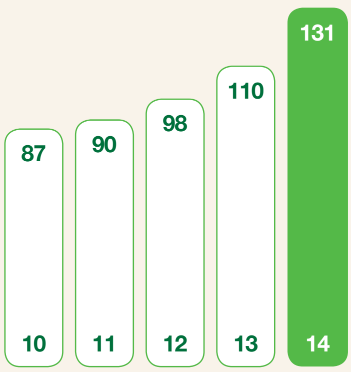
This reflected positively on Panda sales growth in this category, which reached 3.6% of total sales in 2014. Customers who preferred Panda label products grew by 17.5%, compared to 2013.

Through its expansion strategy during 2014, Panda continued its growth in sales by increasing its number of stores, which strengthened its leadership in the grocery retail market. Leveraging on the economies of scale, Panda is focused on driving further synergies in its operations and always strives to transfer the benefits of such synergies to provide best competitive prices to its customers.

In 2014 Panda continued developing and improving its marketing strategy to provide high-quality products with the lowest prices through various marketing activities, eg special promotional offers and marketing festivals, in addition to a series of campaigns.

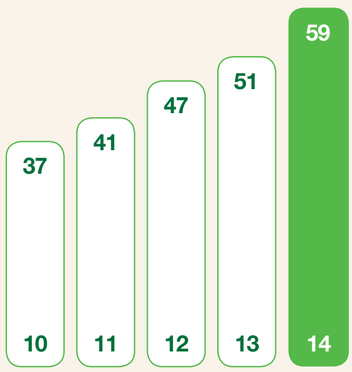
21
new stores

Growth of Panda supermarket network
(Store numbers)



8
new stores

Growth of HyperPanda network
(Store numbers)



132
new stores

Growth of Pandati network
(Store numbers)

Panda Retail Company

The company launched three marketing campaigns in 2014: Free Trolley, Ramadan Festival, and Panda Anniversary 36. Through these campaigns Panda offered creative and exclusive promotions, surprises, and prizes on various products, such as food, electronics, home appliances, and much more. Panda offered thousands of prizes to its customers and the total number of winners in 2014 reached 200,000 within the Kingdom.

Panda also organized many community events on different occasions across the Kingdom. These included celebration with needy families and orphans during Eid Al-Fitr and Eid Al-Hajj, national and global awareness campaigns such as Civil Defense World Day, Traffic Week, Tree Week, Corona virus awareness, and an anti-drugs campaign. During 2014, Panda organized a total of 69 events, of which 26 were held in the Central region, 19 in the West, 13 in the East, six in the South, and five in the North, in addition to 19 school trips to different stores (Panda & HyperPanda) across the Kingdom.

11.7%
Revenue growth

Expansion projects

Following its successful expansion in the local market, Panda has started to plan for opening new retail stores and centers in selected neighboring countries such as Egypt and more stores in the UAE. Panda is still at the exploratory stage and conducting feasibility studies to gradually execute its expansion plans.

Changing the company name

During 2014, the Shareholders during the Extraordinary General Assembly (EGM) approved changing the company's name from Al-Azizia Panda United Company to Panda Retail Company after completing all the necessary legal requirements.

Plastics Sector

Savola Packaging Systems Company (SPC) is 100% owned by the Savola Group. It is a leading player in the region's rigid and flexible plastic packaging market, with total production capacity of almost 209,000 tons.

SPC manages and operates seven manufacturing facilities – one in Jeddah, four in Riyadh, and two in Alexandria, Egypt. It supplies local and export customers with pre-forms, bottles, closures, films, and containers for sectors such as dairy and juice, water, carbonated soft drinks, petrochemicals, health and personal care, lubricants, edible oil, and retail.

In line with the Group strategy of focusing on its core food and retail businesses, Savola began negotiations in 2014 to divest SPC, resulting in an agreement for Takween Advanced Industries (Takween) to acquire its entire stake for SAR 910 million. Savola and Takween are now completing legal requirements relating to the transaction, as announced on Tadawul.

SPC continued to face local and international challenges in 2014, due to severe pressure on conversion cost, slowdown of growth in European markets, political unrest in the MENA region, and the adverse impact of local currency fluctuations against foreign currencies.

Despite numerous pressures, SPC's consolidated sales volume of SAR 1.11 billion was similar to last year. However, increased conversion costs, intense competition, and news of the divestiture impacted the company's net profit, which reduced from SAR 69.5 million to SAR 50.2 million.

Of SPC's subsidiaries, Al Sharq Plastic Company (ASP) achieved SAR 7.9 million net profit compared with SAR 26.7 million in 2013, again due to increased competition and the rise in conversion cost, falling export demand from Europe, and the loss of form, fill, and seal business.

New Marina Company achieved net profit of EP 3.5 million, compared to EP 14.2 million in 2013, attributable to a decline in contribution margin, increased conversion cost, and foreign currency losses.

SPC's Saudi business performed quite well during 2014, achieving volume growth of 5%, revenue growth of 2%, and a 5% increase in income from operations.

Post balance-sheet event

SPC shareholders held an extraordinary general assembly on February 10, 2015 and approved the resolution to convert from a closed joint stock company to a limited liability company. As of the date of this annual report, certain legal formalities are still to be completed.

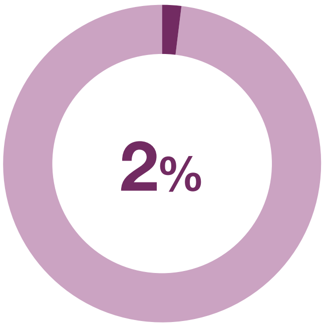
The accompanying chart shows the total annual production capacity percentage for SPC factories in Saudi Arabia and Egypt, which reached 209,000 tons per year.

Annual production capacity of SPC factories in Saudi Arabia and Egypt
(Percent)

Jeddah **39%**
Riyadh **48%**
Egypt **13%**

5%

Increase in income from operations



Revenue growth

Strategic Investments

Investment in allied businesses and sectors that yield positive returns is a long-standing Savola Group strategy. Such investment continues to make a valuable contribution to profitability.

Almarai Dairy Company

Almarai, a publicly listed company 36.52% owned by the Savola Group, is the world's largest vertically integrated dairy company and the leading food and beverage manufacturing and distribution company operating across the GCC. Successive five-year plans have seen its product portfolio grow from milk, laban, zabadi, and other dairy liquids and foods to include fruit juices, bakery, poultry, and infant nutrition.

The Savola Group considers its interest in Almarai as a strategic investment, due to its outstanding performance, sustainable expansion, and excellent returns for Savola.

Almarai recorded a net profit of SAR 1.67 billion for the year ended December 31, 2014. This incremental growth of 11.46% compared well to last year. As Almarai is publicly listed on the Saudi Stock Exchange (Tadawul), details related to its performance, business development, and financial results are available from its annual report and other information which can be accessed through the Tadawul website or the company's own website.

Herfy Food Services Company

Herfy (49% owned by the Savola Group) is one of the leading Saudi companies, with a successful reputation built on its market-leading restaurants, bakery and sweets, and meat processing businesses. Herfy has a number of branches across Saudi Arabia as well as restaurants in some Arab countries.

The Savola Group considers its interest in Herfy as a good return investment, due to its excellent performance, sustainable expansion and good dividends payment.

Herfy recorded a net profit of SAR 205.8 million for the year ended December 31, 2014. This reflects an increase of 7.51% from the previous year. As Herfy is publicly listed on the Saudi Stock Exchange (Tadawul), details related to its performance, business development, and financial results are available from its annual report and other information which can be accessed through the Tadawul website or the company's own website.

Private Equity

Other investments held by the Group include:

Swicorp

Swicorp is a financial services firm operating in the Middle East and licensed by the Capital Market Authority of Saudi Arabia. The Group holds 15% of the Company's outstanding capital. Swicorp has reported profits over the past few years.

Joussour Holding Company

Joussour is a private equity firm that focuses on petrochemicals, energy-intensive industries, and infrastructure. The Group investment represents 15% of its total equity. During 2014 and the past years, the fund's asset value reduced and, as a result, the Group booked an impairment provision of SAR 19.6 million for its investment in Joussour.

The Group received SAR 77 million from Joussour in 2014 which includes dividend of SAR 46.08 million.

Intaj Capital

Intaj is a private equity fund managed by Swicorp and focuses on industries driven by consumer demand in the MENA region. The Group's investment in this fund is SAR 189.2 million, which represents 49% ownership. During 2014, the Group booked an impairment provision of SAR 47.8 million for its investment in Intaj.

Real estate investments

The Group has various investments in companies engaged in real estate projects, such as:

- Kinan International Company for Real Estate Development, which is 29.9% owned by Savola Group and focuses on two sectors – residential and commercial. Kinan is performing well with its business and expansion plans. Savola has representatives on Kinan's Board of Directors.
- Savola owns 11.5% (6.4% direct and the balance indirect) in Knowledge Economic City, listed on Tadawul, and has one representative on the Board.
- Savola owns 5% of Taameer Jordan Holdings Company, listed on the Amman stock exchange, and minority shareholdings in Dar Al-Tamlik and others.

28.6%
Profit increase from strategic investments

المراعي
Almarai
36.5%
Owned by Savola

HERFY
49.0%
Owned by Savola

Corporate Social Responsibility and Sustainability

Savola's responsibility is not only towards customers: it applies to all stakeholders and this is the essence of our CSR approach.

Our employees, business partners and suppliers, shareholders, regulators, and members of the local communities in which we operate all deserve our best efforts to improve our impacts on people and the environment. We do our utmost to conserve resources, build a supportive and empowering organizational culture, and engage our suppliers in true partnerships for shared beneficial outcomes.

Group-level CSR programs

As part of its commitment to serve the community, the Group continued to implement a range of CSR programs during 2014. Recognizing the importance of Savola's involvement in developing communities, the Group's Board resolved to allocate 1% of annual net operating profits from core sectors to support CSR programs. This is in addition to other programs by subsidiaries inside and outside the Kingdom, especially by Panda Retail Company. Key CSR projects are:

Makeen initiative to empower people with disabilities

This initiative was established to employ people with disabilities in appropriate jobs in the Group's operating companies and empower them through on-the-job training. In 2014, 145 people were employed and trained within the Group and other entities in the private sector, taking the total employed and trained to 590 since the inception of Makeen.

Among other Makeen initiatives is a mentor and buddy program for disabled people working in the Savola Group or its operating companies. It aims to spread awareness on dealing with individuals with special needs and providing an environment that makes them feel comfortable and facilitate accessibility within the premises.

The Group continues its drive to make the work environment more accessible to people with special needs.

Saudi Injaz

Injaz is the world's largest non-profit organization dedicated to educating students and preparing them for the workplace. Injaz Saudi Arabia is a member of Junior Achievements Worldwide and runs hands-on programs in entrepreneurship, financial literacy, and workforce readiness to prepare elementary, intermediate school, high school, and university students to deal with business demands.

Students' personal and practical skills are developed at training workshops led by private sector volunteers. Injaz Saudi Arabia's mission is to inspire and prepare Saudi youth to succeed in a global, knowledge-based economy and aims to reach 250,000 male and female Saudi students Kingdom-wide by 2018, in partnership with the business community, ministries, educators and volunteers. Savola is one of the founding members of Injaz Saudi Arabia and one of its biggest supporters. Several Savola managers volunteered in the 2014 campaigns, spending an average of 160 volunteer hours to train 336 students.

Savola CSR partnership relations

Savola provided financial and technical support to a number of non-profit organizations during 2014, such as:

- Qaderoon (business and disability network programs)
- During Ramadan, 21 charitable associations and specialized rehabilitation centers received in-kind support.
- Sponsoring Girl Guides of Saudi Arabia to mark World Guide Day on February 15, 2014.

11%

Increase in donations

from "Leave the Change" program

Panda CSR programs

As part of its commitment to CSR, Panda has continued its strong focus on providing various programs addressing all segments of society. These are:

Friend of the Environment

Friend of the Environment is an environmental initiative by Panda that in 2014 focused on conserving water. Panda signed a strategic partnership with National Water Company to install water-conserving materials in Panda stores. So far, this has been completed in 79 stores – 32 Panda and HyperPanda stores in Riyadh, and 47 Panda, HyperPanda, and Pandati stores in Jeddah.

Further environmental efforts by Panda in 2014 included consulting some developed countries to take advantage of their international experience in preserving the environment to transfer this knowledge to Saudi Arabia. This will enhance environmental awareness and will help reduce pollution, conserve natural resources, and protect human health.

Within the same program, Panda has implemented IT software that monitors printing procedures in the head office, aiming to control the number of printed papers and use less paper in the work environment.

Be Healthy

Launched in 2013, Be Healthy aims to raise community awareness of better eating habits and a healthy lifestyle. In 2014 Panda ran a series of campaigns targeting all society segments and family members, presenting 133 healthy tips through a character called Sahsooh. He provides nutritional information to the public using social media networks, television, and newspapers. In 2014, the program also provided 40 healthy recipes that were published on the Sahsooh website and social networks to make the public aware of alternative healthier options in their cooking.

Within the same program, Panda launched the first phase of the Health Ambassadors initiative, four weeks of awareness and educational sessions for more than 100 students from Dar-Althikr Boys' School and Al-Hamra Girls' School in Jeddah. Panda is planning during 2015 to establish similar awareness and educational sessions in coordination with several private schools in the major cities in the Kingdom.

Continuing its social and national responsibility, Panda stopped selling energy drinks in all its stores in Saudi Arabia with the aim of raising the awareness of millions of customers about how these drinks can damage health.

Leave the Change

This program encourages Panda's customers to donate the small change from their purchases at Panda outlets. It began in 2006, and in 2014 reached more than SAR 45 million in total donations. Donations in 2014 amounted to SAR 11.3 million, up by 11% on 2013. Funds are distributed to the Disabled Children's Association and the Trahom Association that cares for prisoners and their families.

Panda Charity Caravan

For the 14th year, the Panda Charity Caravan assisted hundreds of needy families during Ramadan. Donations by Panda employees and stakeholders, and supplies totaling SAR 447,000 were distributed in coordination with various charitable organizations.

Human Resources

Improving the technical and management skills of employees is a constant priority for Savola, along with the Group's principle of cooperation and solidarity among people in the work environment.

Human resources and nationalization

The Savola Group works continuously to recruit and develop Saudi nationals, who comprise a significant and growing proportion of its total workforce of 29,216, of whom 23,273 are employed in Saudi Arabia. Most of the Group's senior management are Saudi nationals. Savola will continue its efforts during 2015 to hire more young Saudis, male and female.

The Group's Saudi-based companies comply with the Ministry of Labor's Nitaqat standards. The accompanying table lists Nitaqat data for the Group and its subsidiaries in Saudi Arabia.

Management Trainees Program (MTP)

Around 60 management trainees – male and female – were appointed in 2014, about 50% more than in 2013. They are being trained to become future managers and leaders within the Group and its subsidiaries. The Group also conducted several training courses and workshops for employees in all sectors.

Employee benefit programs

One of Savola's core corporate values is called Birr in Arabic – translated as Caring Justice – representing genuine care and concern for people and their welfare. In support of this value, Savola has developed a number of programs for its employees that are designed to retain, motivate, and improve their performance. These include:

Employee home loan scheme

Introduced in 1992, this program provides Saudi employees with interest-free loans of up to 50 times basic salary, up to a maximum of SAR 2.5 million and subject to meeting certain conditions. These loans are intended to help employees buy their own homes in the Kingdom and must be settled within 120 months.

Platinum

Nitaqat rating across three companies in Saudi Arabia

29,216

Total workforce

Group manpower in Saudi Arabia

Company	Total manpower	Nationalization % (Avg.)	Nitaqat classification
Headquarters	131	55.1%	Platinum
Afia (Foods Sector)	672	42.69%	Platinum
USC (Foods Sector)	443	49.40%	Platinum
Panda Retail Company (Retail Sector)	21,349	31%	Green
Plastics Sector (SPS, Al-Sharq Co.)	678	21.65%	Green
Total Saudi business	**23,273**		
International business	**5,943**		
Total workforce	**29,216**		

55.1%
Nationalization at Savola headquarters

Takaful program for death and permanent or partial disability
In cooperation with a local bank, the Group arranges Takaful insurance to support employees' families in the event of death, or partial or permanent disability. Employees (or their families) receive the equivalent of two years' basic salary as well as standard entitlements.

Employee Takaful fund
This fund assists junior staff (below manager level) to deal with financial emergencies. It is financed through employees' voluntary monthly contributions which are matched by Savola. The Chairman of the Board, Sheikh Sulaiman Al-Muhaidib, donates his entire Board remuneration to the fund. During 2014, the fund settled all employee requests that met the required criteria, to a total value of SAR 341,975.

Declaration: employee stock options – The Savola Group does not grant employees any stock options and is committed to declare this whenever applicable.

New headquarters building
As previously announced, Savola purchased the East Tower of The Headquarters Business Park, in the Al-Shati District of Jeddah, to be its new head office. Main construction of the 16-storey tower was completed in 2013 and occupancy is scheduled for 2015, after completing electricity connections, elevator installation, and IT infrastructure.

Corporate Communications and Awards

Winning awards is a long-established Savola tradition, external endorsement of the Group's commitment to high standards of product quality and customer service.

Annual Group executives and managers conference

The Group's 2014 annual conference for executives and managers in Saudi Arabia and overseas took place under the theme 'Pushing Boundaries'. Participants reviewed and discussed Group and sector performance and key learning from the previous year. The best performing teams from all sectors were honored, and 50 employees received awards in recognition of their outstanding performance.

The conference concluded with presentations from the Savola Group MD Award nominees, with electronic voting to select the winner. The winner was Panda Retail Company following its exceptional performance and network expansion, which grew to more than 180 stores across Saudi Arabia by the end of 2013.

The Group is planning to hold its 2015 conference in the first half of 2015 to discuss Savola's achievements in 2014 and plans for the next year.

Awards and recognition

The Group and its subsidiaries received several awards for community services or business excellence. These included:

Savola Group

- Savola received the Golden Peacock award for excellence in corporate governance from the UK's Institute of Directors. The award was presented at the 14th London Global Convention by Mrs. Theresa May, the British Home Secretary.
- Won the Global Leadership Award in CSR during the World CSR Day International Conference in Mumbai, where companies from more than 46 countries participated.
- Savola became the world's first food and retail company to issue a sustainability report checked by the Global Reporting Initiative (GRI) and the first Saudi company to issue a GRI-checked G4 report.
- Represented by Afia International Company, Savola received top ranking in the first phase of the Disability Confidence evaluation conducted by Qaderoon, the business and disability network.

Panda Retail Company

- Food Business Excellence Award 2014, from House of Consultancy for best food retail marketer.
- Best Employer in Middle East & North Africa Region 2014, from Aon Hewitt.
- Brand Excellence in the Retail Sector Award 2014, from CMO Asia.
- Best Saudi Working Environment – ranked sixth in 2014 by Al-Eqtisadia newspaper.

Board of Directors' Report

Board of Directors' Report

1) Main activities for the Group

The Savola Group was established as (a joint stock company) in 1979, with the objective of manufacturing and marketing edible oil and vegetable ghee in Saudi Arabia. It is now one of the most successful and fastest-growing multinational food groups in the Middle East, North Africa, and Central Asia (MENACA) region. The Group has a broad portfolio of businesses and activities, including production and marketing of edible oils, vegetable ghee, sugar, and pasta; retail (hypermarkets, supermarkets and convenience stores); and plastics (flexible and rigid). Savola is currently in the process of completing certain legal formalities of selling its entire stake in Plastic to Takween Advanced Industries (Takween) in line with its strategy to focus on Foods and Retail Operations. Savola also has significant investments in leading publicly-listed Saudi companies – including Almarai Company, Herfy Foods Company, and investment in private equity and real estate business. These are covered in this report, which outlines the activities and performance of the Group's main sectors, investments, real estate operations and their contribution to 2014 results.

The Savola Group's main sectors, subsidiaries, activities, and countries of incorporation are:

Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)
Foods Sector					
Savola Foods Company	KSA	Foods (edible oils, sugar and pasta)	Holding company manages the investment in foods sector in KSA and overseas	100%	SAR 2.2 billion
Afia International Company	KSA	Edible oils and fats	KSA, Gulf, Egypt, Iran, Turkey, Jordan	95.19%	SAR 500 million
Savola Foods Emerging Markets Company	British Virgin Islands	Edible oils	Algeria, Sudan, Morocco	95.43%	SAR 130 million
United Sugar Company	KSA	Cane sugar, beet sugar and sweeteners	KSA, Egypt	74.48%	SAR 395 million
El-Malika for Food Industries Company	Egypt	Pasta	Egypt	100%	EGP 162 million
El Farasha for Food Industries Company	Egypt	Manufacturing pasta	Egypt	100%	EGP 20 million
Retail Sector					
Panda Retail Company (Formerly Al-Azizia Panda United Company)	KSA	Retail (hypermarkets & supermarkets)	KSA and UAE (Dubai)	92%	SAR 652.8 million
Plastics Sector (classified as 'held for sale')					
Savola Packaging Systems Company	KSA	Plastics (flexible and rigid)	KSA, Egypt	100%	SAR 342.4 million
New Marina for Plastics Industries	Egypt	Plastics	Egypt	100%	EGP 30 million
Al-Sharq Company for Plastic Industries	KSA	Plastics	KSA	100%	SAR 61.6 million
Investments Sector (non-managed by the Group)					
Herfy Food Services Company	KSA	Foods and fast food restaurants	KSA and some GCC countries	49%	SAR 462 million
Almarai Company	KSA	Fresh food products	KSA	36.5%	SAR 6 billion
Kinan International Company	KSA	Real estate development	KSA	29.9%	SAR 1.7 billion
Knowledge Economic City Company	KSA	Real estate development	KSA	11.5%	SAR 3.4 billion
Taameer Jordan Holding Company	Jordan	Real estate development	Jordan	5%	JOD 260 million
Dar Al Tamlik Company	KSA	Real estate development	KSA	5%	SAR 1 billion

Note: Some of the Group's operating companies have subsidiary companies or affiliates. The detail of each entity's performance and the Group's ownership percentage are outlined later in this report and in the financial statements.

2) Performance summary, major resolutions, plans and forecasts

a-1) Financial Performance Summary, Analysis and Major Resolutions taken during 2014

Financial & Overall Performance

Savola recorded a net income for 2014 amounting to SAR 2.07 billion, an increase of 21.6% compared to 2013. Gross profit for the year reached to SAR 4.86 billion, an increase of 1.9%compared to previous year. Operational profit was SAR 2.45 billion, compared to SAR 2.49 billion last year.

Net income (before capital gains and exceptional items) reached SAR 1.93 billion in 2014, 23% higher than the previous year and 7.2% higher than the forecast of SAR 1.8 billion announced by the company on the Saudi Stock Exchange (Tadawul) at the beginning of the year.

Reasons for Results Variances: The increase in the net profit for the year ended 31 December 2014 compared with last year is attributed mainly due to continued growth in revenues and increased market share of Retail Sector, the increased share of income from associates, lower zakat and tax, minority share, lower financial charges - net, lower income from discontinued operations despite increase in operating expenses. The Group booked impairment provision of SAR 67.4 million for its investment in Intaj Capital and Swicorp Joussour Company reflected in the full year results.

Earnings per Share (EPS) for 2014 reached SAR 3.88 compared to SAR 3.37 for last year. EPS this year has been computed by dividing the net income attributable to shareholders by the number of shares outstanding. EPS for 2013 was calculated by using a weighted average of 505,663 million shares outstanding, taking the first 10 months as 500 million shares and the last two months at 533,980 million (after the capital increase in November, 2013).

a-2) The Group Strategic Direction: The Group continued to implement its strategic plan during 2014, focusing on its core businesses – the food and retail sectors – and exit from the non-core business and non-core investments.

The proceeds are being used to support the core businesses, while granting more autonomy and flexibility to its Foods and Retail Operating Companies "OpCos"to manage their own businesses within the terms of the governance model and level of authorities that defines their relationship with the parent company. This has clearly contributed in enhancing the strategic and operational performance of these companies and will continue to do so in the years to come.

In this context, the Group conducted the flowing transactions during 2014:

- Selling the edible oil assets and operations in the Republic of Kazakhstan for the equivalent to SAR 107 million, realizing a capital gain of about SAR 17 million. Details of the transaction were published on Tadawul during the year.
- Selling the Group's entire 30.4% stake in the Masharef real estate development project in Jeddah to Kinan International Real Estate Development Company for SAR 593.5 million. The two parties signed an agreement in this regard, details of which were published on Tadawul during the year.
- Signing an agreement to sell Savola Packaging Systems Company to Takween Advanced Industries for a total of SAR 910 million. Details of the agreement were published on Tadawul during the year.
- United Sugar Company began its plan to increase the production capacity of its Jeddah refinery from 1.2 MMT per year to 1.7 MMT* per year – an increase of 41.6%, at a total project cost of SAR 253.6 million, details were published on Tadawul during the year.

* Million Metric Ton

b) 2015 forecasts

Consistent with the Group's policy of continually enhancing its standards of disclosure and transparency, financial projections for the next fiscal periods were declared: net income of SAR 360 million for Q1 2015; and net income of SAR 1,815 million for the year 2015. Both figures are excluding capital gains.

Details of the Group operating companies' main activities and plans are outlined in the 'Sectors Performance' section of this annual report.

c) Resignation of the Group CEO and MD, and appointment of successor

During 2014 the Savola Board of Directors accepted the resignation of Dr. Abdulraouf Mannaa from his position as Group CEO and MD, due to personal reasons. Dr. Mannaa's tenure ended on December 31, 2014. The Board also approved the appointment of Eng. Abdullah Rehaimi as the new Group CEO and MD, effective from January 1, 2015. The Board extended thanks and appreciation to Dr. Mannaa for his efforts and outstanding performance, while welcoming Eng. Rehaimi and wishing him success.

3) Financial performance review

As announced on the Saudi Stock Exchange (Tadawul) website on the 31st of December 2014, Savola signed an agreement for the sale of Savola Packaging Systems Company (SPS), the Group's plastics subsidiary. Accordingly, the assets and liabilities of SPS have been classified as (held for sale) in the December 31, 2014 consolidated balance sheet and net income of SPS for the year ended December 31, 2014 has been disclosed as (Income from discontinued operations) in the consolidated income statement. In accordance with the generally accepted accounting standards in Saudi Arabia, amounts relating to SPS in the 2013 consolidated income statement have also been reclassified as (Income from discontinued operations).

a) Consolidated Income Statement 2014-2013

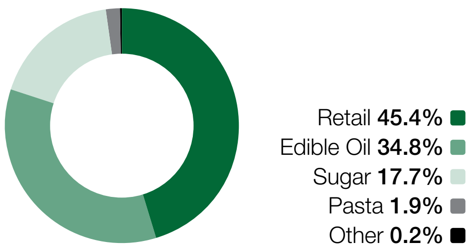
Income Statement	2014 (SAR'000)	2013 (SAR'000)	Variance + or (-) (SAR'000)	Variance %
Revenues – net	26,587,842	25,280,718	1,307,124	5.2%
Cost of revenue	(21,724,122)	(20,507,182)	(1,216,940)	5.9%
Gross profit	**4,863,720**	**4,773,536**	**90,184**	**1.9%**
Share of profits (losses) of Associates and jointly controlled entities and dividend income – net	977,588	760,379	217,209	28.6%
Total income	**5,841,308**	**5,533,915**	**307,393**	**5.6%**
Selling and Marketing	(2,723,492)	(2,443,192)	(280,300)	11.5%
General and Administrative	(663,128)	(600,996)	(62,132)	10.3%
Total expenses	**(3,386,620)**	**(3,044,188)**	**(342,432)**	**11.2%**
Income (loss) from operations	**2,454,688**	**2,489,727**	**(35,039)**	**-1.4%**
Gain (loss) on disposal of investments	209,700	231,411	(21,711)	-9.4%
Impairment of Assets & Projects written off	(67,400)	(100,000)	32,600	-32.6%
Financial charges-net	(236,553)	(240,167)	3,614	-1.5%
Income (loss) before Zakat and income tax and minority interests	**2,360,435**	**2,380,971**	**(20,536)**	**-0.9%**
Zakat and income tax	(180,426)	(303,321)	122,895	-40.5%
Income from continuing operations	**2,180,009**	**2,077,650**	**102,359**	**4.9%**
Income from Discontinuing Operations	50,285	69,519	(19,234)	-27.7%
Net income before minority interests	**2,230,294**	**2,147,169**	**83,125**	**3.9%**
Share of minority interests in the net income (loss) of consolidated subsidiaries	(157,975)	(442,688)	284,713	-64.3%
Net income	**2,072,319**	**1,704,481**	**367,838**	**21.6%**

Notes:
- Certain comparative figures in the financial statements have been reclassified to conform with this year presentation.
- The reasons for the main variances in profitability and operating results for 2014 compared to last year are described under 'a) Financial Performance Summary, Analysis and Major Resolutions taken during 2014' in item (3) above.

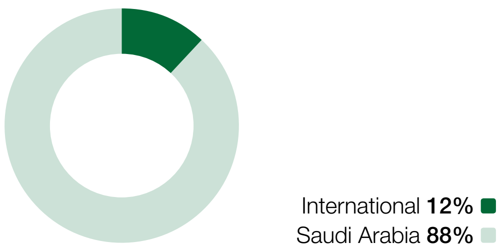
b) Geographical analysis of 2014 revenues compared to 2013

Business line/country	Products/brands	2014 (SAR'000)	2013 (SAR'000)
Edible oil and vegetable ghee			
KSA, GCC, Yemen and Levant	Afia, Al-Arabi, Olite, Shams, Sun Glow, Dalal, Canola Afia	2,175,768	2,286,761
Egypt	Rawabi, Afia, Ganna, Slite, Helwa	1,219,436	1,039,660
Iran	Ladan, Aftab, Bahar, Afia	3,463,111	3,914,406
Kazakhstan	Lito, Khazayoushka	28,607	135,872
Sudan	Al Tayeb, Sabah, Sudani; Shams	615,436	279,565
Morocco	Afia, Hala,	294,973	315,301
Turkey	Yudum and Sirma	1,004,057	1,118,980
Algeria	Afia, Oleor	547,487	627,056
Intercompany elimination		(8,111)	(20,472)
Total edible oil		**9,340,764**	**9,697,129**
Pasta product – Egypt			
Total pasta product	Malika, Macaronto, Italiano	**499,874**	**463,328**
Sugar & Sweetner			
- KSA, GCC, Yemen and Levant	Al Osra, Ziadah, Safaa, Nehar, Halla, Sweeva	2,937,614	2,835,840
- Egypt	Al Osra	1,833,017	1,556,094
Intercompany elimination		(19,321)	–
Total sugar & Sweetner		**4,751,310**	**4,391,934**
Retail			
- KSA	Hyper Panda, Supermarket and Convenience stores	12,122,421	10,518,370
- United Arab Emirates	Hyper Panda	81,956	296,718
- Lebanon	Supermarket	–	109,514
Total retail		**12,204,377**	**10,924,602**
Others			
- Real estate, KSA		127,173	140,986
Total other activities		**127,173**	**140,986**
Total revenues		26,923,498	25,617,979
Consolidation intercompany elimination		(335,656)	(337,261)
Total revenues		**26,587,842**	**25,280,718**

Sector contribution to Group revenues, 2014



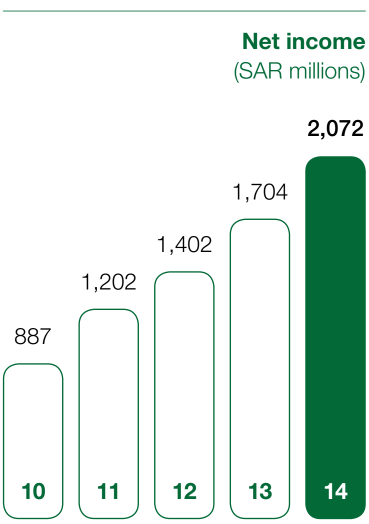
Geographic analysis shows the distribution of net income and the Group's Operations contributions (in KSA and internationally), for 2014

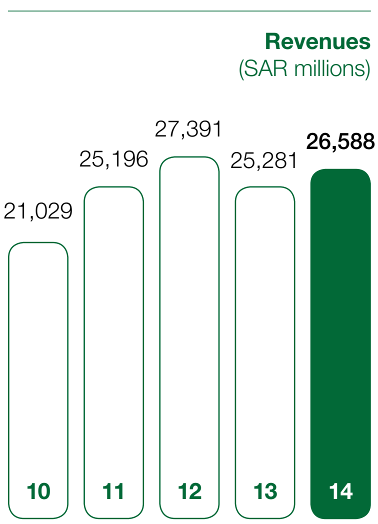


c) Consolidated income, five-year comparison (2010-2014)

Income	2014 (SAR'000)	2013 (SAR'000)	2012 (SAR'000)	2011 (SAR'000)	2010 (SAR'000)
Revenues – net	26,587,842	25,280,718	27,391,493	25,195,702	21,029,472
Cost of sales	(21,724,122)	(20,507,182)	(22,599,544)	(21,224,980)	(17,614,233)
Gross profit	**4,863,720**	**4,773,536**	**4,791,949**	**3,970,722**	**3,415,239**
Share of profits (losses) of Associates and jointly controlled entities and dividend income – net	977,588	760,379	578,567	440,613	459,522
Other income – net	–	–	–	96,767	97,340
Total income	**5,841,308**	**5,533,915**	**5,370,516**	**4,508,102**	**3,972,101**
Selling and marketing	(2,723,492)	(2,443,192)	(2,323,952)	(2,144,813)	(1,870,153)
General and administrative	(663,128)	(600,996)	(590,317)	(562,472)	(603,138)
Total expenses	**(3,386,620)**	**(3,044,188)**	**(2,914,269)**	**(2,707,285)**	**(2,473,291)**
Income (loss) from operations	**2,454,688**	**2,489,727**	**2,456,247**	**1,800,817**	**1,498,810**
Gain (loss) on disposal of investments	209,700	231,411	46,651	152,781	195,055
Impairment of assets and projects written-off	(67,400)	(100,000)	–	(35,366)	(283,716)
Financial charges – net	(236,553)	(240,167)	(427,381)	(317,472)	(244,260)
Income (loss) before Zakat and income tax	**2,360,435**	**2,380,971**	**2,075,517**	**1,600,760**	**1,165,889**
Zakat and income tax	(180,426)	(303,321)	(268,148)	(132,024)	(140,146)
Income from continuing operations	**2,180,009**	**2,077,650**	**1,807,369**	**1,468,736**	**1,025,743**
Income from discontinued operations	50,285	69,519	–	–	–
Net income before minority interests	**2,230,294**	**2,147,169**	**1,807,369**	**1,468,736**	**1,025,743**
Share of minority interests in the net income (loss) of consolidated subsidiaries	(157,975)	(442,688)	(405,160)	(266,360)	(139,041)
Net income	**2,072,319**	**1,704,481**	**1,402,209**	**1,202,376**	**886,702**

Revenues and net income, five-year comparison (2010-2014)



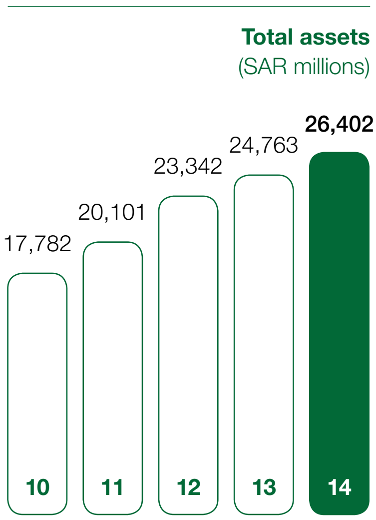


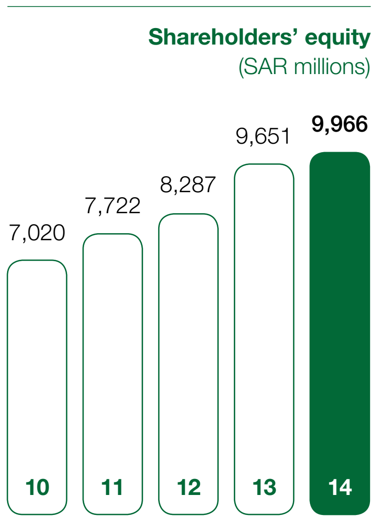
d) Consolidated Balance Sheet, five-year comparison (2010-2014)

Balance Sheet	2014 (SAR'000)	2013 (SAR'000)	2012 (SAR'000)	2011 (SAR'000)	2010 (SAR'000)
Current assets	10,237,717	9,040,383	8,544,892	7,773,813	5,910,643
Current liabilities	10,161,490	9,102,352	9,302,929	7,740,279	6,724,128
Working capital	**76,227**	**(61,969)**	**(758,037)**	**33,534**	**(813,485)**
Current assets	10,237,717	9,040,383	8,544,892	7,773,813	5,910,643
Other non-current assets	9,408,939	9,339,515	9,016,692	6,943,133	7,132,076
Property, plant and equipment (fixed assets)	6,755,516	6,382,958	5,779,951	5,384,430	4,739,217
Total assets	**26,401,626**	**24,762,856**	**23,341,535**	**20,101,376**	**17,781,936**
Current liabilities	10,161,490	9,102,352	9,302,929	7,740,279	6,724,128
Long-term loans	4,602,713	4,126,378	3,612,246	2,821,494	2,394,807
Other liabilities	709,371	642,581	544,308	468,786	448,133
Total liabilities	**15,473,574**	**13,871,311**	**13,459,483**	**11,030,559**	**9,567,068**
Paid-up capital	5,339,807	5,339,807	5,000,000	5,000,000	5,000,000
Retained earnings and reserves	4,626,359	4,311,170	3,286,670	2,722,467	2,020,037
Shareholders' equity	**9,966,166**	**9,650,977**	**8,286,670**	**7,722,467**	**7,020,037**
Minority interests	**961,886**	**1,240,568**	**1,595,382**	**1,348,350**	**1,194,831**
Total liabilities and shareholders' equity	**26,401,626**	**24,762,856**	**23,341,535**	**20,101,376**	**17,781,936**

Note: Certain comparative figures in the financial statements have been reclassified to conform to this year's presentation.

Shareholders' equity and total assets, five-year comparison (2010-2014)





4) Details of long and short-term loans of the Group and its subsidiaries

The Savola Group has a long-standing policy to adopt Shari'ah-compliant financial transactions wherever possible. Accordingly, all Group loans and deposits within Saudi Arabia are Shari'ah compliant, as well as some arranged by overseas subsidiaries.

As part of these efforts, the Group issued its first tranche of Sukuk in 2013.

However, some loans arranged by overseas subsidiaries are subject to structure and policies adopted in those countries, which may differ from those in Saudi Arabia.

Finance charges for Group loans (short- and long-term borrowings) from various commercial banks and financial institutions totaled SAR 379.7 million in 2014, compared to SAR 246.9 million in 2013.

With regards to loan guarantees granted by the Group and its subsidiaries, the Group usually signs promissory notes as a guarantee to its own loan and a corporate guarantee for some of its subsidiaries' loans, according to the requirements of the lending banks or financial institutions.

Details of long- and short-term loans outstanding at December 31, 2014, are:

a) Long-term Loans, as of December 31, 2014 (SAR 000's)

Borrowing Company	Lender	Loan period	Date issued	Original amount	Paid amount in 2014	Balance Dec' 2014	Balance Dec' 2013
Savola	Saudi Fransi	5 years	Dec-13	500,000	–	500,000	500,000
		5 years	Mar-10	1,000,000	200,000	200,000	400,000
	Jazira	2 years	Dec-14	650,000	–	650,000	–
		2 years	Dec-13	650,000	650,000	–	650,000
	SAIB	5 years	Dec-12	250,000	62,500	187,500	250,500
		5 years	Mar-12	500,000	156,250	125,000	281,250
	Sukuk	7 years	Jan-13	1,500,000	–	1,500,000	1,500,000
Savola Group						**3,162,500**	**3,581,250**
Panda	SABB	4 years	Dec-10	250,000	111,111	–	111,111
	Saudi Fransi	5 years	Mar-14	500,000	–	500,000	–
	SAMBA	2 years	Dec-14	50,000	–	50,000	–
	AlRajhi	2 years	Dec-14	250,000	–	250,000	–
Panda Retail Company						**800,000**	**111,111**
Afia-KSA	SAMBA	2 years	Dec-13	150,000	150,000	–	150,000
		5 years	Dec-09	150,000	46,154	–	46,154
		2 years	Sep-14	150,000	–	150,000	–
	SABB	5 years	Dec-14	350,000	–	350,000	–
Kugu	HSBC	8 years	Jan-11	62,475	15,619	46,856	57,269
Afia International Company						**546,856**	**253,423**
Afia Algeria	Fransabank	5 years	May-10	16,795	5,778	–	5,778
		5 years	Oct-12	21,113	11,188	9,225	21,113
Savola Foods Emerging Company						**9,225**	**26,891**
El Maleka	QNB	3 years	Feb-14	9,890	–	9,890	–
	El Watany Bank of Egypt	5.5 years	Sep-14	7,587	–	7,587	–
Pasta-Egypt						**17,477**	**–**

Borrowing Company	Lender	Loan period	Date issued	Original amount	Paid amount in 2014	Balance Dec' 2014	Balance Dec' 2013
SIIC	SABB	5 years	Jan-10	138,000	46,000	34,500	80,500
		4 years	Dec-10	80,000	35,433	–	35,433
USC – KSA	SAMBA	5 years	Dec-09	120,000	36,923	–	36,923
		2 years	Dec-13	70,000	70,000	–	70,000
	Saudi Fransi	2 years	Dec-14	100,000	–	100,000	–
ASC – Egypt	CIB	7 years	Mar-10	529,937	13,780	516,157	529,937
	El Baraka Bank	5 years	Jul-09	24,366	1,152	6,383	7,535
USC – Egypt	SCB	6 years	Aug-11	187,500	31,745	55,818	87,563
Savola Industrial Investment Company						**712,859**	**847,891**
Savola Packaging Company						**–**	**52,296**
2014 included under liabilities held for sale							
Total Long Term Loans						**5,248,917**	**4,872,862**

b) Short-term loans with Banks & others repayable within one year (SAR 000's)

Borrowing Company	Lender	Loan period	Date issued	Balance Dec' 2014	Balance Dec' 2013
Savola	Al Rajhi Bank	1 month	Dec-14	120,000	
	GIB	1 month	Dec-14	200,000	
	Riyad Bank	1 month	Dec-14	218,000	
	SABB	1 month	Dec-14	130,000	
Savola Group				**668,000**	**810,000**
Panda	Saudi Fransi Bank	1 month	Dec-14	360,000	
	NCB	1 month	Dec-14	330,000	
	Samba	1 month	Dec-14	90,000	
	Al Rajhi Bank	1 month	Dec-14	50,000	
	SABB	1 month	Dec-14	50,000	
Panda Retail Company				**880,000**	**434,000**
Afia Intl – KSA	IDB/ITFC	3 months	Dec-14	55,933	
Yudum	Garanti Bankasi	1 year	Dec-14	24,257	
	Akbank T.A.S.	1 year	Dec-14	5,307	
Afia Intl – Egypt	HSBC	1 year	Nov-14	94,620	
	Arab Bank	1 year	Jun-14	23,263	
	Arab African Intl Bank	1 year	Aug-14	246,160	
	National Bank of Abu Dhabi	1 year	Apr-14	92,235	
Behshahr Industrial Co.	Mellat	6 months	Jul-14	2,597	
		6 months	Jul-14	6,936	
		3 months	Nov-14	23,960	
		3 months	Dec-14	35,941	
	Tejarat	3 months	Dec-14	22,174	
		6 months	Sep-14	11,950	
		12 months	Jul-14	16,782	
		9 months	Sep-14	18,362	
	Eghtesad Novin Bank	6 months	Sep-14	81,362	
		6 months	Oct-14	33,874	
Afia International Company				**795,667**	**695,731**

Borrowing Company	Lender	Loan period	Date issued	Balance Dec' 2014	Balance Dec' 2013
Afia Intl – Algeria	HSBC	4 months	Nov-14	15,618	
	Arab Bank	6 months	Oct-14	21,158	
	Citibank	4 months	Nov-14	16,983	
	Fransabank	1 month	Dec-14	22,758	
Savola Edible Oils – Sudan	Bank of Khartoum	8 months	May-14	5,019	
		9 months	Jun-14	7,133	
		8 months	Oct-14	18,345	
		9 months	Dec-14	22,358	
	National Bank of Egypt	8 months	Aug-14	15,057	
		8 months	Oct-14	21,282	
Savola Foods Emerging Company				**165,712**	**184,403**
El Farasha	QNB	6 months	Dec-14	8,463	
	KWD	6 months	Dec-14	11,850	
El Maleka	QNB	6 months	Dec-14	296	
		6 months	Sep-14	19,226	
	El Watany Bank of Egypt	6 months	Aug-14	50,867	
	QNB	6 months	Oct-14	17,903	
	El Watany Bank of Egypt	6 months	Aug-14	954	
Pasta				**109,559**	**19,176**
United Sugar Co.	SABB	1 month	Dec-14	275,000	
	Saudi Fransi Bank	1 month	Dec-14	250,000	
	Samba	1 month	Dec-14	255,000	
Alexandria Sugar Co.	CIB	1 year	Oct-14	51,318	
	Bank of Alexandria	1 year	Dec-14	130,395	
United Sugar Co. – Egypt	Standard Chartered Bank	6 months	Aug-14	131,568	
	Commercial Intl Bank	4 months	Sep-14	63,905	
	European Bank for Reconstruction & Development	1 year	Dec-14	187,955	
Savola Industrial Investment Company				**1,345,141**	**980,335**
Savola Packaging Company				**–**	**410,787**
2014 included under liabilities held for sale					
Total Short Term Borrowing				**3,964,079**	**3,534,432**

5) Summary of payments made to the Government during 2014

Item description (Payments)	2014 (SAR 000)	2013 (SAR 000)
Customs Duties	130,534	124,513
Zakat and Income Tax	184,386	125,362
GOSI (KSA) and Social Insurance (outside KSA)	96,927	87,362
Visa and Government fees	9,632	15,560
Other duties and Government levies	17,017	20,003
Total	**438,495**	**372,800**

Declaration

The Group and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Provision for zakat for the Company and its Saudi Arabian subsidiaries are charged to the income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Corporate Governance Report

Corporate Governance Report

As part of the Group's commitment to enhance its relationship with its shareholders, investors, and all stakeholders and to protect their rights, and due to its belief in the importance of corporate governance (CG) in enhancing internal controls, Board effectiveness, and disclosure and transparency, the Group continued during 2014 to implement and comply with CG regulations issued by Saudi Arabia's Capital Market Authority and other relevant regulations as well as international best practices.

Therefore, in addition to the Company performance, financial results, and its sectors' performance and results – which were previously mentioned – the Group also discloses the information that concerns its shareholders and investors according the regulations and best international practices adopted by the Group in corporate governance and transparency:

a) Disclosures required by Corporate Governance (CG), other related regulations, and international best practice

As part of CG requirements, the Group discloses the following information to its shareholders, investors, stakeholders, and the public:

a-1) Shareholders' rights and communication

The Group pays special attention to the rights of shareholders, investors, and stakeholders by including such rights (which are also included in Article (3) & item (A) of Article (4) of the CG code issued by the CMA) in the Group's Articles of Association (AoA) and its CG Manual, available on the Group's website. In summary, the Group key efforts to ensure fulfillment of shareholders' rights are:

a-1-1) Enable shareholders to inquire and have access to information

The Company publishes financial and non-financial information on the Saudi Stock Exchange (Tadawul) website, in daily newspapers, the annual Directors' report, and in Savola's quarterly newsletter which is issued in Arabic and English and communicated by email to many investors, shareholders, and employees. It can also be accessed through Savola's website. A dedicated department to manage and deal with shareholders' affairs has been in existence since the Group's foundation.

a-1-2) Savola Group equity profile as of December 31, 2013

Detail	Value/SAR/Number of Shares
Company authorized capital (SAR)	5,339,806,840
Issued shares (all company's shares are ordinary shares)**	533,980,684
Floated issued shares (as per Tadawul records) as at February 18, 2015*	400,076,855
Paid-up capital (SAR)	5,339,806,840
Nominal value per share (SAR)	SAR 10
Paid up value per share (SAR)	SAR 10

Note: * The total number of floated shares changes from time to time based on the trading movement of Savola Group shares on the Saudi Stock Market.

Declaration**

The Group does not have preferred shares or shares with special priority in voting, issued to shareholders, Directors, or employees. All shares of the Group are ordinary shares of equal nominal value and rank equally in voting and other rights as per regulations.

a-1-3) Company dividends policy

Article 43 of the Company's AOA, dealing with dividends policy, authorizes:

1. Allocating 10 % of net profits to statutory reserves. The General Assembly is authorized to maintain this allocation until the reserve is equal to half the Group's capital.
2. Of the remaining net profits, a first payment at 5.0 % of paid-up capital is distributed to shareholders.
3. 7.5 % of the balance is allocated as remuneration for members of the Board of Directors.
4. The balance could then be distributed to shareholders as additional dividends.

In line with this policy, and based on the Board of Directors recommendations, the Group policy is to distribute cash dividends in the range of 50% to 60% of net profit achieved during each financial year. In compliance with this policy, the Group distributed quarterly cash dividends to its shareholders during 2014 as detailed in item. See table below.

The Board Members' annual remuneration, as stipulated in the Company's Articles of Association, complies with Ministerial Resolution No 1071 dated 1412 AH, specifying a ceiling for remuneration not to exceed SAR 200,000 for each Board Member.

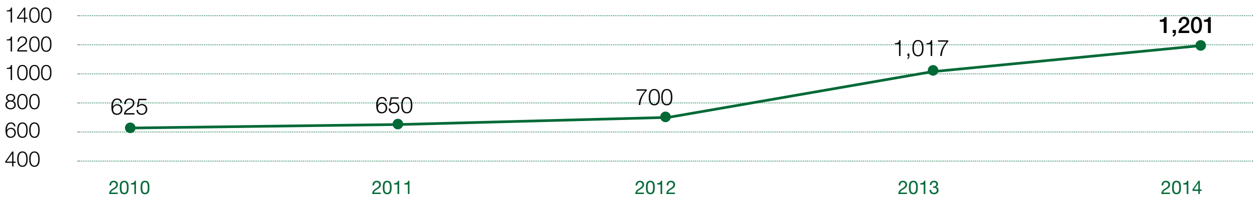
a-1-4) Dividend distributions in 2014

The Savola Group continued with its declared policy of distributing quarterly cash dividends. The Board of Directors recommends the declaration and payment of quarterly dividends for 2014 to be ratified by the shareholders' 2014 General Assembly.

Period	Total (SAR Million)	Dividends per share (SAR)	Notes
1st quarter	266.99	0.50	Already distributed
2nd quarter	266.99	0.50	Already distributed
3rd quarter	400.48	0.75	Already distributed
4th quarter	266.99	0.50	To be distributed within 15 days after AGM Approval on the recommended dividends for distribution which will be held on 29th march, 2015. (As Announced in Tadawul Website).
Total	**1,201.45**	**2.25**	

Note: The Company will continue to apply its policy of quarterly distribution of cash dividends 2015, noting that the Board of Directors will determine the proposed dividend amounts. Entitlement date of distribution will be announced through the Saudi Stock Exchange (Tadawul) as per regulations.

The Growth of Savola Group dividend distributions to its shareholders over the past five years (2010-2014) (in million SAR)



a-1-5) List of major shareholders

Major shareholders who own 5% or more of the total shares of the Group, and the movement in their shareholding during 2014:

Name	Nationality	Shares # at the beginning of 2014	Ownership at the beginning of 2014	Shares # at the end of 2014	% at the end of 2014
MASC Holding Co.	Saudi company	60,000,000	11.24%	60,000,000	11.24%
General Organization for Social Insurance (GOSI)	Saudi Government Institution	54,658,575	10.24%	54,658,575	10.24%
Mr. Abdullah M. A. Al Rabiah	Saudi	43,892,500	8.22%	43,892,500	8.22%
Abdulkadir Al-Muhaidib & Sons Co.	Saudi company	42,551,296	7.97%	42,551,296	7.97%
Al-Muhaidib Holding Co.	Saudi company	33,980,684	6.36%	33,980,684	6.36%

Notes:

- With regard to the declaration of movements in major shareholders ownership, the Group confirms that it has not received any written notification during 2014 from any of its major shareholders indicating any changes or movement in their ownership percentages.
- The disclosed information is based on the Saudi Stock Exchange (Tadawul) records as at December 31, 2014.

a-1-6) Expected dates of key events that concern shareholders and investors

	Dates, 2015	Key events for 2015	Notes
	First quarter events, 2015		
1.	January 18	Audit & Risk Management Committee meeting to recommend approval of the financial results for the fourth quarter of 2014 and dividends to the Board.	To approve the financial results for the fourth quarter of 2014 and dividends based on the Audit & Risk Management Committee recommendation.
2.	January 20-February 5	Issue Savola Newsletter For the 4th Quarter 2014. Arabic & English versions	The newsletter incudes full coverage of the Group's & Sectors' performance inside & outside KSA for the quarter. The newsletter is published and placed on Savola website. It is also communicated via e-mail to all employees and a large number of investors.
3.	February 22	Board of Directors Meeting	To approve the audited financial results for the year 2014 based on the Audit & Risk Management Committee recommendation, and call the Shareholders for AGM.
4.	March 29	The date of holding the AGM.	First to be announced in Tadawul, uploaded on the Group's website and published in the daily newspapers.
	Second quarter events, 2015		
5.	April 19	Board of Directors' meeting	To approve the financial results for the first quarter of 2015 and the dividends based on the Audit & Risk Management Committee recommendation.
6.	April 19-21	Publishing financial results for the first quarter.	First to be announced in Tadawul, uploaded on the Group's website and published in the daily newspapers.
7.	April 19-21	Announce the Board's decision for first quarter dividends to shareholders.	Dividends payment made within 15 days from the maturity date mentioned in Tadawul announcement.
8.	April 21 to May 6	Issue Savola Newsletter (Arabic/English version) for the first quarter.	See item (2) in the notes column.
	Third quarter events, 2015		
9.	As publishing of Q2 financial results & the Board decision for Q2 dividends announcement will coincide with Eid Alfitr holiday for the year 1436,therefore the results will be announced during the statutory period that will be set by official authority (i.e after fixing the start & end date of the official holiday)		To approve the financial results for the second quarter 2015 and the dividends based on the Audit & Risk Management Committee recommendation.
10.	10 days after Q2 financial results publication	Issue Savola Newsletter (Arabic/English version) for the second quarter.	See item (2) in the notes column.
	Fourth quarter events, 2015		
11.	19 October	Board of Directors' meeting	To approve the financial results for the third quarter 2015 and the dividends based on the Audit & Risk Management Committee recommendation.
12.	October 19-21	Publishing financial results for the third quarter.	See item (6) in the notes column.
13.	October 19-21	Announce the Board's decision for the third quarter dividends to the shareholders.	See item (7) in the notes column.
14.	October 22 – November 10	Issue Savola Newsletter for the third quarter (Arabic/English version)	See item (2) in the notes column.
15.	December 17	Board of Directors' meeting to approve the Business Plan & Budget for 2016.	Approve the Business Plan & Budget for 2016.

Note: The dates above are approximate and may change according to notifications received from official authorities. Although the Group is keen to carry out these events on the planned dates, no obligation arises from failure to do so.

a-2) Disclosures related to the Board of Directors and Executive Management

The main role and responsibilities of the Board of Directors are to establish overall corporate strategies, plans, policies, and financial objectives and to ensure the effectiveness of internal controls across the Group. The Board approves financial provisions and budgets, oversees and monitors the performance of the Group, and ensures proper mechanisms to manage risks. The Board protects the interests of the shareholders and other relevant parties by ensuring compliance with all applicable rules and regulations. The Group follows all requirements stipulated by the Company's Articles of Association, its Corporate Governance Code and other internal policies. The detailed role of the Board has been articulated in the Company's Articles of Association and Corporate Governance Manual, which are available on the Company's website (www.savola.com).

a-2-1) Board composition, qualifications, and Board membership of other joint stock companies

Article (16) of the Savola Group Company's Articles of Association states that the Board of Directors is to consist of 11 members, which complies with Paragraph (a), Article (12) of the Corporate Governance Regulation issued by the Capital Market Authority. Group Board Members were elected for the new term, which began on July 1, 2013 and will continue for three years until June 30, 2016. All are non-executive and independent, with the exception of the Group Managing Director. The accompanying table includes details of other joint-stock companies where Savola Directors hold Board positions:

Current Board members

Member name	Membership classification	Qualifications	Companies (listed and unlisted) where Savola Directors hold Board membership (excluding Savola Group)
Mr. Sulaiman A.K. Al-Muhaidib (Chairman of the Board)	Non-Executive	Second Class, Faculty of Medicines (1985). He has extensive experience in the field of Business and Contracting; he is also the Chairman of the Board of Directors of Al-Muhaidib Holding Group as well as he is board member in a number of companies' Board.	**Listed:** (Almarai Co., Saudi British Bank. The National Industrialization Company). **Unlisted:** (A.Abdulgadir AlMuhaidib & Sons Co., Joussour Holding Co., Rafal Real Estate Co., The Middle East Co. for Paper Industry, Tatwear AlAoula Real Estate Co., the Arabian Co. for Energy and water development).
Dr. Abdulraouf M. Mannaa (held the position of CEO & Managing Director till 31/12/2014)	Executive	Ph. D University of Washington, Seattle, USA (1982). M. Eng. University of California, Berkeley, USA M. Sc University of California, Berkeley, USA (1976) B. Sc. University of Petroleum and Minerals, KSA (1974)	**Listed:** Saudi Investment Bank, Knowledge Economic City Co.
Eng. Abdullah M. Noor Rehaimi (Appointed as CEO & Managing Director as of 01/01/2015) and as of that January 1st he becomes an Executive Member.	Non-Executive	Bachelor of Mechanical Engineering, King Fahad University of Petroleum and Minerals Sciences in Dhahran, Saudi Arabia (1975). He is a former President of the General Authority of Civil Aviation.	**Listed:** AlUjain Co., Saudi Cable Company., Almarai Co. **Unlisted:** Panda retail Company "Panda", Savola Packaging Systems Co. Savola Foods Co., Representing Savola Group.
Mr. Ibrahim M. Al Issa	Non-Executive	Bachelor of Business Administration, Chapman University, California, USA. (1974).	**Listed:** Yanbu Cement Co, Taibah Holding Group, Saudi Fransi Bank, and Almarai Co. **Unlisted:** Panda retail Co., Savola Packaging Systems Co. Savola Foods Co., Representing Savola Group.
Mr. Abdulaziz K. Al Ghufaily	Non-Executive	Master of Economics, USA (1990); Bachelor of Economics, King Saud University (1981).	**Listed:** Al Rajhi Bank, Herfy Foods Services Co.

Member name	Membership classification	Qualifications	Companies (listed and unlisted) where Savola Directors hold Board membership (excluding Savola Group)
Mr. Essam A. Al-Muhaidib	Non-Executive	Bachelor of Science (Statistics) from King Saud University (1985).	**Listed**: Herfy Food Services Co., Bawan company. **Unlisted**: A.Abdulgadir AlMuhaidib & Sons Co., Panda retail Company "Panda", Al-Masdar Building Materials RAFAL Real Estate Co., Zohoor Alreef Co., Middle East Co. for Paper Industry, ALbalad AlAmeen Co., Al Oula Real Estate Development, the Arabian Co. for Energy and water development, Emdad for labour Co.
Mr. Badr Abdullah Al-Issa	Non-Executive	Master of Business Administration, Rice University, USA (2006); Bachelor of Arts in Economics, University of Virginia, USA (2001). Certified Financial Analyst (CFA).	**Listed**: Dur Aldeyafa Co. **Unlisted**: Saudi Fransi Capital, Aseelah Investments Co., MASC Holding Co., Also, Savola Packaging Systems Company, Kinan International Co., Representing Savola Group.
Independent Board Members:			
Mr. Mohammad A. Al Fadl	Independent	Bachelor of Economics and Marketing Sciences, University of San Francisco USA, (1977).	**Listed**: none. **Unlisted**: Jeddah Holding Co., Dar AL Tamlik, Kinan International Co.
Mr. Amin M. Amin Shakir	Independent	Master of Business Administration - University of Southwestern Oklahoma (1986), BA in Economics - Faculty of Administrative Sciences - King Saud University - Riyadh (1979), Joint Services Command and Staff College, Royal College of Defense Studies – United Kingdom (September 2002 - July 2003).	**Listed**: red sea housing services company. **Unlisted**: Kinan International Co. Representing Savola Group.
Mr. Abdul Kareem Assad Abu Alnasr	Independent	Master of Business Administration - American University - Cairo (1989), Bachelor of Business Administration - California State University (1985).	**Listed**: Yanbu National Petrochemical Company.
Mr. Fahad A. Al Kassim	Independent	Bachelor of Science in Management – with a major in Accounting - King Saud University - Riyadh (1986).	**Listed**: Dallah Healthcare Services Company, Dur Aldeyafa Co., Jarir Marketing Co. **Unlisted**: Fahad A. AlKassim & Sons Co. for Investment & Trade.

Notes
- For more details about the Board members, their CVs and experience, please visit the Group website: www.savola.com.
- The tables shown confirm that no member of the Board of Directors of the Group has membership in more than five publicly listed company Boards at the same time.

a-2-2) Board of Directors – meeting attendance records

Nine Board meetings were held during 2014 and the attendance records for each meeting are:

Name	Meetings during 2014									No of Attendance
	19 Jan	20 Feb	17 Apr	14-15 May	16 July	22 July	22 Oct	27-28 Nov	15 Dec	
Mr. Sulaiman A. K. Al-Muhaidib	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Eng. Abdullah M. Noor Rehaimi	⊙	⊙	⊙	⊙	○	⊙	⊙	⊙	⊙	8
Dr. Abdulraouf M. Mannaa	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Mr. Ibrahim M. Al Issa	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Mr. Abdulaziz K. Al Ghufaily	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Mr. Mohammad A. Al Fadl	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Mr. Badr Abdullah Al-Issa	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Mr. Amin M. Amin Shakir	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Mr. Abdul Kareem Assad Abu Alnasr	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Mr. Essam A. Al-Muhaidib	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Mr. Fahad A. Al Kassim	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9
Mr. Tarik M. Ismail	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	9

Note: During 2014 the Group Board held (2) workshops (two days each), which were fully dedicated to review and discuss of the Group strategy, plans, general polices and monitoring tools for their execution.

a-2-3) Executive Management Team

The role of Savola Group's MD & CEO and Executive management team is to implement the strategies, plans, and policies approved by the Board of Directors. It also monitors the performance of Group sectors and ensures their adherence to the plans, policies, regulations, and ethical standards of the Group. The Executive Board meets regularly to review and monitor progress. Sub-committees and task forces at subsidiaries' level also assist in management, supervision, and control over implementation.

The Group Executive Management Team comprises:

Name	Position	Qualifications
Eng. Abdullah M. Noor Rehaimi	Group Managing Director & CEO. Appointed as of 1st January, 2015	As mentioned above.
Mr. Bader H. Al Aujan	CEO, Food Sector	Bachelor of Mechanical Engineering, King Saud University (1992).
Mr. Muwaffaq M. Jamal	CEO, Retail Sector	Bachelor of Science in Accounting, King Fahd University of Petroleum & Minerals Dhahran, Saudi Arabia, (1988).
Eng. Azhar M. Kenji	CEO, Plastic Sector	Bachelor of Engineering, King Abdul-Aziz University, (1985).
Mr. Nouman Farrukh	Group CFO	Bachelor of Commerce from Karachi University, Pakistan - ACMA – Associate Cost & Management Institute - ATM – Associate Taxation Management Institute.
Mr. Faysal Hussain Badran	Investment CEO	Bachelor of Arts Major in Economics from DePauw University of Chicago.
Mr. Tarik Mohammed Ismail	Executive Director – Corporate Affairs, Sustainability & Board Secretary	Bachelor Degree in Business Management, university of Dubai, Dubai – UAE (2004). Certified Consultant in Communication & Media from the Arab British Academy for Higher Education (2007).

a-2-4) Board of Directors and senior executive remuneration

The Group pays annual remuneration, meeting attendance fees, and ancillary expenses for its Boards and sub-committee members, based on the rules and regulations stipulated by the Ministry of Commerce & Industry and in accordance with the Group's Articles of Association and Corporate Governance Manual. The Board recommends that these be ratified by the AGM as detailed below. The Group also pays salaries, allowances, and bonus and benefits in kind to its executives based on their contracts. Compensation and benefits paid to Board Members and senior executives during 2014 were:

a-2-4-1) Board Members' remuneration (SAR)

Name of Board Member	Board & Committees Meetings attendance fees & other allowances (SAR)	Annual Remuneration (SAR)	Total (SAR)
Mr. Sulaiman A.K. Al-Muhaidib (Chairman)*	103,053	200,000	303,053
Dr. Abdulraouf M. Mannaa (CEO &MD)	280,000	200,000	480,000
Mr. Ibrahim M. Al Issa	178,241	200,000	378,241
Mr. Amin M. Amin Shakir	455,863	200,000	655,863
Mr. Badr Abdullah Al-Issa	93,045	200,000	293,045
Mr. Abdul Kareem Assad Abu Alnasr	405,000	200,000	605,000
Eng. Abdullah M. Noor Rehaimi	165,000	200,000	365,000
Mr. Abdulaziz K. Al Ghufaily	218,045	200,000	418,045
Mr. Essam A. Al-Muhaidib	226,439	200,000	426,439
Mr. Mohammad A. Al Fadl	176,674	200,000	376,674
Mr. Fahad A. Al Kassim	363,818	200,000	563,818
Total	**2,665,178**	**2,200,000**	**4,865,178**

* The Group Board Chairman donated his annual remuneration in lieu of his membership in the Group Board and meetings attendance fees for the fiscal year 2014 to support the Savola Group employees Takaful Fund.

a-2-4-2) Senior executive compensation (SAR)

Compensation and benefits paid to senior executives (including the CEO and CFO) were:

Description	Group CEO & MD Dr. Abdulraouf M. Mannaa	Other executives in the Group (six members including the CFO) (SAR'000)
Salaries	3,600	6,546
Allowances (Including housing, transportation, health insurance, education allowance, etc.)	1,276	2,568
Exceptional Remuneration	–	808
Regular and Annual Remuneration (Including performance related bonus for 2014)	19,805	6,306
Total	*** 24,681**	**16,228**

* The amount in this table represents the annual remuneration for Dr. Abdulraouf M. Mannaa in his capacity as Group CEO for 2014, according to the contract signed with him. This amount does not include the remuneration paid to the CEO in his capacity as a Board Member, which was detailed in the previous table.

a-3) Board of Directors sub-committees

The Savola Group Board has four sub-committees, with membership comprising Board Members, external independent experts, and Savola senior executives. These Committees have special charters, approved by the Group Board, to govern their scope of work and related procedures. The Committees are:

a-3-1) Audit & Risk Management Committee

The Group's Audit & Risk Management Committee consists of five non-executive members, most of whom are specialists in finance, accounting, auditing, and risk management. The Committee held five meetings to enhance its role in assisting the Board of Directors fulfill its oversight and responsibilities relating to monitoring the Group's external and internal audit activities to obtain reasonable assurance regarding the effectiveness of internal control procedures, the reliability of financial reports, and the soundness of risk management systems and other activities assigned to the Committee as included in the Committee charter.

This table summarizes Committee Members' roles and the number of meetings attended during the year:

		Meetings during 2014					
Committee Member	Role	19 Jan	20 Feb	17 Apr	16 July	23 Oct	Total
Mr. Abdul Kareem A. Abu Alnasr (Independent, Savola Group Board Member)	Chairman	⊙	⊙	⊙	⊙	⊙	5
Mr. Abdulaziz K. Al Ghufaily (Non-executive, Savola Group Board Member)	Member	⊙	⊙	⊙	⊙	⊙	5
Mr. Fahad Abdullah Al-Qassim (Independent, Savola Group Board Member)	Member	⊙	⊙	⊙	⊙	⊙	5
Dr. Muhammed Ali Ikhwan (Independent external member)	Member	⊙	⊙	⊙	⊙	⊙	5
Mr. Abdul Hameed Almuhaidib (Non-executive external member)	Member	⊙	⊙	⊙	⊙	⊙	5

Also attended the Committee meetings or part of it, because of the nature of their responsibilities: (Mr. Tarik M. Ismail - Committee Secretary and Mr. Nouman Farrukh– Group CFO, Mr. Ali Barakat - Executive Director of Group Internal Audit and Risk Management and Mr. Al- Nour Ali Saad – Senior Director, Corporate Governance, Compliance and Boards affairs).

Summary of Main Roles & Responsibilities

The Committees' main duties and responsibilities include oversight of: The integrity of the Group's financial statements, the appointment, remuneration, qualifications, independence and performance of the External Auditors & the integrity of the audit process as a whole, and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties. The effectiveness of the systems of internal control and adequacy of risk management system, the performance and leadership of the Internal Audit & Risk Management and Audit function, investigates grievance and claims raised by stakeholders to the Group. In addition to identifying risks and managing them effectively by continuously formulating policies and plans to ensure their implementation as per best practices in this regard. For more information on the Committee roles & responsibilities please refer to the Committee Charter uploaded on Savola website at (www.savola.com)

The Committee's Remuneration: The remuneration paid to the Committee Members amounted to SAR 625,000 for the year 2014, including meeting attendance fees, annual remuneration and travel expenses as per the Group's policy included in Corporate Governance manual approved by the Board of Directors.

Qualifications of the Audit & Risk Committee Members

- The qualifications of the Committee members who are also members of the Savola Group Board of Directors were mentioned above.
- The non- Savola Group Board members qualifications are as follows:
  - **Dr. Mohammad Ali H. Ikhwan:** holds a PhD in Engineering Economic Systems and worked as Chief Financial Officer (CFO) and used to be responsible for managing the Group Internal Audit function.
  - **Mr. Abdulhameed S. AL-Muhaidib:** holds a Master degree in Business Administration (MBA) from Pepperdine University Malibu, California (2012) and a Bachelor degree in Business Administration with a major in Finance from University of Miami Coral Gables, Florida (2005).

As part of the Committee's main roles and responsibilities, it recommended to the Board of Directors the reappointment of PricewaterhouseCoopers (PwC) as the Group's external auditors for the fiscal year 2014 for a fee of SAR 220,000 to review the quarterly accounts and audit the yearly accounts of the Savola Group. With the external auditors, the Committee reviews the Group's annual and quarterly financial statements, clarification notes, and the external auditor's independent report, to ensure that the accounting policies applied by the Group in the preparation of its financial statements are in accordance with the standards issued by the Saudi Organization for Certified Public Accountants. Based on its review, the Committee recommends to the Board of Directors the approval of the Group's financial statements. The Committee also recommends to the Board of Directors the distribution of quarterly dividends and the overall Internal Audit and Risk Management strategy.

The Group established an Internal Audit and Risk Management function at Group level as well as at subsidiaries. The Group's internal auditor reports to the Audit & Risk Committee.

a-3-1 continued) The effectiveness of internal control procedures and risk management

The basis of the annual review of the effectiveness of internal control procedures

The executive management of the Group and its subsidiaries annually certifies acknowledgment of their responsibility for establishing and maintaining internal control procedures designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws and regulations.

The internal control certifications for 2014 where handed over and filed with the Group's legal counsel. The Internal Audit and Risk Management function at the Group and its subsidiaries execute the annual audit plan approved by the Committee to evaluate the existing condition of internal control procedures through selecting randomly a sample with the objective of testing the effectiveness and efficiency of internal control procedures operating during the year.

The results of the annual review of the effectiveness of internal control procedures

As a result of the Board of Directors' and the Audit & Risk Management Committee's efforts, the annual review of internal control procedures selected for testing during 2014 by the Committee and the Group's Internal Audit and Risk Management function, confirms that nothing came to the Committee's attention that caused them to believe that there is a need to disclose any significant deficiency in the internal control procedures established by the Group and its subsidiaries.

However, we emphasize that due to the geographical spread of the Group's operations locally and regionally, we cannot conclude exclusively on the comprehensiveness of the internal control procedures review performed because the internal audit activities, in substance, rely on selecting random samples as above-mentioned. Accordingly, the Committee's and the teams of internal audit departments efforts are focused continuously to develop and improve the effectiveness and efficiency of the internal control procedures review mechanism that are in place across the Group.

The Group efforts in risk management

The Group evaluated the establishment of an enterprise risk management (ERM) system during 2104. This ERM system is considered to be global best practice for managing risks. The Group's Audit & Risk Committee assessed several technical proposals submitted by specialized consultants in this area during 2014 to select a consultant who will be responsible to develop the foundation of this ERM system. This foundation will set a solid base for the Group and its subsidiaries to roll-out this ERM system across the Group and its subsidiaries in a defined timeframe leading to:

- Enhancing the understanding of inward and outward risks facing the Group and its subsidiaries on a systematic and repeatable basis
- Enhancing the effectiveness of the risk information generated across the Group and its subsidiaries, leading to a more informative decision-making process
- Diverting and ensuring the Group's and subsidiaries' management focus and attention on risks and controls that really matter
- Placing greater focus on the Group's internal control structure by scrutinizing the right risks and related controls that mitigate these risks and enhancing significantly the audit function resources allocation in executing audit assignments that focus on important risks and related controls

In this context, the Group's Audit & Risk Committee appointed a consultant at its meeting on January 18, 2015 to begin executing the scope of work relating to the establishment of this ERM system.

Major risks facing Group business

The Group operates in an economic sector with potential risks like any other economic sector. As an economic entity that works in the field of basic foods commodities, retail, plastics, and other investments, key risks are represented by the possibility of Group operations being exposed to fluctuations in raw material prices, currencies, speculation, and unfair price competition in the local and regional markets where it operates. There are also economic and political risks in the countries where it operates and risks penetrating to new markets in the region in line with the Group's geographic expansion strategy.

Further risks include fluctuation in foreign currency exchange rates against the Saudi riyal or other currencies of the countries that the Group's operates in and inflation in the economies of some countries where the Group operates, risks related to entering into new investments, and risks that might be associated with the current economic conditions and political situation in different countries where the Group operates or exports its products, as they do in a number of countries in the region, which affected the Group's operations in those countries.

In addition, there are risks that face the Group from its various investment shareholdings in different companies and funds, locally and internationally. The Group and its subsidiaries manage these risks through its Board of Directors, Audit & Risk Management Committees, Management Risk Committees, and various departments and task forces within the Group. The Group is focused on continuously developing and improving a sound risk management system across the Group.

a-3-2) Compensation, Nominations & Corporate Governance Committee (CNCG)

The committee consists of four non-executive members with significant experience in the Committee work field. The Committee held three meetings in 2014. During these meetings the Committee carried out its responsibilities in the field of compensation, nominations, and corporate governance. Members, attendance records, and the role of the Committee are summarized below:

		Meetings during 2014			
Name	Position	16 April	15 July	14 Dec	Total
Mr. Mohammad A. Al Fadl (Independent Board Member)	Chairman	⊙	⊙	⊙	3
Mr. Ibrahim M. Al-Issa (Non-executive Board Member)	Member	○	⊙	⊙	2
Mr. Amin M. Shaker (Independent Board Member)	Member	⊙	⊙	⊙	3
Mr. Esam A. Al Muhaidib (Non-executive Board Member)	Member	⊙	⊙	⊙	3

Also attended the Committee meetings or part of it, because of the nature of their responsibilities: (Mr. Tarik M. Ismail – Committee Secretary and Mr. Al-Nour Ali Saad – Senior Director, Corporate Governance, compliance and Boards Affairs).

Summary of Main Roles & Responsibilities

To formulate policies regarding the indemnities, remunerations and succession plan of the Board Members and top executives to ensure that such policies meet the Group's performance standards and follows up the implementation of these policies. In addition, it recommends to the Board of Directors the membership appointments for Board, Subsidiaries Board and Committees in accordance with the Group required standards and to conduct review of the skills required for Board Membership, prepare a description of the capabilities and qualifications required for such membership and ensures Board independence on annual basis. It is also supervise and monitor corporate governance and compliance matters thus ensuring that sound CG system is in place. Also, the Committee is responsible for investigation and settlement of grievances of employees. For more information on the Committee roles & responsibilities please refer to the Committee Charter uploaded on Savola website at (www.savola.com)

The Committee Remuneration: The remuneration paid to the Current Members of the Committee amounted to SAR 462,305 for the year 2014, including meeting attendance fees, annual remuneration and travel expenses as per the Group's policy included in CG manual approved by the Board of Directors.

There is a Corporate Governance & Compliance Department at Group level. The CG and Compliance Officer reports to the Committee and submits periodic reports.

Board assessment

The Board held a full day workshop for its current members during January 2014, addressing Board functions and responsibilities and corporate governance principles. The workshop was facilitated by a consultant who specializes in this area. The workshop materials were based on an independent assessment carried out by the Group last year. During 2015 the Group plans to hold another workshop focusing on the legal functions and responsibilities of the Board of Directors in light of local and international best practice in corporate governance and relevant regulations. The CNCG committee will also assign a specialized consultant to carry out the annual assessment of the Board during 2015 and based on the results of that assessment they will identify the strengths and weaknesses and develop a special program to fill the gaps.

a-3-3) Investment Committee

The Investment Committee consists of five members, all non-executive except the CEO & MD. The Committee held three meetings during 2014 to develop criteria, standards, and plans for the Group's investment activities. Members, attendance records, and the role of the Committee are summarized below:

		Meetings during 2014			
Member	Position	10 Feb	8 Apr	8 July	Total
Eng. Abdullah M. N. Rehaimi, Savola Board Member	Chairman	⊙	⊙	⊙	3
Dr. Abdulraouf M. Mannaa, Group CEO & MD, Savola Board Member	Member	⊙	⊙	⊙	3
Mr. Amin M. Shaker, Savola Board Member	Member	⊙	⊙	⊙	3
Mr. Abdul Kareem A. Abu Alnasr, Savola Board Member	Member	⊙	⊙	⊙	3
Mr. Fahad Abdullah Al-Qassim, Savola Board Member	Member	⊙	⊙	⊙	3

Also attended the Committee meetings or part of it, because of the nature of their responsibilities: (Mr. Tarik Mohammed Ismail – Committee Secretary and Mr. Al- Nour Ali Saad - Senior Director, Corporate Governance, compliance and Boards Affairs

Summary of Roles & Responsibilities

Define, study, and evaluate investment opportunities within the Group and core sectors in Saudi Arabia and overseas in line with the Group's defined strategy and recommend findings to the Group's Board of Directors.

The Committee Remuneration: The remuneration paid to the Current Members of the Committee amounted to SAR 587,175 for the year 2014, including meeting attendance fees, annual remuneration and travel expenses as per the Group's policy included in CG manual approved by the Board of Directors.

Corporate Social Responsibility Committee

The CSR Committee consists of five members, each with relevant experience and mostly non-executive. In fulfilling its roles and responsibilities, the Committee held two meetings in 2014 to review the Group's CSR programs as plans as detailed in the CSR section of this report. Members, attendance records, and the role of the Committee are summarized below:

Name	Position	Meetings during 2014		Total
		8 Apr	22 Oct	
Dr. Abdulrouf M. Mannaa	Chairman	⊙	⊙	2
Dr. Mervat Ahmed Tashkandi (External independent)	Member	⊙	⊙	2
Mr. Mahmoud M. Abdul Ghaffar	Member	⊙	⊙	2
Mr. Amin M. Shaker	Member	⊙	⊙	2
Mr. Abdul Kareem A. Abu Alnasr	Member	⊙	⊙	2

Also attended the Committee meetings or part of it, because of the nature of their responsibilities, (Mr. Tarik M. Ismail – Committee Secretary and Mr. Al-Nour Ali Saad – Senior Director, Corporate Governance and compliance Boards Affairs)

Main roles and responsibilities
Activate the Group's role in CSR through adoption of CSR initiatives and programs, set criteria and develop plans to serve the community.

The Committee Remuneration: The remuneration paid to the Current Members of the Committee amounted to SAR 447,435 for the year 2014, including meeting attendance fees, annual remuneration and travel expenses as per the Group's policy included in CG manual approved by the Board of Directors.

a-4) Board Members' interests and changes during 2014

Name (All Saudi nationals)	Number of Shares at the beginning of 2014	Number of shares at the end of 2014	Changes during the year	Cash dividends paid for (Q1, Q2, Q3) 2014 (SAR)	Relatives'(wife and minor children) ownership changes during the year
Mr. Suliaman A.K.Al-Muhaidib	1,000	1,000	-	1,750	None
Dr. Abdulraouf M. Mannaa	1,000	1,000	-	1,750	None
Mr. Ibrahim M. Al Issa	3,000	3,000	-	5,250	None
Mr. Amin M. Amin Shakir	16,971,966	15,642,871	(1,329,095)	28,714,813	None
Mr. Badr Abdullah Al-Issa*	1,025	1,025	-	1,793	None
Eng. Abdullah M. N. Rehaimi	1,500	1,500	-	2,625	None
Mr. Abdul Kareem Assad Abu Alnasr	18,000	18,000	-	31,500	None
Mr. Abdulaziz K. Al Ghufaily	1,000	1,000	-	1,750	None
Mr. Essam A. Al-Muhaidib	2,500	2,500	-	4,375	None
Mr. Mohammad A. Al Fadl	6,304	6,304	-	11,032	Included
Mr. Fahad A. AlKassim	2,000	2,000	-	3,500	None

* The cash dividends for Board Members & Ex-Board Members include the first three quarters' dividends, which have already been paid by the Company but does not include the recommended fourth quarter dividends which will be paid after AGM approval and dividends ownership is presented at the distribution due date.

a-5) Senior executives' interests and changes during 2014

Name	Number of shares at the beginning of 2014	Number of shares at the end of 2014	Changes during the year	Cash dividends paid for (Q1, Q2, Q3) 2014 (SAR)	Number of shares of immediate relatives
Eng. Abdullah M. N. Rehaimi	As mentioned in previous table related to the Board members interests. Was appointed as the Group MD and CEO as of 01/01/2015.				
Mr. Bader Hamid Aujan	0	0	0	0	None
Mr. Muwaffaq M. Jamal	1,000	1,000	-	1,750	None
Eng. Azhar M. Kangi	0	0	0	0	None
Mr. Faysal Hussain Badran	0	0	0	0	None
Mr. Nouman Farrukh, CFO	0	0	0	0	None
Mr. Tarik Mohammed Ismail,	0	10	10	17	None

Notes: The cash dividends for Executives mentioned above include the first three quarters' dividends, which have already been paid by the Company but does not include the recommended fourth quarter dividends which will be paid after AGM approval and dividends ownership is presented at the distribution due date.

a-6) Related party transactions

During 2014, the Group carried out transactions with related parties in the ordinary course of business. The Group follows the same conditions and principles and with no preference in dealing in such type of transactions with third parties for these transactions, the nature of these transactions include (Selling and buying food, plastic products and real estate, retail business, or leasing of stores and shopping centers). The Group's related parties include: Group Board Members, major shareholders, senior executives, and any of their first degree relatives pursuant to the CMA and Ministry of Commerce and Industry regulations. In this regard, and in terms of these regulations which require the disclosure of such transactions, the details are:

Related party	Relationship	Type of transaction
Almarai Co., a public listed company, in which Savola Group owns 36.52%; the Group has three representatives on Almarai Board who are also Members of the Group Board, and they are (Mr. Suliaman Al-Muhaidib, Dr. Abdulraouf Mannaa. Since the beginning of 2014 and till Spt. 2014 and Eng. Abdullah M. N. Rehaimi since Spt. 2014 and till now, and Mr. Ibrahim Al Issa)	Board Representation & Major Shareholder owning over 5%	The Group represented by its subsidiaries executed during the year 2014 with Almarai, transactions and supply contracts for retail plastic & foods products in the ordinary course of business, with a total value of SAR 641.22 million, the Board recommends to ratify these transactions and authorizes the renewal of these dealings for the coming year. • Panda Retail Company (One of the Savola Group subsidiaries) purchased foods goods from Almarai with a total value of SAR 379.39 million. • Savola Packaging Systems Company had commercial deals with Almarai in 2014 with a total value of SAR 172.88 million. • United Sugar Company (One of Savola Group's subsidiaries) sold to Almarai white sugar with a total value of SAR 88.95 million.

<table>
<tr><th>Related party</th><th>Relationship</th><th>Type of transaction</th></tr>
<tr><td>Abdulkader Al-Muhaidib & Sons Co., which owns 8.5% of Savola Group and AlMuhaidib holding Co. which owns 6.3% of Savola Group and both chaired by Mr. Suliaman A. Al-Muhaidib, who is also the Chairman of Savola Group's Board of Directors. In addition to Mr. Essam A. Al-Muhaidib who is the Company CEO is also Board Member on Savola Group Board.</td><td>Board Representation & Major Shareholder owning over 5%</td><td>During the fiscal year 2014, the Group through its Subsidiaries (in Retail and Foods sectors) executed transactions & entered into commercial contracts with Abdulgadir Al-Muhaidib & Sons Co., the total value of these transactions amounted to SAR 202.76 million details of which are as follows:
• Panda Retail Company (a Subsidiary of Savola Group) under Supply Contracts, purchased foods products from Al-Muhaidib Food Company with a total value of SAR 193.61 million.
• The United Sugar Company (a subsidiary of Savola Group) under specific supply contracts, sold sugar products to Al-Muhaidib Foods Company (a subsidiary of Muhaidib & Sons Co.) with a total value of SAR 9.15 million.
The Board recommends ratifying these transactions and renewing these supply contracts for the coming</td></tr>
<tr><td>Kinan International Co, in which Savola Group owned 29.99%; Savola has (3) members on Kinan Board of Directors who are also Board Members on Savola Group Board and they are Mr. Mohammed A. Alfadl, Chairman of Kiana Int. Co. & Mr. Amin M. A. Shaker and Bader Abdullah Al-Issa.</td><td>Board Representation & Major Shareholder owning over 5%</td><td>During the fiscal year 2014, the Savola Group and its Subsidiary Panda Retail Company executed transactions & entered into commercial contracts with Kinan International Co., the total value of these transactions amounted to SAR 635.3 million details of which are as follows:
• Panda Retail Company (a Subsidiary of Savola Group) executed commercial transactions which are leasing contracts of stores with a total value of SAR 41.78 million. These transactions were made in the ordinary course of business and the Board recommends ratifying these transactions and renewing them for the coming year.
• The Group sold its entire stake in Masharef Project - which is a real estate development project located in Jeddah (Masharef) - to Kinan International Company for Real Estate Development (29.9% of which is owned by Savola). The sold stake represents the Savola's entire ownership, both direct and indirect, of 30.4%, in Masharef at a total price of SAR 593.5 Million.</td></tr>
<tr><td>Herfy Food Services Co., a public listed company, in which Savola Group owned 49% (direct and indirect); Savola has four representatives on Herfy Board: mainly (Mr. Essam A. Al-Muhaidib who is the chairman of Herfy Board, Mr. Abdulaziz K. Al Ghufaily), and both are also Board Members on Savola Group Board. In addition to (Mr. Faisal Hussain Badran, Mr. Muwaffaq M. Jamal and both are senior executives in the Group.</td><td>Board Representation & Major Shareholder owning over 5%</td><td>The Group through its Subsidiaries (in the Retail Food, and Plastic Sectors) executed some transactions and commercial contracts with Herfy Food Services Company with a total value of SAR 35.4 million, the Board recommends ratifying the transactions listed below and authorize their renewal for the coming year. Details of the transactions and contracts are as follows:
• A contract with a total value of SAR 33.28 million, which represents rental of shops and retail sales of food products) between Herfy Foods Services Co. and Panda Retail Company (a subsidiary of Savola Group)
• A contract with a total value of SAR 1.65 million, which represents edible oils products, sold by Afia International Company (a subsidiary of Savola Group) to Herfy Food Services Company.
• A contract with a total value of SAR 468.79 thousand, which represents Plastic Products sold by Al-Sharq Plastics Company. (a wholly subsidiary of Savola Group) to Herfy Food Services Company.</td></tr>
</table>

a-7) Board declaration, in accordance with CMA Corporate Governance Code

In accordance with the requirements of Article 43 of the Registration and Listing Rules and to ensure the Group's Board commitment to highlight the applicable and non-applicable requirements under this Article, in addition to the other requirements of Number 23 under the same Article and CG code, the Board confirms that:

a-7-1) Board declaration

	Item as per Article (43) of the Listing Rules	Declaration/confirmation
1.	A description of any interest in a class of voting shares held by persons (other than the Group's directors, senior executives and their relatives) that have notified the Group of their holdings pursuant to Article 45 of these Rules, together with any change to such interests during the last financial year	Non Applicable (NA)
2.	A description of any interest, contractually based securities, and subscription rights of the Group's directors, senior executives and their relatives in the shares or debt instruments of the Group or any of its subsidiaries, together with any change to such interest or rights during the last financial year Note: except the transaction disclosed above in the Related Party Transactions and the share ownership and profits, which previously referred to in this report.	NA
3.	A description of the classes and numbers of any convertible debt instruments, any contractually based securities, warrants or similar rights issued or granted by the Group during the financial year, together with the consideration received by the Group in return	NA
4.	A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Group	NA
5.	A description of any redemption or purchase or cancellation by the Group of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the Group and those purchased by its subsidiaries	NA
6.	A description of waiving any salary or compensation by an arrangement or agreement with:	
	A) A director: "the Group Board Chairman donated his annual remuneration in lieu of his membership in the Group Board and meetings attendance fees for the fiscal year 2014 to support the Savola Group employees Takaful Fund."	Exist/applicable
	B) a senior executive of the Group	NA
7.	A description of any arrangement or agreement under which a shareholder of the issuer has waived any rights to dividends.	NA
8.	The particulars of the issued shares and debt instruments of every subsidiary.	NA
9.	The Board confirms the following: A. The Company's accounting records were properly prepared. B. Savola Group's internal control systems and procedures are properly developed and effectively executed. C. There are no doubts about the Group's ability to continue its business activities.	

Note: The Company emphasizes that during January 2013 it issued the first tranche of Sukuk with a total value of SAR 1.5 billion out of the total Sukuk amount that is equal to the company's capital, which will be launched in stages. The shareholders' General Assembly approved the Sukuk issue for an amount not exceeding the Company's share capital at its meeting on December 5, 2012.

a-7-2) Board declaration according to Corporate Governance regulations for 2014 in accordance with form (8) related to compliance with CG Code:

	Declaration/confirmation
1.	The Board of Directors confirms that the Group's books and records comply with the accounting standards issued by SOCPA and that the external auditor's report for the year 2014 does not contain any reservations on the relevant annual financial statements. The Board is committed to provide the CMA with any additional information as may be required in case of auditors expressing any reservations on the Annual Financial Statements.
2.	The Board of Directors did recommend changing the External Auditors before the elapse of the term it is appointed for. Since PWC have been appointed as the Group's External Auditors for the fiscal year 2014 and has completed its services up to the end of the year.
3.	The external auditors did not provide consultancy services to the Group during 2014 and did not receive any fees in this regard.
4.	The Group Board did not receive any request from the external auditor to convene a General Assembly meeting.
5.	The Group has not granted any cash loans whatsoever to any of its Board Members or rendered guarantees with respect to any loan entered into by a Board Member with third parties.
6.	The Capital Market Authority (CMA) imposed a penalty on Savola Group amounted to SAR 10,000, due to its violation of clause (B) of Article (40) of the Listing Rules as the company was late to inform the public about 2013 third quarter dividends, as the company announced it only less than two hours before the market opens on 24/10/2013. In this respect the Group Board. discussed the subject of the penalty, and the necessary measures has been taken to prevent this from happening again in the future. CMA has been informed about the measures taken by the Group in this regards.
7.	The company has avoided taking any action which might hamper the use of the shareholders voting right.
8.	The Group Board did not receive any request to convene a General Assembly meeting or a request to add one or more items to the agenda upon its preparation from a number of shareholders whose shareholdings represent at least 5% of the equity share capital.
9.	The Group confirms that no judicial person is entitled under the company's Articles of Association to appoint representatives in the Board of Directors.
10.	The company's Articles of Association doesn't specify the use of cumulative voting method when electing the Board members by General Assembly, as this has been voted against by the General Assembly. Although, the Board has recommended to the EGM twice to use this method of voting, but the same was rejected by EGM in both the meetings. As the current Board Cycle will expire on June 30, 2016, the Group did not conduct any Board election during 2014
11.	The Savola Group does not grant employees any stock options and is committed to declare this whenever applicable.
12.	The Chairman of the Board did not receive written request to call for an unforeseen meeting from two of the Board members.
13.	The Board of Directors did not waive any company's debts during the year.

a-8) Compliance report with Corporate Governance regulations issued by the CMA based on comply and explain approach

The Board acknowledges that the Group during the year 2014 complied with Corporate Governance regulations issued by CMA, except for the following guiding or (non-mandatory) items, based on form (8) for CG compliance:

Article/clause in accordance with CG Regulations	The question in accordance to Form (8)	Reasons for non or partial compliance
Article 6, clause (b)	Did the company AOA specified the use of cumulative voting as voting method in the General Assembly for the nomination to the board members? If so, was the cumulative voting method applied in the nomination of the current BoD members?	The Company's AOA doesn't specify the use of cumulative voting method when electing the Board members by General Assembly, as this has been voted against by the General Assembly. Although, the Board has recommended to the EGM twice to use this method of voting, but the same was rejected by EGM in both the meetings. As the current Board Cycle will expire on June 30, 2016, the Group did not conduct any Board election during 2014

a-9) The procedure established by the Group to supervise and monitor the effectiveness of the company's governance code

- The Group developed a Corporate Governance (CG) Manual in 2004, continues developing it constantly in line with the CG regulations issued by the CMA and international best practice in CG and transparency, and has submitted the latest version to the CMA.
- The Board of Directors formed a Compensation, Nomination, and Governance Committee. Part of its role is to supervise and monitor the implementation of CG code and enhance transparency practices. A dedicated CG and Compliance Officer has a support team at Group level to monitor governance code implementation and compliance, ensure proper implementation of the Committee's resolution regarding CG, and submit regular reports to the Committee. In addition, the Group Board and MD are supervising the overall implementation and development of the governance code in general.
- The Group also annually engages a specialist independent consultant to ensure compliance with CG regulation issued by CMA and best practices in CG, sharing the results with the Committee.

Consolidated Financial Statements

Independent Auditors' Report

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

Scope of audit

We have audited the accompanying consolidated balance sheet of Savola Group Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 34 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion, such consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

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

Ali A. Alotaibi
License Number 379

February 23, 2015

Consolidated Balance Sheet

As at December 31, 2014

	Note	2014 (SAR'000)	2013 (SAR'000)
ASSETS			
Current assets			
Cash and cash equivalents	5	**1,634,512**	1,363,724
Accounts receivable	6	**1,059,212**	1,265,104
Inventories	7	**4,413,108**	4,487,663
Prepayments and other receivables	8	**1,795,048**	1,819,913
Assets classified as held for sale	9	**1,335,837**	103,979
		10,237,717	9,040,383
Non-current assets			
Long term receivables	10	**322,096**	52,320
Investments	11	**7,920,716**	7,943,367
Property, plant and equipment	12	**6,755,516**	6,382,958
Intangible assets	13	**1,165,581**	1,343,828
		16,163,909	15,722,473
Total assets		**26,401,626**	24,762,856
LIABILITIES			
Current liabilities			
Short-term borrowings	14	**3,964,079**	3,534,432
Current maturity of long-term borrowings	15	**646,204**	746,484
Accounts payable	16	**2,720,891**	2,668,328
Accrued and other liabilities	17	**2,072,656**	2,060,371
Liabilities associated with assets as held for sale	9	**757,660**	92,737
		10,161,490	9,102,352
Non-current liabilities			
Long-term borrowings	15	**4,602,713**	4,126,378
Deferred tax liability	17	**80,205**	45,939
Deferred gain	18	**192,410**	180,116
Long-term payables	19	**64,588**	65,557
Employee termination benefits	20	**372,168**	350,969
		5,312,084	4,768,959
Total liabilities		**15,473,574**	13,871,311
EQUITY			
Share capital	22	**5,339,807**	5,339,807
Share premium	1	**342,974**	342,974
Statutory reserve	23	**1,594,910**	1,387,678
General reserve		**4,000**	4,000
Retained earnings		**3,733,430**	3,072,000
Fair value reserves	24	**(17,465)**	131,992
Effect of acquisition transactions with non-controlling interest without change in control		**(229,962)**	27,905
Currency translation differences		**(801,528)**	(655,379)
Equity attributable to shareholders' of the parent company		**9,966,166**	9,650,977
Non-controlling interest		**961,886**	1,240,568
Total equity		**10,928,052**	10,891,545
Total liabilities and equity		**26,401,626**	24,762,856
Contingencies and commitments	34		

The notes on pages from 69 to 95 form an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended December 31, 2014

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

The notes on pages from 69 to 95 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2014

	Note	2014 (SAR'000)	2013 (SAR'000)
Cash flow from operating activities			
Net income for the year		**2,230,294**	2,147,169
Adjustments for non-cash items			
Depreciation, amortization, impairment and amortization of deferred gain		**627,547**	657,012
Share in net income of associates and dividend income		**(930,153)**	(749,796)
Financial charges – net		**236,553**	258,961
Gain from disposal of investments		**(209,700)**	(231,411)
Gain on sale of property, plant and equipment		**(7,193)**	(2,008)
Changes in working capital			
Accounts receivable		**(197,823)**	182,855
Inventories		**(302,996)**	(514,241)
Prepayments and other receivables		**74,658**	(264,938)
Accounts payable		**193,685**	(75,876)
Accrued and other liabilities		**346,038**	114,658
Employee termination benefits		**60,611**	(2,782)
Net cash generated from operating activities		**2,121,521**	1,519,603
Cash flow from investing activities			
Dividends received		**354,939**	352,364
Proceeds from sale of investments		**322,509**	672,107
Change in long term receivables		**4,324**	115,579
Effect of acquisition transaction with non-controlling interest without change in control		**–**	40,061
Proceeds from sale of property, plant and equipment		**147,691**	152,709
Addition to intangible assets		**(27,614)**	(81,212)
Purchase of property, plant and equipment		**(1,818,881)**	(1,160,527)
Net cash (utilized in) generated from investing activities		**(1,017,032)**	91,081
Cash flow from financing activities			
Net change in short-term borrowings		**842,770**	212,731
Additions to long-term borrowings – net		**437,588**	404,383
Net change in restricted deposits financing		**(20,443)**	16,586
Changes in non-controlling interest		**(524,889)**	(300,464)
Financial charges – net		**(236,553)**	(258,961)
Dividends paid		**(1,192,049)**	(993,119)
Net cash utilized in financing activities		**(693,576)**	(918,844)
Net change in cash and cash equivalents		**410,913**	691,840
Effect of currency translation on cash and cash equivalents		**(41,732)**	(271,375)
Cash and cash equivalents at beginning of year		**1,363,724**	943,259
Cash and cash equivalents at end of year		**1,732,905**	1,363,724
Less: cash and cash equivalents classified as held for sale	1(a)	**(45,600)**	–
Less: cash related to subsidiary disposed	1(b)	**(52,793)**	–
Cash and cash equivalents at end of year from continuing operations		**1,634,512**	1,363,724
Supplemental schedule of non-cash information			
Directors' remuneration		**2,200**	2,200
Fair value reserves	24	**(149,457)**	137,693
Currency translation differences		**(146,149)**	(184,311)
Effect of acquisition transaction with minority shareholders without change in control		**(257,867)**	–

The notes on pages from 69 to 95 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2014

	Note	Share capital (SAR'000)	Share premium (SAR'000)	Statutory reserve (SAR'000)	General Reserve (SAR'000)	Retained earnings (SAR'000)	Fair value reserves (SAR'000)	Effect of acquisition transaction with non-controlling interest without change in control (SAR'000)	Currency translation differences (SAR'000)	Total shareholders' equity (SAR'000)	Non-controlling interest (SAR'000)	Total equity (SAR'000)
January 1, 2014		**5,339,807**	**342,974**	**1,387,678**	**4,000**	**3,072,000**	**131,992**	**27,905**	**(655,379)**	**9,650,977**	**1,240,568**	**10,891,545**
Net income for the year		**–**	**–**	**–**	**–**	**2,072,319**	**–**	**–**	**–**	**2,072,319**	**157,975**	**2,230,294**
Transfer to statutory reserve	23	**–**	**–**	**207,232**	**–**	**(207,232)**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends	33	**–**	**–**	**–**	**–**	**(1,201,457)**	**–**	**–**	**–**	**(1,201,457)**	**–**	**(1,201,457)**
Fair value reserve adjustment	24	**–**	**–**	**–**	**–**	**–**	**(149,457)**	**–**	**–**	**(149,457)**	**–**	**(149,457)**
Currency translation differences		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(146,149)**	**(146,149)**	**–**	**(146,149)**
Directors remuneration	21	**–**	**–**	**–**	**–**	**(2,200)**	**–**	**–**	**–**	**(2,200)**	**–**	**(2,200)**
Acquisition of non-controlling interest without change in control	1(c)	**–**	**–**	**–**	**–**	**–**	**–**	**(257,867)**	**–**	**(257,867)**	**–**	**(257,867)**
Other changes in non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(436,657)**	**(436,657)**
December 31, 2014		**5,339,807**	**342,974**	**1,594,910**	**4,000**	**3,733,430**	**(17,465)**	**(229,962)**	**(801,528)**	**9,966,166**	**961,886**	**10,928,052**
January 1, 2013		5,000,000	–	1,217,231	4,000	2,540,166	(5,701)	2,042	(471,068)	8,286,670	1,595,382	9,882,052
Shares issued		339,807	342,974	–	–	–	–	–	–	682,781	–	682,781
Net income for the year		–	–	–	–	1,704,481	–	–	–	1,704,481	442,688	2,147,169
Transfer to statutory reserve	23	–	–	170,447	–	(170,447)	–	–	–	–	–	–
Dividends	33	–	–	–	–	(1,000,000)	–	–	–	(1,000,000)	–	(1,000,000)
Fair value reserve adjustment	24	–	–	–	–	–	137,693	–	–	137,693	–	137,693
Currency translation differences		–	–	–	–	–	–	–	(184,311)	(184,311)	–	(184,311)
Directors remuneration	21	–	–	–	–	(2,200)	–	–	–	(2,200)	–	(2,200)
Acquisition of non-controlling interest without change in control		–	–	–	–	–	–	25,863	–	25,863	–	25,863
Other changes in non-controlling interests		–	–	–	–	–	–	–	–	–	(797,502)	(797,502)
December 31, 2013		5,339,807	342,974	1,387,678	4,000	3,072,000	131,992	27,905	(655,379)	9,650,977	1,240,568	10,891,545

The notes on pages from 69 to 95 form an integral part of these consolidated financial statements.

1 General information

Savola Group Company (the "Company") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The objectives of the Company along with its subsidiaries includes the manufacturing and sale of vegetable oils and to set up related industries, retail outlets, dairy products, fast foods, packing materials, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

The Company is a Saudi Joint Stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030019708 issued in Jeddah on Rajab 21, 1399H (corresponding to June 16, 1979). The Company was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978). The registered address of the Company is Saudi Business Centre, Madinah Road, Jeddah, Kingdom of Saudi Arabia, Kingdom of Saudi Arabia.

At December 31, the Company has investments in the following subsidiaries (collectively referred to as the "Group"):

(a) Direct subsidiaries of the Company

(i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at December 31	
			2014	2013
Savola Foods Company ("SFC")	Saudi Arabia	Foods	**100**	100
Panda Retail Company ("Panda") (Formerly Al-Azizia Panda United Company)	Saudi Arabia	Retail	**92**	92
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	Manufacturing of Plastic packaging products	**100**	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	**80**	80
United Sugar Company, Egypt ("USCE")*	Egypt	Manufacturing of Sugar	**19.32**	19.32
Giant Stores Trading Company ("Giant")*	Saudi Arabia	Retail	**10**	10

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

Effective September 16, 2009, the Group's subsidiary, Panda acquired the operations of Saudi Geant Company Limited ("Geant") for a total consideration of Saudi Riyals 469.3 million, including cash consideration of Saudi Riyals 232 million and a deferred equity consideration of Saudi Riyals 237.3 million. The Company had paid the cash consideration on October 12, 2009 whereas the deferred equity component was settled during 2010, through issuance of 45.7 million new shares of Panda at a price of Saudi Riyals 51.92 per share. Also as per the agreement, Geant is entitled to acquire 1% share of Panda each year at an option value approximate to its fair value for a period of up to 3 years. In 2013, Geant exercised its right of acquiring 1% ownership interest in Panda. However, Geant did not exercise its right to acquire 1% share in the year 2014.

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

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

1 General information (continued)

(a) Direct subsidiaries of the Company (continued)

(ii) Dormant and Holding subsidiaries

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

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

(b) Subsidiaries controlled through SFC

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at December 31 2014	2013
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of Edible oils	**95.19**	95.19
SIIC	Saudi Arabia	Holding Company	**95**	95
Savola Foods Emerging Markets Company Limited ("SFEM")	British Virgin Islands	Holding Company	**95.43**	95.43
Savola Foods for Sugar Company ("SFSC")	Cayman Islands	Holding Company	**95**	95
El Maleka for Food Industries Company	Egypt	Manufacturing of Pasta	**100**	100
El Farasha for Food Industries Company	Egypt	Manufacturing of Pasta	**100**	100
Savola Foods Company International ("SFCI") Limited	UAE	Holding Company	**100**	100
International Foods Industries Company Limited ("IFI")	Saudi Arabia	Manufacturing of Specialty fats	**60**	60
Alexandria Sugar Company Egypt ("ASCE")	Egypt	Manufacturing of Sugar	**19**	19
SFCI				
Modern Behtaam Royan Kaveh Company "MBRK"	Iran	Food and confectionary	**100**	100
SIIC				
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of Sugar	**74.48**	74.48

1 General information (continued)

(b) Subsidiaries controlled through SFC (continued)

Subsidiary name	Country of incorporation	Principal wbusiness Activity	Subsidiary ownership interest (%) at December 31 2014	2013
USC				
USCE	Egypt	Manufacturing of Sugar	**56.75**	56.75
ASCE	Egypt	Manufacturing of Sugar	**62.13**	62.13
Beet Sugar Industries	Cayman Islands	Dormant Company	**100**	100
USCE				
ASCE	Egypt	Manufacturing of Sugar	**18.87**	18.87
ASCE				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	**100**	–
SFEM				
Savola Morocco Company	Morocco	Manufacturing of Edible oils	**100**	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of Edible oils	**100**	100
AFIA International Company – Algeria	Algeria	Manufacturing of Edible oils	**100**	100

During 2010, as an outcome of review of its foods business pruning strategy, the Group has decided to entrench its position in core markets and assess exiting from certain overseas operations. Accordingly, parts of manufacturing facilities within the edible oil segment of the Group are presented as 'held for sale'. During June 2014, the Group management sold one part of such business at a gain of Saudi Riyals 22.1 million.

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

(c) Subsidiaries controlled through AIC

Subsidiary name	Country of incorporation	Principal business Activity	Subsidiary ownership interest (%) at December 31 2014	2013
Savola Behshahr Company (SBeC)	Iran	Holding Company	**90**	80
Malintra Holdings	Luxembourg	Holding Company	**100**	100
Savola Foods Limited ("SFL")	British Virgin Islands	Holding Company	**100**	100
Afia International Company – Jordan	Jordan	Dormant Company	**97.4**	97.4
Inveskz Inc.	British Virgin islands	Holding Company	**90**	90
Afia Trading International	British Virgin islands	Trading Company	**100**	100
Savola Foods International	British Virgin Islands	Dormant Company	**100**	100
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	Holding Company	**100**	100

1 General information (continued)

(c) Subsidiaries controlled through AIC (continued)

Subsidiary name	Country of incorporation	Principal business Activity	Subsidiary ownership interest (%) at December 31 2014	2013
SBeC				
Behshahr Industrial Company ("BIC")	Iran	Manufacturing of Edible oils	**79.9**	79.9
Margarine Manufacturing Company ("MMC")	Iran	Manufacturing of Edible oils	**–**	79.9
Tolue Pakshe Aftab ("TPA") Company	Iran	Trading and Distribution	**100**	100
Savola Behshahr Sugar Company	Iran	Trading and Distribution	**100**	–
SFL				
Afia International Company, Egypt	Egypt	Manufacturing of Edible oils	**99.92**	99.92
Latimar International Limited	British Virgin islands	Dormant Company	**100**	100
Elington International Limited	British Virgin islands	Dormant Company	**100**	100
Inveskz Inc.				
Savola Foods CIS	Kazakhstan	Manufacturing of Edible oils	**–**	100
KUGU				
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	Manufacturing of Edible oils	**100**	100

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

(d) Subsidiaries controlled through Panda

Subsidiary name	Country of incorporation	Principal business Activity	Subsidiary ownership interest (%) at December 31 2014	2013
Panda				
Giant	Saudi Arabia	Retail	**90**	90
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services & Maintenance	**100**	100
Panda International for Retail Trading	Egypt	Retail	**100**	–
Panda International Retail Trading	United Arab Emirates	Retail	**100**	–
Giant				
Lebanese Sweets and Bakeries ("LSB")	Saudi Arabia	Dormant Company	**95**	95

1 General information (continued)

(e) Subsidiaries controlled through SPS

Subsidiary name	Country of incorporation	Principal business Activity	Subsidiary ownership interest (%) at December 31	
			2014	2013
SPS				
New Marina for Plastic Industries	Egypt	Manufacturing of plastic packaging products	**100**	100
Al Sharq Company for Plastic Industries. Ltd. (“Al-Sharq”)	Saudi Arabia	Manufacturing of plastic packaging products	**100**	100

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

2.2 Critical accounting estimates and judgments

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

(a) Impairment of goodwill

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

(b) Impairment of available for sale investments

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

(c) Provision for doubtful debts

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

2 Summary of significant accounting policies (continued)

2.2 Critical accounting estimates and judgments (continued)

(d) Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

(e) Useful lives of property, plant and equipment

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

2.3 Investments

(a) Subsidiaries

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

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

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

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

(b) Associates

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

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

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

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

2 Summary of significant accounting policies (continued)

2.3 Investments (continued)

(c) Investment in available-for sale investments

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

(i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and

(ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows. Where fair values cannot be reliably estimated, the Group records such investment at cost.

Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as other reserves until the investment is disposed.

2.4 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

(i) engaged in revenue producing activities;

(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and

(iii) financial information is separately available.

(b) Geographical segment

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

2.5 Foreign currency translations

(a) Reporting currency

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

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

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

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

(ii) income and expenses for each the income statement are translated at average exchange rates; and

(iii) components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates into Saudi Riyals are reported as a separate component of equity.

Any goodwill arising on acquisition of foreign subsidiaries and any subsequent fair value adjustments to the carrying values of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiaries and translated at the closing rate and recognized in the equity.

Dividends received from associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the income statement.

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

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translations (continued)

(d) Hyperinflationary economies

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

2.6 Cash and cash equivalents

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

2.7 Accounts receivable

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

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:

Assets	Estimated useful lives
Buildings	12.5 – 33 years
Leasehold improvements	3 – 33 years
Plant and equipment	3 – 30 years
Furniture and office equipment	3 – 16 years
Vehicles	4 – 10 years

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

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

2.10 Deferred charges

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

2.11 Other intangible assets with infinite useful life

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

2.12 Impairment of non-current assets

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

2.13 Assets and liabilities classified as held for sale

Assets and liabilities classified as held for sale comprises of assets and liabilities or disposal group that are expected to be recovered primarily through sale rather than through continuing use. Immediately before classification as held for sale, all assets under disposal group are measured at the lower of their carrying amount and fair value less cost to sell. Subsequent to initial recognition, any impairment loss on a disposal group is first allocated to goodwill, (if there is any) and then to remaining assets and liabilities on pro rata basis. However, no loss is allocated to financial assets, which continued to be measured in accordance with their initial accounting policies. Gains or losses on disposal of such assets or disposal group are recognized in consolidated income statement currently.

2.14 Borrowings

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

2.15 Sukuk

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

2.16 Accounts payable and accruals

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

2.17 Provision

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

2.18 Zakat and taxes

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

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

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

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

2 Summary of significant accounting policies (continued)

2.19 Employee termination benefits

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

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

2.20 Revenues

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

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

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

2.21 Selling, marketing and general and administrative expenses

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

2.22 Dividends

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

2.23 Derivative financial instruments

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

The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

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

(a) Fair value hedge

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

2 Summary of significant accounting policies (continued)

2.23 Derivative financial instruments (continued)

(b) Cash flow hedge

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

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

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

2.24 Operating leases

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

3 Financial instruments and risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, investments, long term receivables, short-term and long-term borrowings, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Iranian Riyals, Turkish Lira, Egyptian Pounds and Sudanese Pounds. Such fluctuations are recorded as a separate component of shareholders' equity in the accompanying financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from its short-term deposits and bank borrowings, which are at floating rate of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates. During 2014, Company entered into Interest Rate Swaps ("IRS") to manage its exposure to interest rate risk. Such IRS is designated as a Cash flow hedge.

3 Financial instruments and risk management (continued)

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because Group holds investment in certain listed equities which are classified on the balance sheet as available-for-sale investments. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities. USCE and USC uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash and cash equivalents are placed with banks with sound credit ratings. Accounts and other receivable are carried net of provision for doubtful debts.

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

As at December 31, 2014, the Group has unused bank financing facilities amounting to Saudi Riyals 3.9 billion (2013: Saudi Riyals 3.1 billion)

3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention, except for available-for-sale investments and derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

4 Segment information

The Group operates principally in the following major business segments:

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

Retail - includes hyper markets, super markets and convenience stores operations.

Plastic - includes manufacturing and sale of Plastic products for industrial and commercial use.

Investment and other activities segment – includes Group subsidiaries which are engaged in real estate activities, investments in associates, available-for-sale investments and other investments.

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

	Food (SAR'000)	Retail (SAR'000)	Plastic (SAR'000)	Investments and other activities (SAR'000)	Eliminations (SAR'000)	Total (SAR'000)
2014						
Property, plant and equipment – net	**3,261,232**	**2,983,434**	**–**	**510,850**	**–**	**6,755,516**
Other non-current assets	**805,757**	**322,826**	**–**	**8,279,810**	**–**	**9,408,393**
Revenues – net	**14,591,948**	**12,204,377**	**–**	**127,173**	**(335,656)**	**26,587,842**
Net income	**610,285**	**502,649**	**50,285**	**937,564**	**(28,464)**	**2,072,319**
2013						
Property, plant and equipment – net	3,375,862	1,927,769	538,557	540,770	–	6,382,958
Other non-current assets	869,689	333,868	135,754	8,000,204	–	9,339,515
Revenues – net	14,552,391	10,924,602	–	140,986	(337,260)	25,280,718
Net income	630,770	405,372	69,520	731,549	(132,730)	1,704,481

4 Segment information (continued)

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

	Saudi Arabia (SAR'000)	Egypt (SAR'000)	Iran (SAR'000)	Other countries (SAR'000)	Total (SAR'000)
2014					
Property, plant and equipment – net	**4,173,071**	**1,632,517**	**515,636**	**434,292**	**6,755,516**
Other non-current assets	**8,792,209**	**441,669**	**60,956**	**113,559**	**9,408,393**
Revenues – net	**16,780,850**	**3,552,328**	**3,463,111**	**2,791,553**	**26,587,842**
Net income (loss)	**1,863,304**	**(38,709)**	**158,909**	**88,815**	**2,072,319**
2013					
Property, plant and equipment – net	3,622,680	1,638,428	831,805	290,045	6,382,958
Other non-current assets	8,386,474	550,449	81,999	320,593	9,339,515
Revenues – net	15,447,154	3,059,081	3,914,406	2,860,077	25,280,718
Net income	1,362,712	59,841	271,926	10,002	1,704,481

5 Cash and cash equivalents

	2014 (SAR'000)	2013 (SAR'000)
Cash in hand	**121,266**	22,761
Cash at bank	**1,126,527**	1,193,353
Short term deposits	**386,719**	147,610
	1,634,512	1,363,724

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

6 Accounts receivable

	Note	2014 (SAR'000)	2013 (SAR'000)
Trade		**994,932**	1,286,246
Less: provision for doubtful debts		**(57,063)**	(135,599)
		937,869	1,150,647
Related parties	21.2	**121,343**	114,457
		1,059,212	1,265,104

7 Inventories

	2014 (SAR'000)	2013 (SAR'000)
Finished products	**2,762,835**	2,394,039
Raw and packing materials	**1,142,589**	1,541,405
Work in process	**152,890**	180,931
Spare parts and supplies, not held for sale	**195,635**	207,148
Goods in transit	**239,398**	263,836
	4,493,347	4,587,359
Less: provision for inventory obsolescence/slow moving	**(80,239)**	(99,696)
	4,413,108	4,487,663

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

8 Prepayments and other receivables

	Note	2014 (SAR'000)	2013 (SAR'000)
Advances to vendors and others		**625,815**	763,822
Prepaid rent and expenses		**360,177**	282,645
Insurance claim receivable	1(b)	**203,725**	224,959
Current portion of long term receivables	8.1,10.1	**153,395**	164,248
Balance relating to commodity future and forward contracts	8.2	**120,162**	55,214
Receivable from government authorities	8.3	**111,085**	146,124
Employee receivables		**61,158**	68,494
Restricted deposits		**28,356**	7,913
Unclaimed dividends		**16,880**	14,531
Other		**114,295**	91,963
		1,795,048	1,819,913

8.1 Current portion of long term receivables

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

8.2 Balance related to future and forward contracts

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

8.3 Receivable from government authorities

Receivable from government authorities represent claims of certain foreign consolidated subsidiaries from respective local governments on account of value added tax, subsidies and advance taxes.

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

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

	Note	2014 (SAR'000)	2013 (SAR'000)
Assets classified as held for sale, relating to			
- Plastics segment	1(a)	**1,298,916**	–
- Food companies	1(c)	**36,921**	103,979
		1,335,837	103,979
Liabilities associated with assets held for sale, relating to			
- Plastics segment	1(a)	**674,561**	–
- Food companies	1(c)	**83,099**	92,737
		757,660	92,737

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

9.1 Balance sheet

	2014 (SAR'000)	2013 (SAR'000)
Assets		
Cash and cash equivalents	**45,600**	3,913
Accounts receivable and other receivables	**350,437**	62,469
Inventories	**275,046**	29,509
Property, plant and equipment	**530,159**	8,088
Other non-current assets	**134,595**	–
Disclosed as 'Assets classified as held for sale' in the interim consolidated balance sheet	**1,335,837**	103,979
Liabilities		
Borrowings	**478,064**	25,821
Accounts payable and other liabilities	**245,159**	66,916
Non-current liabilities	**34,437**	–
Disclosed as 'Liabilities associated with assets held for sale', in the interim consolidated balance sheet	**757,660**	92,737

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

9.2 Income statement

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

	2014 (SAR'000)	2013 (SAR'000)
Sales	**1,110,880**	1,119,633
Cost of sales	**(973,941)**	(964,064)
Gross profit	**136,939**	155,569
Operating expenses		
Selling and marketing	**(38,704)**	(36,600)
General and administrative	**(34,268)**	(28,960)
Income from operations	**63,967**	90,009
Other income (expenses)		
Financial charges	**(10,220)**	(11,592)
Income before foreign income taxes and zakat	**53,747**	78,417
Zakat and foreign income taxes	**(3,462)**	(8,898)
Net income for the year disclosed as 'Income from discontinued operations' in the consolidated income statement	**50,285**	69,519

9.3 Cash flows

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

	2014 (SAR'000)	2013 (SAR'000)
Cash flows from operating activities	**104,291**	(12,904)
Cash flows from investing activities	**(50,793)**	(102,095)
Cash flows from financing activities	**(75,701)**	101,630
Total cash flows from discontinued operations	**(22,203)**	(13,369)

10 Long term receivables

	Note	2014 (SAR'000)	2013 (SAR'000)
Sale proceeds receivable on disposal of investment in Diyar	11.1	**298,480**	–
Non-current trade receivable		**23,616**	52,320
		322,096	52,320

11 Investments

	Note	2014 (SAR'000)	2013 (SAR'000)
Investment in associates	11.1	**7,188,197**	7,125,209
Available for sale investments (AFS)	11.2	**732,519**	810,140
Other investments	11.3	**–**	8,018
		7,920,716	7,943,367

11.1 Investment in associates

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

	Effective ownership interest (%)		2014	2013
	2014	2013	**(SAR'000)**	(SAR'000)
Almarai Company ("Almarai")	**36.52**	36.52	**5,856,686**	5,562,966
Kinan International for Real Estate Development Company ("Kinan")	**29.9**	29.9	**597,418**	512,328
Herfy Foods Services Company	**49**	49	**361,072**	320,805
Intaj Capital Limited	**49**	49	**189,244**	247,044
Al-Seera City Company For Real Estate Development	**40**	40	**164,578**	164,578
Knowledge Economic City Development Company	**17**	17	**17,200**	17,200
Diyar Al Mashreq ("Diyar")	**–**	30	**–**	298,289
Others	**Various**	Various	**1,999**	1,999
			7,188,197	7,125,209

Movement in the investment in associates is as follows:

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

11 Investments (continued)

11.1 Investment in associates (continued)

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

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

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

11.2 Available-for-sale investments

AFS investments at December 31, principally comprise the following:

	Effective ownership interest (%)			
	2014	2013	**2014 (SAR'000)**	2013 (SAR'000)
Quoted investments				
Emaar the Economic City	**0.9**	0.9	**88,503**	98,998
Knowledge Economic City	**6.4**	6.4	**367,720**	384,417
Taameer Jordan Holding Company	**5.0**	5.0	**–**	–
Unquoted investments				
Swicorp Joussour Company ("Joussour")	**14.81**	14.81	**135,869**	186,298
Swicorp, Saudi Arabia	**15**	15	**115,674**	115,674
Others	**Various**	Various	**24,753**	24,753
			732,519	810,140

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

	Note	**2014 (SAR'000)**	2013 (SAR'000)
January 1		**810,140**	694,234
Impairment	28	**(19,600)**	–
Fair value reserves adjustments	24	**(27,193)**	140,611
Capital reduction		**(30,828)**	(24,705)
December 31		**732,519**	810,140

11.3 Other investments

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

12 Property, plant and equipment

	Land (SAR'000)	Buildings (SAR'000)	Leasehold improvements (SAR'000)	Plant and equipment (SAR'000)	Furniture and office equipment (SAR'000)	Vehicles (SAR'000)	Construction work in progress (SAR'000)	Total (SAR'000)
Cost								
January 1, 2014	**676,097**	**1,026,743**	**1,280,736**	**3,972,656**	**1,678,432**	**328,541**	**1,684,582**	**10,647,787**
Additions	**429,128**	**28,080**	**143,234**	**41,347**	**256,561**	**46,362**	**874,169**	**1,818,881**
Assets classified as held for sale	**(8,473)**	**(3,073)**	**(126,222)**	**(1,019,577)**	**(11,878)**	**(8,352)**	**(65,542)**	**(1,243,117)**
Disposals	**(54,912)**	**(47,846)**	**(5,292)**	**–**	**(15,612)**	**(8,715)**	**(1,419)**	**(133,796)**
Transfer from/(to) CWIP	**(5,174)**	**(32,345)**	**140,154**	**(148,237)**	**169,354**	**(2,210)**	**(268,039)**	**(146,497)**
Hyperinflation adjustment	**656**	**9,070**	**910**	**(8,840)**	**1,081**	**645**	**(25,513)**	**(21,991)**
Currency translation differences	**(73,498)**	**(41,573)**	**(3,655)**	**(126,421)**	**(9,020)**	**(2,449)**	**(28,613)**	**(285,229)**
December 31, 2014	**963,824**	**939,056**	**1,429,865**	**2,710,928**	**2,068,918**	**353,822**	**2,169,625**	**10,636,038**
Accumulated depreciation								
January 1, 2014	**–**	**(401,462)**	**(384,675)**	**(2,149,983)**	**(1,106,417)**	**(214,101)**	**(103)**	**(4,256,741)**
Additions	**–**	**(57,849)**	**(81,701)**	**(177,043)**	**(177,828)**	**(39,654)**	**–**	**(534,075)**
Assets classified as held for sale	**–**	**–**	**65,651**	**610,648**	**9,967**	**6,053**	**–**	**692,319**
Disposals	**–**	**32,275**	**7,674**	**122,154**	**19,613**	**11,071**	**–**	**192,787**
Hyperinflation adjustment	**–**	**(1,625)**	**(1)**	**(8,445)**	**(430)**	**(1,826)**	**–**	**(12,327)**
Currency translation differences	**–**	**5,964**	**(3,757)**	**31,706**	**2,271**	**1,331**	**–**	**37,515**
December 31, 2014	**–**	**(422,697)**	**(396,809)**	**(1,570,963)**	**(1,252,824)**	**(237,126)**	**(103)**	**(3,880,522)**
Net book value	**963,824**	**516,359**	**1,033,056**	**1,139,965**	**816,094**	**116,696**	**2,169,522**	**6,755,516**
Cost								
January 1, 2013	679,499	1,743,181	678,313	3,649,219	1,366,113	304,399	1,393,741	9,814,465
Additions	99,110	3,887	36,881	50,357	73,802	49,689	846,801	1,160,527
Disposals	(118,677)	(72,961)	(41,644)	(61,406)	(81,024)	(15,554)	(2,193)	(393,459)
Transfer from/(to) CWIP	–	14,374	73,949	262,194	61,099	177	(411,793)	–
Hyperinflation adjustment	40,471	34,049	3,463	333,357	15,159	2,900	92,923	522,322
Currency translation adjustment	(10,634)	(99,061)	(3,510)	(207,127)	(15,333)	(8,748)	(99,806)	(444,219)
December 31, 2013	689,769	1,623,469	747,452	4,026,594	1,419,816	332,863	1,819,673	10,659,636
Accumulated depreciation								
January 1, 2013	(397)	(637,225)	(225,040)	(2,110,615)	(849,369)	(194,892)	–	(4,017,538)
Additions	–	(55,416)	(71,542)	(207,486)	(164,048)	(41,663)	–	(540,155)
Disposals	–	36,112	6,386	54,728	52,288	13,265	–	162,779
Hyperinflation adjustment	–	(3,041)	–	(38,730)	(3,708)	(786)	–	(46,265)
Currency translation adjustment	–	35,029	915	118,965	11,083	6,597	–	172,589
December 31, 2013	(397)	(624,541)	(289,281)	(2,183,138)	(953,754)	(217,479)	–	(4,268,590)
NBV of assets held for sale as of December 31, 2013	(5,908)	(2,180)	–	–	–	–	–	(8,088)
December 31, 2013	683,464	996,748	458,171	1,843,456	466,062	115,384	1,819,673	6,382,958

12 Property, plant and equipment (continued)

a) Currency translation differences at December 2014 pertain to differences from currency translation of the Group's overseas subsidiaries.

b) Property, plant and equipment classified as held-for-sale relates to Savola Morocco Company, Group's subsidiary in Morocco. See note 9 for further details.

c) Construction work in progress relates to the construction of super markets and hyper markets for APU and upgrading and enhancing the production facilities of certain subsidiaries of SFC and SPS.

d) Disposals include property, plant and equipment of MMC, Group's subsidiary in Iran, which was sold during the year. Please see note 1 for details.

e) Certain property, plant and equipment of the Group overseas subsidiaries are pledged as collateral with commercial banks. Also see Note 15.

f) Additions include Saudi Riyals 5.3 million in respect of finance costs capitalized during 2014 (2013: Saudi Riyals 53.6 million) in Panda (2013: Panda, SPS and SFC). The average rate used to determine the amount of finance costs capitalized during 2014 was 2.4% (2013: 1.85%-12%).

g) Asset held for sale represents property plant and equipment related to plastics operations and certain foods companies classified as held for sale in Note 9.

13 Intangible assets

	Goodwill (SAR'000)	Deferred charges (SAR'000)	Other intangible assets (SAR'000)	Total (SAR'000)
Cost				
January 1, 2014	**938,070**	**571,696**	**263,176**	**1,772,942**
Additions	**–**	**29,710**	**–**	**29,710**
Classified under assets held for sale	**(125,909)**	**(10,684)**	**–**	**(136,593)**
Disposal of subsidiary	**–**	**–**	**(20,300)**	**(20,300)**
Currency translation differences	**(10,782)**	**–**	**–**	**(10,782)**
December 31, 2014	**801,379**	**590,722**	**242,876**	**1,634,977**
Amortization				
January 1, 2014	**–**	**(429,114)**	**–**	**(429,114)**
Classified under assets held for sale	**–**	**1,998**	**–**	**1,998**
Additions	**–**	**(42,280)**	**–**	**(42,280)**
December 31, 2014	**–**	**(469,396)**	**–**	**(469,396)**
Net balance	**801,379**	**121,326**	**242,876**	**1,165,581**
Cost				
January 1, 2013	970,883	489,260	263,176	1,723,319
Additions	–	82,436	–	82,436
Adjustments	(1,225)	–	–	(1,225)
Currency translation adjustment	(31,588)	–	–	(31,588)
December 31, 2013	938,070	571,696	263,176	1,772,942
Amortization				
January 1, 2013	–	(401,186)	–	(401,186)
Additions	–	(27,928)	–	(27,928)
December 31, 2013	–	(429,114)	–	(429,114)
Net balance	938,070	142,582	263,176	1,343,828

13 Intangible assets (continued)

13.1 Goodwill

Impairment tests for goodwill

The recoverable amount of goodwill is determined based on fair value calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period.

The key assumptions used for fair value calculations are as follows:

1 Budgeted gross margin
2 Weighted average growth rate
3 Discount rate applied to the cash flow projections

Management determined budgeted gross margin and weighted average growth rates based on past performance and its expectations of market development. The discount rates used are pre-zakat and pre-income tax reflect specific risks relating to the industry. The results of impairment test at December 31, 2014 and 2013 indicated no impairment charge.

14 Short-term borrowings

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

15 Long-term borrowings

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

15.1 Commercial bank loans

The Group has obtained loans and Murabaha financing from various commercial banks and financial institutions in order to finance capital projects, investments and for working capital requirements. Finance charges on these debts are based on prevailing market rates.

Property, plant and equipment at December 31, 2014 includes assets of certain consolidated subsidiaries having net book value of approximately Saudi Riyals 2,682 million (2013: Saudi Riyals 1,362 million) which are pledged with foreign banks as collateral against bank borrowing facilities. The financing agreements include certain covenants, which, among other things, require certain financial ratios to be maintained.

15.2 Sukuk

In an extraordinary general meeting held on December 15, 2012, the Company's shareholders approved the establishment of a Sukuk program pursuant to which the Company can issue Sukuk through one or more tranches for an amount that will not exceed the Company's paid-up capital.

As of January 22, 2013, the Group completed its initial offering under this program by issuing Sukuk with a total value of Saudi Riyals 1.5 billion. The Sukuk issued have a tenor of 7 years, and have been offered at nominal value with an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.10%.

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

15.3 SIDF loans

Saudi Industrial Development Fund (SIDF) has provided loans to SPS to finance the manufacturing facilities and expansion projects. The loans are secured by a charge on property, plant and equipment of SPS and corporate guarantees of the shareholders. At December 31, 2014, property, plant and equipment of SPS having a net book value of Saudi Riyals 336.7 million (2013: Saudi Riyals 340.9 million) were collateralized as security against SIDF loans. The SIDF loan agreements include certain covenants, which among other things require that certain financial ratios be maintained. SPS is accounted for as held for sale. See Note 9. Accordingly, the SIDF loan of Saudi Riyals 8.8 million is included in the liabilities associated with assets held for sale.

15 Long-term borrowings (continued)

15.4 Maturity profile of long-term borrowings

Years ending December 31	(SAR'000)
2015	**646,204**
2016	**1,579,164**
2017	**562,435**
2018	**349,131**
2019 and thereafter	**2,111,983**
	5,248,917

15.5 Interest Rate Swaps (IRS)

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

16 Accounts payable

	Note	2014 (SAR'000)	2013 (SAR'000)
Trade		**2,623,219**	2,577,575
Related parties	21.2	**97,672**	90,753
		2,720,891	2,668,328

17 Accrued and other liabilities

	Note	2014 (SAR'000)	2013 (SAR'000)
Accrued expenses		**443,282**	472,072
Accrued zakat and tax	17.1	**270,280**	376,004
Marketing related accruals		**220,283**	165,806
Accrued interest		**189,495**	185,593
Employee related accrual		**184,892**	165,032
Unclaimed dividend		**183,556**	172,614
Payable to contractors		**157,285**	103,031
Balances related to forward contracts	8.2	**42,018**	20,685
Accrued utilities		**43,786**	49,221
Advances from customers		**35,257**	39,103
Payable to government authorities		**19,126**	25,519
Dividend payable to non-controlling interest		**18,422**	29,992
Other liabilities		**264,974**	255,699
		2,072,656	2,060,371

17.1 Zakat and tax matters

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

	2014 (SAR'000)	2013 (SAR'000)
Income tax	**126,532**	283,327
Zakat	**53,894**	28,892
	180,426	312,219

17 Accrued and other liabilities (continued)

17.1 Zakat and tax matters (continued)

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

	2014 (SAR'000)	2013 (SAR'000)
January 1	**376,004**	342,337
Charge	**180,426**	312,219
Classified within 'liabilities associated with assets held for sale'	**(13,649)**	–
Disposal of subsidiary	**(31,405)**	–
Payments/Currency translation adjustment	**(241,096)**	(278,552)
December 31	**270,280**	376,004

17.1.1 Components of zakat base

The Group's Saudi Arabia subsidiaries file separate zakat and income tax declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deductions for the net book value of property, plant and equipment, investments and certain other items.

17.1.2 Status of final assessments

(a) Zakat status

The Company has finalized its zakat status up to the year 2004 and has filed the Zakat returns for the years 2005 to 2011.

The DZIT issued the assessment for the year 2009 and claimed zakat differences of Saudi Riyals 1.3 million. The Company has paid for such zakat differences under appeal.

The Company's Saudi subsidiaries received final zakat certificates for certain years and provisional zakat certificates for other years. They have also received queries from the DZIT for the open years, for which replies have been/will be filed by the respective companies.

Some Saudi subsidiaries received assessments from the DZIT concerning their zakat declarations for the open years, in which the DZIT assessed additional zakat liabilities of approximately Saudi Riyals 47.1 million (2013: Saudi Riyals 43.7 million). The subsidiaries have appealed such additional assessments.

(b) Income tax status

The Group's foreign subsidiaries are obliged to pay income tax as per applicable tax laws of their countries of incorporation. Some of the foreign subsidiaries are currently tax exempt. Tax paying foreign subsidiaries determine their liabilities based on applicable corporate rates to the adjusted taxable income for the year. Certain foreign subsidiaries are also obliged to pay quarterly advances tax determined on prior year tax liability bases.

Certain foreign subsidiaries have received final tax assessments for certain years and provisional tax assessments for other years. They have also received queries from departments of income tax after their assessment or inspections for open years, for which replies have been filed.

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

17.2 Deferred tax liability

	2014 (SAR'000)	2013 (SAR'000)
January 1	**45,939**	33,583
Addition	**37,791**	12,356
Disposal of subsidiary	**(3,525)**	–
December 31	**80,205**	45,939

Deferred tax liability is calculated on temporary difference on end of service provision, deferred rent payable and property plant and equipment of certain foreign subsidiaries of the Group under the liability method using effective tax rate.

18 Deferred gain

	2014 (SAR'000)	2013 (SAR'000)
January 1	**180,116**	103,193
Addition	**28,502**	87,994
Amortization	**(16,208)**	(11,071)
December 31	**192,410**	180,116

Deferred gain principally relates to deferral of capital gain on land and building sale and operating leaseback transaction by the Group subsidiaries. Such gains are deferred over the lease period.

19 Long-term payables

	Note	2014 (SAR'000)	2013 (SAR'000)
Unclaimed dividends	19.1	**53,273**	54,807
Deferred rent payable	19.2	**11,315**	10,750
		64,588	65,557

19.1 Unclaimed dividends

Long-term payables represent dividends declared in prior years and share fractions, which resulted from split of shares in prior years. Such amounts have not yet been claimed by the respective shareholders for several years. In the opinion of management, such amounts are unlikely to be paid during 2014 and, accordingly, they have been classified under non-current liabilities.

19.2 Deferred rent payable

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

20 Employee termination benefits

	2014 (SAR'000)	2013 (SAR'000)
January 1	**350,969**	353,751
Provisions	**109,293**	85,268
Classified within 'liabilities associated with assets held for sale'	**(25,484)**	–
Disposal of subsidiary	**(8,438)**	–
Payments/Currency translation adjustment	**(54,172)**	(88,050)
December 31	**372,168**	350,969

21 Related party matters

Related party transactions mainly represent sale and purchase of products in the ordinary course of business with associate and other entities related to certain consolidated subsidiaries. The terms of such transactions are mutually agreed between the parties. All related party transactions are approved by the management.

21.1 Related party transactions

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

	2014 (SAR'000)	2013 (SAR'000)
Sales	**622,588**	674,256
Purchases	**765,389**	583,311
Rent expense charged by related parties	**113,993**	87,356
Key management personnel remuneration	**40,909**	37,647

21 Related party matters (continued)

21.2 Related party balances

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

(i) Receivable from related parties

Company name	Relationship	2014 (SAR'000)	2013 (SAR'000)
Certain shareholders of USC	Shareholders of a subsidiary	**64,166**	62,152
Intaj	Associate	**40,554**	51,806
Kinan International	Associate	**15,196**	–
Other		**1,427**	499
		121,343	114,457

(ii) Payable to related parties

Company name	Relationship	2014 (SAR'000)	2013 (SAR'000)
Al Marai Company	Associate	**48,255**	24,987
Abdul Kadir Al Muhaidib Company	Shareholder of the Company	**32,015**	46,571
Hail Agricultural Development Company	Affiliate	**13,153**	10,788
Herfy	Associate	**2,436**	6,808
Other		**1,813**	1,599
		97,672	90,753

21.3 Board of directors remuneration

Board of Directors' remuneration for the year ended December 31, 2014 amounting to Saudi Riyals 2.2 million (2013: Saudi Riyals 2.2 million) has been calculated in accordance with the Company's By-laws and is considered as appropriation shown in the statement of changes in shareholders' equity. Attendance allowances and other expenses to the directors and members of various board committees for the year ended December 31, 2014 amounting to Saudi Riyals 3,063 thousand (2013: Saudi Riyals 1,554 thousand) are charged to expenses and included under general and administrative expenses.

22 Share capital

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

23 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The statutory reserve in the consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

24 Fair value reserve

	Note	2014 (SAR'000)	2013 (SAR'000)
January 1		**131,992**	(5,701)
Fair value adjustment from investment in associates	11.1	**(98,648)**	(1,405)
Fair value adjustment from investment in available for sale investments	11.2	**(25,093)**	140,611
Fair value adjustment from derivative financial instruments relating to cashflow hedge	8.2, 15	**(25,716)**	(1,513)
December 31		**(17,465)**	131,992

25 Selling and marketing expenses

	2014 (SAR'000)	2013 (SAR'000)
Salaries, wages and benefits	**1,014,235**	863,051
Rent	**515,704**	425,094
Advertisement	**393,432**	416,766
Depreciation and amortization	**314,507**	270,959
Utilities	**157,162**	169,450
Maintenance	**127,272**	129,960
Commission	**84,298**	85,122
Other	**116,882**	82,790
	2,723,492	2,443,192

26 General and administrative expenses

	2014 (SAR'000)	2013 (SAR'000)
Salaries, wages and benefits	**412,783**	390,176
Depreciation and amortization	**66,860**	34,299
Professional fees	**26,233**	24,468
Insurance	**27,331**	13,308
Rent	**11,451**	12,255
Traveling	**10,938**	11,660
Training	**13,029**	12,310
Utilities, telephone and communication cost	**3,382**	6,001
Supplies and packaging	**3,928**	5,033
Communication	**4,323**	4,096
Repairs and maintenance	**2,468**	2,310
Other	**80,402**	85,080
	663,128	600,996

27 Gain on disposal of investments

	Note	2014 (SAR'000)	2013 (SAR'000)
Gain on disposal of investment in an associate	11.1	**187,505**	–
Gain on disposal of investment in a subsidiary	1(b)	**22,195**	–
Gain on disposal of property held for sale	27.1	**–**	231,411
		209,700	231,411

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

28 Impairment loss

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

29 Financial charges

	Note	**2014 (SAR'000)**	2013 (SAR'000)
Bank commission		**2,050**	2,854
Financial charges on Loans	14,15	**379,737**	246,852
Income from derivatives	8.2	**(55,536)**	–
Foreign exchange loss		**29,783**	62,411
Commission income earned on short-term bank deposits	5	**(119,481)**	(71,950)
		236,553	240,167

30 Hyperfinflationary accounting

The Group has operations in Iran and Sudan through its subsidiaries namely SBeC and Savola Sudan (the entities). As per the information provided by International Monetary Fund (IMF), the cumulative three year inflation rate for Iran and Sudan exceeded 100 percent as of December 31, 2013, this, combined with other indicators, resulted Iran and Sudan being declared as hyperinflationary economies during December 2013. Iran and Sudan continue to be declared as hyperinflationary economies by IMF as at December 31, 2014.

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

- Adjustment of the entities non-monetary assets and liabilities and the various items of equity of the entities from their date of acquisition or inclusion in the Group consolidated balance sheet to the end of year ended December 31, 2014 to reflect the changes in purchasing power of the currency caused by inflation.
- Adjustment of the income statement of the entities to reflect the financial gain/loss caused by the impact of inflation during the year on net monetary liabilities/assets (loss/gain of purchasing power).
- The various components of the financial statements of these entities have been adjusted for the inflation index since their generation.
- The results and financial position of the entities are translated into Saudi Riyals as per the requirements of applicable accounting standard:

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

(ii) income and expenses for each income statement are translated at closing exchange rate.

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

	2014 (SAR'000)	2013 (SAR'000)
Revenue increased (decreased) by	**169,742**	(469,722)
Income from operations (decreased) increased by	**(35,899)**	59,433
Total non-current assets increased by	**11,076**	460,459
Currency translation differences impacted by	**(46,978)**	420,478

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

	Iran	Sudan
Conversion factor for the year ended December 31, 2014	**1.16**	**1.27**
Conversion factor for the year ended December 31, 2013	1.30	1.20

The management applied the consumer price index (CPI), published by the World Bank and the respective Central Banks of the entities to adjust their financial information.

31 Operating leases

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

	2014 (SAR'000)	2013 (SAR'000)
Within one year	**617,270**	554,750
Between two and five years	**1,841,122**	2,539,466
More than five years	**5,786,861**	4,046,610
	8,245,253	7,140,826

32 Earnings per share

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

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

Calculation of weighted average

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

33 Dividends

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

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

34 Contingencies and commitments

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

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

iii) At December 31, 2014, one of the subsidiaries had commitments to sell in 2015 refined sugar of approximately 713,297 MT (2013: 398,137 MT to sell in 2014) at prices, which would approximate the prevailing market prices at the contract date. The raw sugar price of committed sale contracts is hedged through forward contracts;

iv) At December 31, 2014, the Group had outstanding commitments of Saudi Riyals 81.1 million (2013: Saudi Riyals 111 million) for investments; and

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

Contacts

The Savola Group welcomes your constructive comments and suggestions that will help to enhance the quality of services provided to our valued shareholders and customers.

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