Value Built on Values

Annual Report 2016

SAVOLA

Getting fit for future growth

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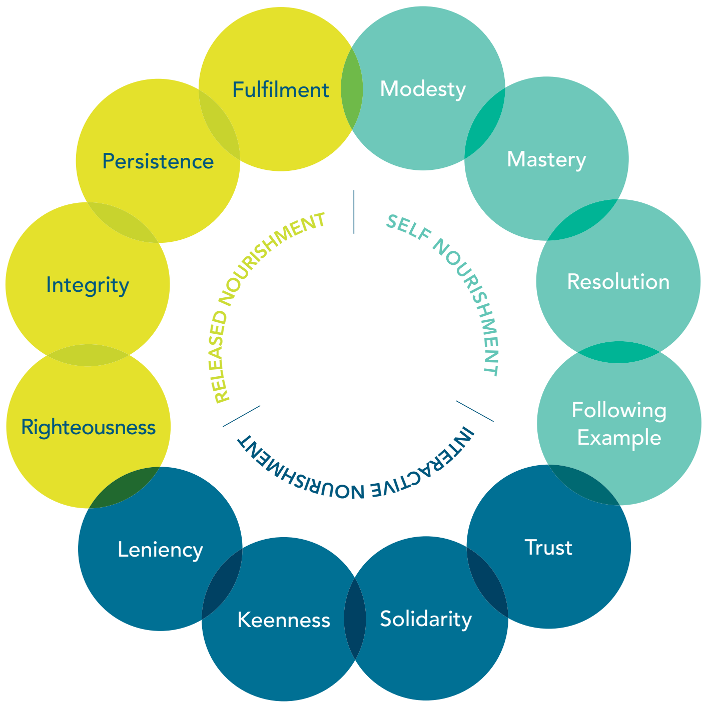
Savola has grown and evolved over the years, crossing many national borders and impacting millions of lives across the MENAT (Middle East, North Africa and Turkey) region.

Our values have driven us forward during the good times, and protected us in lean years. We have always believed that the way we conduct business, and the core values we hold dear, are the crucial pillars of our success.

From our strong financial foundations, we strive to create value for shareholders and investors, customers, partners, employees and their families, and for all the communities in which we operate.



01
Strategic Review

What were the key challenges in our core markets?

Savola's transition to being a strategic investment holding company continued apace during 2016, consolidating its formidable strengths as a national champion in the industry sectors where it operates.

This year's results were influenced by the challenging regional macro-economic environment in Saudi Arabia and Egypt, losses due to currency devaluation and shortages in Egypt, and an extraordinary inventory impact in our retail business.

Group revenue of SAR 25.3 billion was slightly higher than 2015's SAR 25.1 billion, but operating income declined from SAR 1,785 million to SAR 832 million, resulting in an overall net loss of SAR 451 million in 2016, compared to net profit of SAR 1,792 million last year.

From a strategic perspective, 2016 results are indicative of the reconfiguration of Savola's assets in the Retail sector to address underperformance and build an agile platform in the face of a transforming economy through a carefully planned and managed transformation program, with a focus on customer-centricity.

In the Food sector, Savola's strength and stability are evident in the growing or sustaining of market shares by product category in each of the operating geographies, and the resilience of the total volumes sold.

Savola's business fundamentals remain strong, given its access to the large share of consumer wallet in its markets, presence in growth markets with rising household income in the medium to long term. The Group continues to be well positioned to benefit from long-term market trends.

Net income
SAR millions

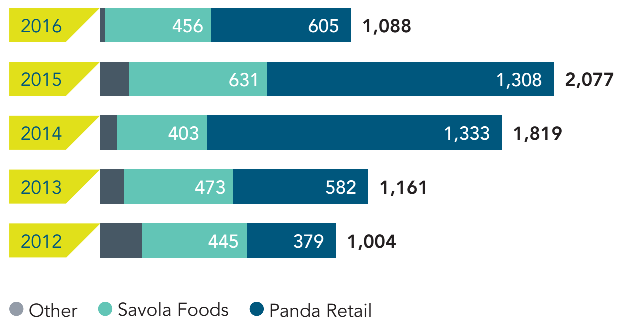
Revenues
SAR millions

Gross profit
SAR millions

Total assets
SAR millions

Shareholders' equity
SAR millions

Capital expenditure
SAR millions



Why are we confident of creating new growth and opportunity?

On behalf of the Board of Directors, it is my privileged duty to present the Savola Group's 2016 annual report. In 38 years from establishment, we have become a regional leader in consumer businesses. Our growth has enabled us to improve the lives of millions of people through the products and services we provide, and through employment and investment we stimulate economic activity in every country we operate.

At home in Saudi Arabia, our Group's purpose and direction are aligned with the national objectives as encapsulated in the Vision 2030. We share long-term goals and expectations that are based on our respective strengths and capabilities. Our strategy is a reflection of what is happening at the national level, implemented in our core food and retail business.

The past year was one of transition for Savola. In the short-term, that process is challenging, as transformations usually are, but we believe that the changes being implemented – particularly in our retail business – will put us on a path towards a more secure and successful future.

The consumer sector is core to Vision 2030, and as the largest investor in food production and distribution, as well as modern grocery retail, this is equally fundamental to our own future – as a business and as a responsible corporate citizen.

Financial results

The Group recorded a net loss of SAR 451million for 2016, compared to a profit of SAR 1,792 million last year. During the year we booked impairment charges totaling SAR 574 million and earnings per share were negative at SAR (0.85).

These results were greatly affected by factors such as declining consumer spending and the steep reduction in the value of the Egyptian pound. Our management has taken steps to mitigate losses and make the changes required to reposition the business. The measures adopted were a pragmatic response to the circumstances and I am confident that the actions we are taking will help to improve the performance of our businesses.

We operate in long-term growth markets that we know and understand, and although there may be short-term volatility and a slow-down in growth, we have the robustness and resilience to address the challenges.

Positioned for growth

possessing intimate knowledge of these markets and the trends that affect consumers. Our task now is to apply and optimize that knowledge, so that we can capture profitable growth opportunities through our businesses.

In March 2016, Rayan Mohammed Fayez joined as the new Chief Executive Officer, and it is my pleasure to welcome him to our team at such an important stage of our development. He brings a wealth of professional experience as we address the transition and future of the Group.

A new Savola Group Board of Directors was elected and Group audit committee appointed by the shareholders in July 2016 in line with the new Companies Law.

Looking ahead, I am confident that we are on the correct path to sustained growth and better results. As the macro-economic environment improves, we are well-positioned to capitalize on growth opportunities.

On behalf of the Board of Directors, I express gratitude and appreciation to our Government, shareholders, and executive management and employees. We look forward to continued excellence and success, and ask Allah to guide us.

Sulaiman A. Al Muhaidib
Chairman

Sulaiman A. K. Al-Muhaidib
Chairman

Abdulaziz I. M. Alissa
Board member

Abdulaziz K. Al-Ghufaily
Board member

Omar H. N. Al-Farisi
Board member

Fahad A. AlKassim
Board member

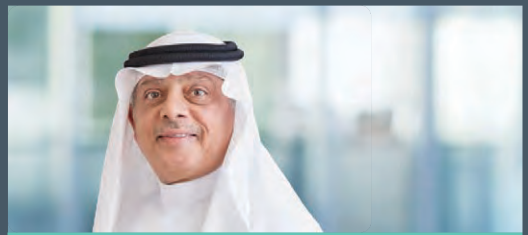
Bader A. Alissa
Board member

Sami M. Baroum
Board member

Abdullah M. N. Rehaimi
Board member

Essam A. Al-Muhaidib
Board member

Mohammad A. Al Fadl
Board member



Mutaz Q. AlAzzawi
Board member

How are we capitalizing on our leadership strengths?

Savola is on an exciting and challenging journey to become a fully-fledged strategic investment holding company. Like all journeys, ours is marked with reaching and passing milestones. In this sense, we can reflect on 2016 as a definitive year in the evolution of Savola and I am delighted to have come on board and be part of this journey.

Overall, 2016 results were not in keeping with what we have come to expect from the Group. We have a long history of outstanding performance and temporary setbacks in the course of a single year should not be taken as portents for the future. Despite the challenges, we achieved a revenue of SR 25 billion. Our status as a national leader in the food and retail sectors is undiminished and we have every reason for optimism about what lies ahead.

Despite challenging conditions in several key markets, Savola Foods maintained revenue at SAR 11.8 billion on total sales volume of four million tons. Our leading market share in all geographies that we operate in testifies to our capabilities in marketing, sales and distribution.

Our retail business, Panda, experienced significant challenges in 2016. As the largest modern grocery retailer in Saudi Arabia with revenue of SAR 13.8 billion, we have felt the macro-economic challenges more keenly than others, simply because of the scale of the infrastructure we have built. However, we have taken effective remedial action – and continue to do so.

Almarai and Herfy, the Group's two main strategic investments, continue to yield excellent returns, providing exposure to attractive consumer categories in Saudi Arabia and the Gulf region. Together they yielded income of SAR 867 million in 2016.

Fit to deliver

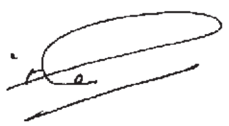
Our focus in 2016 was to refine our operating model, in essence to get our organization 'fit to deliver'. We continue to capitalize on existing governance strengths, reinforcing our comprehensive controls and risk management functions as we enter the next phase of growth and expansion.

A full governance, risk, and compliance (GRC) system will be initiated in 2017. GRC combines the critical capabilities that must work together to achieve principled performance – integrating the governance, management, and assurance of performance, risk, and compliance activities. Branding, succession planning, and balance sheet efficiency have also been important considerations as we build a solid organizational base that will underpin our future.

New Companies' Law and related regulatory rules for listed joint stock companies were implemented in 2016. The Group has complied with the new regulations and is in the process of amending its bylaws and procedures, policies, and manuals to ensure continuous future compliance in every respect.

In my brief tenure so far, I have been very impressed by the caliber of the organization, its people, and the whole-hearted commitment to achieving our long-term goals.

I take this opportunity to thank the Group's shareholders for their support during 2016, our Board of Directors for their guidance and direction, and our executive management and employees for their commitment and efforts. Customers, suppliers, and business partners are integral to our continued success and I acknowledge their valued contribution.



Rayan Mohammed Fayez
Chief Executive Officer

Executive Management Team

Rayan Mohammed Fayez
Chief Executive Officer

Mr Fayez joined Savola in March 2016. He was previously Managing Director and Senior Country Officer for Saudi Arabia at JP Morgan Chase and has more than 15 years' experience in leading managerial positions with global banks and financial institutions in New York, London, and Saudi Arabia.

Mr Fayez is a board member of Panda Retail, Savola Foods, and several Savola Foods subsidiaries. He is also a board member of Almarai, Herfy, Knowledge Economic City, Tadawul (the Saudi Stock Exchange), Saudi Agricultural and Livestock Investment Company (SALIC), and Hassana Investment Company. He graduated with a Bachelor's degree in Mechanical Engineering from the Massachusetts Institute of Technology.

Mr Fayez is also currently the Acting Chief Executive Officer of Panda Retail.

Huda Al Lawati
Chief Investment Officer

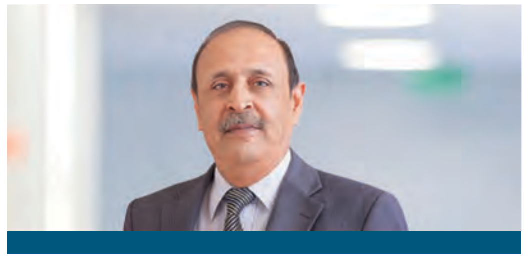
Ms Al Lawati joined Savola in August 2016. She previously spent 13 years at the Abraaj Group, most recently as Partner and Chief Investment Officer MENA and a member of the Investment Committee. She led its investment strategy and transactions across MENA, developing strong experience in deal sourcing, structuring, execution, portfolio management, and exits across several industries. Her investments included Kudu (Saudi Arabia), Careem (UAE), and Acibadem (Turkey). She began her career in 2001 with Schlumberger in Oman.

Ms Al Lawati is a member of the Young Arab Leaders and serves as a mentor under the Cherie Blair Foundation for Women. She holds a BSc in Neuroscience and a BA (Hons) in Business Economics from Brown University.

Bader H. Al Aujan
Chief Executive Officer,
Savola Foods

Mr Al Aujan was appointed in 2014. Before this, he held senior management positions in diverse sectors, having been Group Managing Director of Aujan Industries, a Director of United Arab Can Manufacturing Company, and Managing Director of Muhaidib Foods.

Mr Al Aujan is a board member of Savola Foods, Afia International, Alexandria Sugar and Pasta, and United Sugar Company (Saudi Arabia and Egypt). His current directorships outside Savola Foods include KOUT International Catering Company (Kuwait). He graduated from King Saud University with a BSc in Mechanical Engineering.



Nouman Farrukh
Chief Financial Officer

Mr Farrukh was appointed in 2014. He has more than 20 years' experience with the Group, having originally worked with Savola Bahrain in the 1990s, 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.

Rania Al-Turki
Chief Human Capital Officer

Ms Al-Turki joined Savola from the National Commercial Bank in 2015, where she spent seven years in a number of HR-related roles, latterly as Head of People, Pay and Policy.

After graduating from Indiana State University with a Bachelor of Applied Science degree, she continued her studies in the USA at George Washington University, earning a Master's in Computer Science. In 2008, she undertook PhD studies at George Mason University in the USA. She has since gained further qualifications from the London Business School.

Ms Al-Turki's wide-ranging social engagement activities include volunteering with Helping Hand Foundation, Al Birr Foundation, the American Medical Student Association, the American Red Cross, and membership of the Board of Trustees for the Tawasul Program.

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

Mr Ismail was appointed in 2013. He oversees Group Corporate Affairs and Sustainability, including the CSR, marketing and communications, and corporate services functions. He also manages the activities of the Board of Directors and serves as a board member of Panda Retail Company. Mr Ismail has been with the Group for seven years, having joined Panda in 2010.

He is Vice-President of the Jeddah Chamber of Commerce & Industry's Food & Beverage Businessmen Committee, and a committee member of the Corporate Social Responsibility Committee. He is also a board member of Tarahum (National Committee for Prisoners), a board member of the World CSR Congress, and an Advisory Board member of Jeddah University and Injaz-Saudi Arabia.

Mr Ismail has a BA in Management from the University of Dubai, an Honorary Doctorate from the World Federation of United Nations Friends, and a Certificate in Corporate Governance from the INSEAD International Directors Program.

Our Journey

Retail investments

1990s

1998
Savola enters the retail sector following its merger with Azizia Panda.

Savola gains a 70% stake in Herfy through the Panda merger. Herfy is listed on the Saudi Stock Exchange, with Savola retaining a 49% stake.

Through the Panda merger, Savola inherits stakes in Al-Mawashi (divested in 2000), Deemah (divested in 2001), and Al-Azizia Commercial Investment Company.

2000s

2004
Panda launches the Hyper Panda format, and expands abroad, opening a HyperPanda store in Dubai.

2008
Panda acquires Giant Stores.

Panda opens its first central distribution center in Riyadh.

2009
Panda acquires United Company for Central Markets in Lebanon (divested in 2013).

Panda acquires Géant Stores operations and expands its network to 152 locations.

2010s

2013
Panda launches the Pandati convenience store concept.

2015
Panda opens its second central distribution center in KAEC.

Food investments

1970s and 1980s

1981
Savola's edible oil refinery in Jeddah begins operations, the first in Saudi Arabia.

1982
Launch of AFIA premium corn oil. By the late 1980s, Savola captures 70% of the Saudi edible oil market.

1990s

1992
Savola Bahrain and Savola Egypt commence edible oil operations.

Savola Snack Foods is established to acquire 100% of Tasali Company (divested in 2001).

1993
Joint venture with Tate & Lyle to establish United Sugar Company, Saudi Arabia's first sugar refinery.

1995
Savola Foods establishes an edible oil factory in Egypt.

Afia International Egypt is formed through the merger of Savola Egypt with SIME Derby Egypt. Savola acquires 50% of the merged operation. In 2009, Savola Foods' stake increases to 99%.

2000s

2003
Savola Foods establishes an edible oil business in Morocco and Sudan.

2004
Savola Foods enters the Iran market by acquiring 49% of an edible oil business. Savola's stake is increased to 80% in 2004, and 90% in 2014.

Savola Foods acquires 90% of an edible oil business in Kazakhstan (divested in 2014).

2007
Savola Foods acquires Yudum, an edible oil business in Turkey.

2008
Savola Foods' cane sugar refinery in Egypt begins commercial operation.

Savola Foods establishes an edible oil refinery in Algeria.

2010s

2011
Savola Foods enters the pasta market by acquiring El Maleka Company and El Farasha Company in Egypt.

2012
Savola Foods establishes Tolue Pakshe Aftab, a distribution company for its products in Iran.

2014
Alexandria Sugar Company begins production of sugar from beet, and establishes an agro cultivation company.

2015
Savola Foods acquires 90% of Notrika, manufacturing Pech Pech confectionery products in Iran.

Joint venture with global seafood leader, Thai Union to launch the famous John West brand in 12 markets across MENAT region.

Savola Foods launches Afia Distribution Company in Saudi Arabia.

Savola Group

1970s and 1980s

1979
Savola is established, with a paid-up capital of SAR 40 million and 50 employees.

1990s

1991
Savola acquires Saudi Carton Factory to establish Savola Packaging Systems (divested in 2015).

Acquisition of a 40% share-holding in Almarai (diluted after IPO in 2005). Savola's stake then increases to 36.5% in 2013.

1992
Savola becomes a publicly listed company on the Saudi Stock Exchange.

1993
Acquisition of 41% of Saudi Glass Company, increased to 60% a year later (divested in 2004).

1995
Savola Packaging Systems acquires the Paper Cups and Container Company (divested in 2003).

2000s

2004
New corporate governance standards are adopted, not only for legal compliance but as an ethical commitment aligned to Savola's corporate values.

Savola achieves its 'Triple 5' strategic goal 12 months ahead of target: SAR 5 billion sales, SAR 500 million profit, within 5 years.

2005
Savola establishes Kinan Real Estate, subsequently divesting 70% through private placement.

Al Batool Franchising is formed to focus on emergent retail concepts: Mugg & Bean, Bonia, Carlo Rino, Jacquline, Tom Tailor, Yves Rocher (divested in 2011).

2006
Savola supports national development by investing in King Abdullah Economic City (KAEC) and Knowledge Economic City as a founding shareholder.

Savola Packaging Systems acquires New Marina Plastics in Egypt, and Alsharq Plastics Industries in Saudi Arabia (divested in 2015).

2008
Savola announces its commitment to invest 1% of all future operating profits in CSR programs such as Savola Bridges, Tamkeen, and a range of other social initiatives.

2010s

2011
Standard & Poor's, Hawkamah Institute, and International Finance Corporation rank Savola 2nd for governance and transparency.

2013
Savola's first Sukuk issuance (SAR 1.5 billion).

Savola acquires Al-Muhaidib's shares in Panda (18.6%) and Savola Foods (10%) in exchange for the issue of 33.9 million new Savola shares through a capital increase to SAR 5.34 billion.

2016
Savola unveils a new brand identity, symbolizing its evolution to become a strategic investment holding company.

Savola receives the Sa'afa Award from the integrity and Transparency Foundation.

Savola Group

Savola is a strategic investment holding company focused on the food and retail sectors. Our values guide strategic decision-making, particularly in creating financial, professional, and social value for all stakeholders.

Our strategic objectives include capitalizing on proven expertise in certain consumer-related businesses, while developing new categories that show potential for us to swiftly achieve brand leadership. Long-established food and retail presence has enabled a deep understanding of consumer behavior and needs across the region, which the Group looks to leverage for continued growth through existing and new investments.

Key drivers of the Group's strategy are deployment of resources, active ownership of assets, robust performance management, and strong corporate governance. Savola's long-term goal is to generate attractive and sustainable returns on capital employed, allocating capital dynamically, and creating long-term stakeholder value.

Food investments

Savola Foods is a leader in basic branded consumer packaged goods and will continue to protect and consolidate its position within existing categories. We are also looking to expand and diversify into value added categories.

Strategic objectives are to defend leadership in established products and markets, extend existing products into complementary areas, build outstanding new businesses and incubate emergent categories that can yield longer-term potential.

Strong foundations underpin this approach – our edible oil, sugar, and pasta brands are already market leaders in their respective geographies.

Retail investments

Panda Retail is a leader in modern grocery retail in Saudi Arabia. It is implementing a strategic response to the macro-economic challenges that are changing the retail environment in Saudi Arabia and its need to transform its operations accordingly.

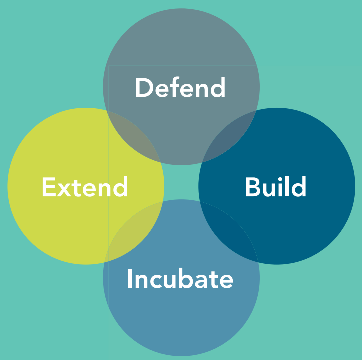
This response is centered on a customer-centric approach that builds strong stakeholder partnerships. Our transformation will yield a value proposition by store format, enabling focus on efficiency in all areas: store yield, working capital efficiency, and human resources productivity.

The strategy builds on Panda's proud history, market leadership, and formidable geographic reach. There is great potential to exploit these strengths to enable a turnaround and continued success.

Performance review:

Food investments

Savola Foods' three core markets – Saudi Arabia, Egypt, and Iran – generated around 80 percent of revenue, with emerging markets – Turkey, Sudan, Algeria, and Morocco – contributing the balance in a very challenging year from a macro-economic perspective. Although net profit was lower than last year, we were able to maintain market share and volumes.



How are we defending Savola Foods' long-standing market dominance?

Savola Foods

Savola Foods operates in seven markets across the MENAT region. It produces a range of high quality branded products including edible oil, vegetable ghee, sugar, pasta, seafood, and baked goods. These are marketed across 30 countries and leadership positions have been built in the main markets of the MENAT region.

Revenue of SAR 11.8 billion generated net reported profit of SAR 14.5 million after impairment charges of SAR 236 million. The strength of our brands was reflected in improved pricing and sales within premium segments, offsetting some of the foreign exchange losses. Total sales volume of 4.0 million tons across all geographies demonstrated the inherent stability of our operations.

A large portion of the negative impact came from the decline in the currency exchange rate and dollar availability issues in Egypt. The dollar value of the Egyptian pound fell from 7.83 at the beginning of the year to 18.7 at year-end, a problem accentuated by dollar denominated imports of 90 percent of Savola Foods' raw materials. The situation was compounded by the shortage of currency from official sources and the over-priced parallel market.

The resulting non-recurring losses in the fourth quarter impacted the value of certain assets and writing off goodwill related to the Egyptian sugar operations. These declines relating to forex losses and one-off impairment charges totaled SAR 575 million.

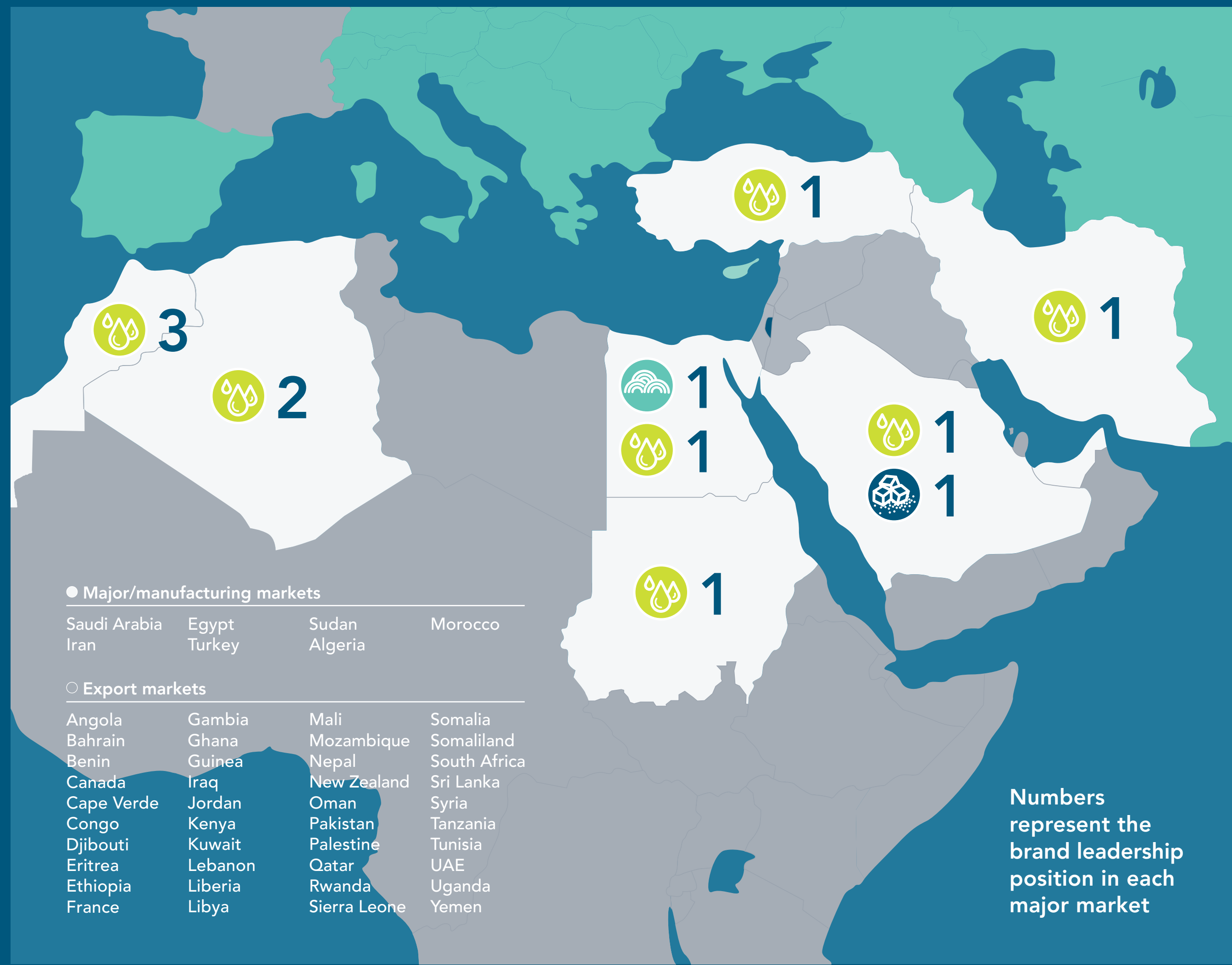
Nevertheless, we were able to reduce dollar liability in Egypt from $387 million at the beginning of the year to less than $90 million at close. One of the success stories is to convert United Sugar, Egypt business model from domestic sales to exports, reducing over-supply in the market and becoming largely self-sufficient in dollar provision by using outside sources for monetizing dollar flows into Egypt.

We entered into an agreement with the European Bank for Reconstruction and Development (EBRD) to make an equity investment of $100 million in our sugar business in Egypt. The funding will help improve operational efficiency and competitiveness, as well as enhance health and environmental practices to meet international standards. The deal is expected to be closed during the first quarter of 2017.

Despite the challenges, our edible oil products performed well and we maintained leading shares in the difficult markets. In Saudi Arabia, we achieved record volumes and profitability.

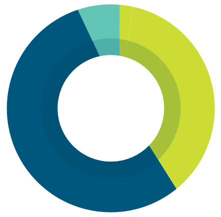
Savola Foods has established a dedicated distribution business to fully leverage its product range in GCC, Levant and Yemen. In Egypt, a drop in volume was the result of a deliberate move to retrench from less profitable segments due to currency availability. In Iran, profitability was lower compared to last year due to devaluation and changing government regulations with regard to product offering. However, market share was maintained and sales volume of 500,000 tons was in line with last year.

What Savola Foods sells and where



Revenue by business line
(excluding distribution)

- Edibile oils 61%
- Sugar 35%
- Pasta 4%



Volume by business line
(excluding distribution)

- Edibile oils 40%
- Sugar 53%
- Pasta 7%

1 country of production

Pasta

292.4k
MT total sales volume

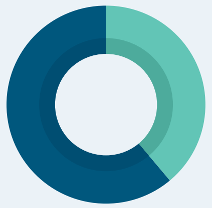
Sales volume by country
(including exports)

- Egypt 100%

2 countries of production

Sugar

2.23m
MT total sales volume



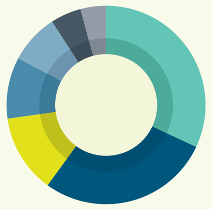
Sales volume by country
(including exports)

- Egypt 39%
- Saudi Arabia 61%

7 countries of production

Edible oil

1.59m
MT total sales volume



Sales volume by country
(including exports)

- Iran 32%
- Saudi Arabia 28%
- Egypt 13%
- Turkey 10%
- Algeria 8%
- Morocco 5%
- Sudan 4%

Turkey had a record year, despite the political and economic turbulence. Product innovation and relaunches sustained healthy margins compared to previous years. Our new Yudum sunflower frying oil is the first in the country and sunflower oil with Omega 3 was also launched, catering to the needs of the emerging health-conscious segment.

Hyper-inflation in Sudan and lower commodity prices in Algeria affected both countries severely, along with forex sourcing issues.

The sugar segment had a particularly challenging year but total volumes were maintained with Saudi Arabia compensating for Egypt. The pasta business in Egypt continues to record growth, with 292 KMT sold in 2016, up from 240 KMT in 2015.

Building for the future

Our joint venture with Thai Union to launch the John West brand across the region was initiated in 2016. The joint venture is capitalizing on our strengths in distribution and marketing. We have built up a baseline of product variants and have a strong pipeline of innovation.

Looking ahead, our priorities are to defend market leadership positions, building our brands and brand equity, and managing growth to our best advantage. International brands such as ours are supplanting local brands as markets evolve, and we invest significantly to sustain our position.

Almarai

With a 36.52% stake, Savola is the largest shareholder in Almarai, the world's largest vertically integrated dairy company and a broadly-based food group with diversified assets in juices, bakery, poultry products, and infant nutrition.

Almarai is the strongest brand in the region, with an outstanding record of achievement for shareholders. In 2016, the company delivered higher market share in most of its product categories while efficiency improvements helped boost net income growth.

Almarai achieved sales of SAR 14,698.7 million for the year, an annual increase of 6.6 percent. Gross profit amounted to SAR 5,833.6 million, up 10.4 percent on 2015's SAR 5,283.3 million. Diluted earnings per share, based on net income attributable to shareholders, rose from SAR 2.33 to SAR 2.52, yielding a contribution of SAR 762 million to Savola's net income.

Almarai's gross profit amounted to SAR 5,833.6 million, 10.4 percent higher than 2015.

10.4%

Performance review:
Retail investments

During 2016 Panda launched several initiatives focused on customer-centricity, which is at the heart of the company's transformation. Working capital was reduced, our new customer loyalty program was launched, and about 100 underperforming convenience stores were closed. The positive impact of these initiatives is expected to be realized over the coming years.

2015	2016
23.8%	19.4%

Panda gross margins

What immediate benefits have Panda's corrective actions achieved?

Panda Retail

Panda is the one of the largest modern retailers in the Middle East, operating three formats – hypermarket, supermarket, and convenience – and serving close to 134 million customers annually. Over the years, Panda invested in building up an extraordinary infrastructure in Saudi Arabia through aggressive expansion of stores and distribution capacity, making it the leader by selling space and market share.

However, the changing macro-economic environment in Saudi Arabia prompted a slow-down in consumer spending during 2015, a trend that gained further momentum in 2016. Due to the sheer scale of Panda's operations and the investment in its infrastructure – with presence in more cities than any other retailer in Saudi Arabia – it was disproportionately affected by market headwinds.

Performance of the store network fell below internal forecasts and the inventory held in anticipation proved high. Declining like-for-like sales, mainly attributable to a reduction in basket size across the supermarket and hypermarket formats, along with accumulation of excess stock, resulted in Panda recording a net loss of SAR 773 million compared to a profit of SAR 146 million a year earlier.

Although full-year revenue of SAR 13.8 billion was slightly ahead of 2015, gross margins were down from 23.8 percent to 19.4 percent.

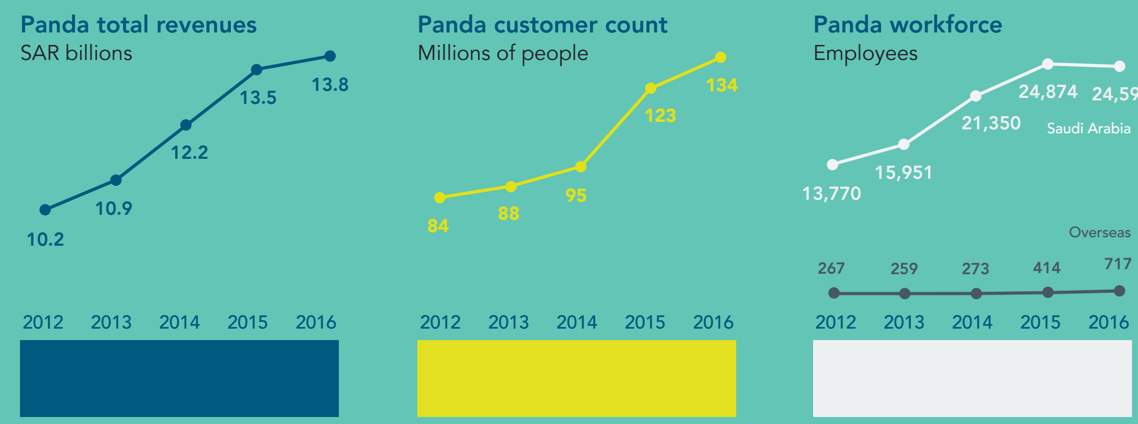
New strategic impetus

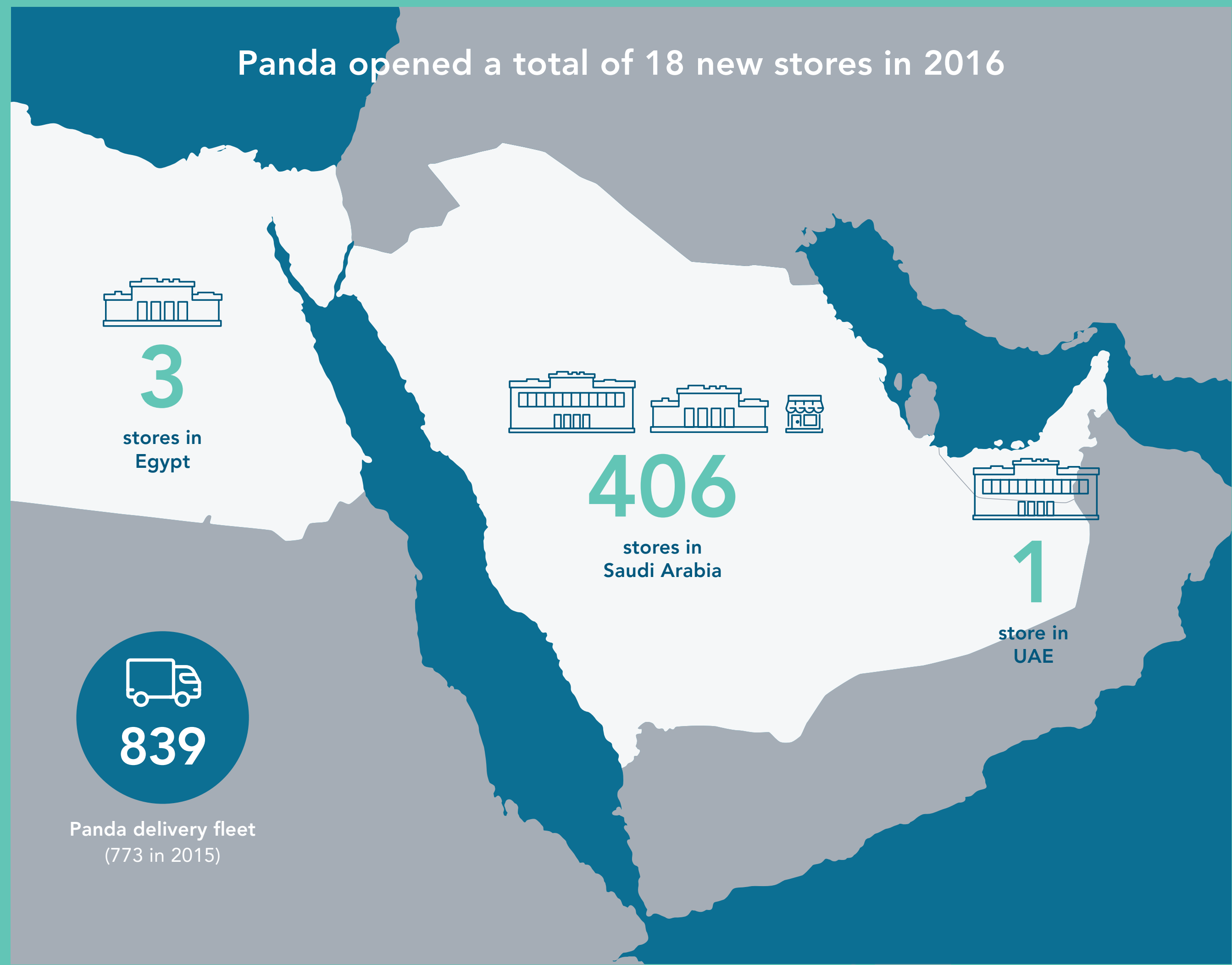
In response, a comprehensive transformation project was initiated during the second half of 2016, led by a new transformation committee that reports to the Panda Board of Directors.

The first initiative sought to reduce working capital by trimming inventory and stock levels. While this involved a one-off cost of SAR 399 million, it reduced inventory by around SAR 900 million within six weeks and generated exceptional customer response and awareness of the Panda brand.

The second initiative was Tawfeer, a new loyalty program that taps into the high penetration of smartphones and social media in Saudi Arabia. Tawfeer was launched on a digital platform with Saudi Arabia's only virtual membership card, part of Panda's mobile app, supported by a social media campaign and in-store activation. Initial response was outstanding.

Thirdly, Panda changed its organizational structure to become more customer-centric, along with streamlining logistics. The overall principles of transformation within Panda are being applied, moving from being centrally-managed to having a devolved plan for each format – hyper, super, and convenience.





11.5%

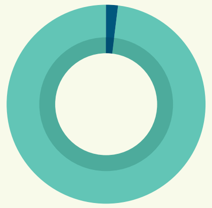
Panda market share in Saudi Arabia

680k

New loyalty program members within 1 month

181 stores

Convenience stores



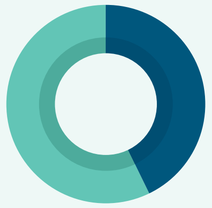
2%

of total Panda revenues

Pandati

163 stores

Supermarkets



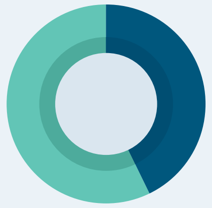
43%

of total Panda revenues

Panda

66 stores

Hypermarkets



55%

of total Panda revenues

HyperPanda

The optimum strategy for the Pandati format is still being evaluated. The format is being reconfigured through store closures and layout changes, as well as reviewing and changing the range of product lines within the stores to improve traffic and sales.

Formidable strengths

Saudi Arabia's grocery retail segment is strong, and will continue to be so, despite the slow-down. The country has a young population whose grocery shopping preference is distinctly aligned with modern retail where Panda is the undisputed leader. Modern retail accounts for a much smaller percentage of Saudi Arabia's grocery sector compared to some more developed economies. By offering superior operations and customer focus, Panda is ideally placed to gain customers progressing to the modern retail segment.

Panda has total market share of around 11.5 percent of total grocery retail in Saudi Arabia, more than double its nearest competitor. As a national operator, its unsurpassed market knowledge and experience is backed by unmatched physical infrastructure and a loyal customer base.

The emphasis on customer-centricity, empowerment of people, and accountability are expected to be the catalysts igniting the company's future performance.

Herfy

With a 49 percent stake in Herfy Food Services Company, Savola is the largest shareholder. Herfy is one of the largest restaurant, bakery and sweets, and meat processing businesses in Saudi Arabia.

Herfy recorded sales of SAR 1,156.7 million for 2016, a 7.4 percent increase over 2015. Gross profit of SAR 347.6 million was 8.36 percent higher than the previous year. Reported earnings per share rose from SAR 4.39 to SAR 4.71, yielding a contribution of SAR 105 million to Savola's net income. Sustained growth and yields are expected, due to the company's market position as a leader in convenience, menu options, and value.

Herfy recorded sales of SAR 1,156.7 million for 2016, a 7.4 percent increase over 2015.

7.4%

HERFY

Our People

Savola is committed to creating value for all stakeholders and investing in people is central to its philosophy. Our human resources approach is aligned to the corporate strategy of becoming a leading strategic investment holding company. Our aim is to achieve key business priorities while maintaining a value-driven culture, promoting outstanding performance, and fostering leadership.

Savola Human Resources (HR) functions as a strategic business partner to its internal clients while understanding the needs and wants of employees and channeling their voice. Our values are always the building blocks. We fundamentally believe that people in an organization flourish in the presence of a guiding set of ethical principles, and an environment marked by fair and appropriate governance.

Employer of choice

We create value by attracting and developing a highly skilled workforce that will learn, lead, and respond to existing and future challenges. The over-riding objective is to be widely recognized as an employer of choice. We are building a talent management framework that is designed to ensure that we have the right supply of talented people who are equipped to accomplish strategic goals.

Our HR programs focus on talent acquisition and optimizing the workforce, employee engagement and retention, and a values-driven culture that is fair and transparent.

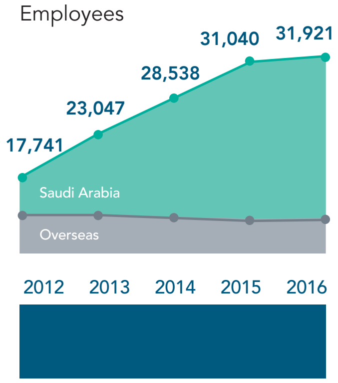
Creating value for our people

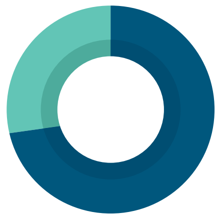
Savola's employee value proposition is illustrated by the value creation model – 'Value Built on Values' – which encapsulates our vision and corporate culture. The employee value proposition framework combines four elements to create a positive work-life balance: career development, rewards and recognition, loyalty and affiliation, and work challenges.

Career development

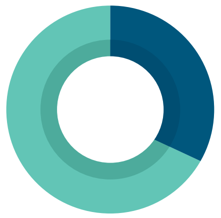
Career growth and advancement opportunities start by identifying and addressing organizational and individual skill gaps, enhancing productivity, and encouraging career development.

Savola Group total workforce
Employees





73%
Savola Headquarters nationalization rose to 73% compared to 60% in 2015



32%
Total KSA employees nationalization rose to 32% compared to 31% in 2015

Consequently, training responds to Savola's overall direction and each business's specific requirements, as well as employees' individual learning and development. Training needs are identified and matched to our network of training providers, leading to personalized plans for each employee. Continuous post-training evaluation ensures that our exacting quality standards are maintained.

Rewards and recognition

Savola's performance management system ensures that results are achieved by linking business objectives with individual performance. Performance is measured based on what is achieved, and how it is achieved.

With an increased focus on teamwork, employee development, and customer service, we have put more emphasis on obtaining wide-ranging views on employees from a full spectrum of sources, introducing comprehensive feedback based on our behavioral competency frameworks.

Loyalty and affiliation

We recognize the value of listening to employees, who are the number one driver of business success. The Group-wide employee engagement survey – Tawer – measures topics and issues that affect employees' levels of engagement. Results are benchmarked against industry norms and best practice, and action plans arising from the survey help senior management to create an environment where employees can thrive and perform to their best.

Work challenges

Savola's work environment is the result of achieving the optimum balance between professional challenge and human skills. By creating an environment that stimulates interest and enthusiasm, employees are able to perform to their best. And by appropriately matching work challenges to employee skill levels, they become engaged and involved in their daily activities.

Creating value for the nation

Human resources are a crucial component of Saudi Arabia's Vision 2030, and people are fundamental to our own future – as a business and as a responsible corporate citizen. Areas of particular focus are diversification, women's empowerment, and people with disabilities.

We support female employees in a variety of ways, aiming to improve their work-family balance and empowering women in leadership positions. Savola is widely recognized as a market leader in executive female empowerment. Our priorities for employees with disabilities focus on integration and support – providing challenging opportunities, encouraging them to discover their full potential, and empowering decision-making. In this area too, Savola is acknowledged as a leader in the corporate sector.

In line with Savola's strategic direction and core values, our community initiatives have undergone rigorous review and analysis, resulting in a well-structured sustainability operation that is built on a sound strategy. The strategy aims to align Savola's sustainability goals with its overall organizational business objectives. Activities are therefore collectively aligned to the creation of social value.

Our goal is to achieve world-class standards of transparency and accountability while reaching out to and serving the communities in which we operate. We are further redefining priorities and ensuring that allocated resources follow this approach, adding value at a social level while contributing to business stimulus.

Savola has developed new initiatives and campaigns addressing key issues that affect our community. We have also revamped existing programs that focus on improving the competitiveness of the sector in which we operate, contributing to its growth and development. The sustainability programs being developed capitalize on Savola's corporate strengths and core competencies, backed by a digital outreach element and more robust communications support. Turning these ambitious plans into reality by early 2017 has entailed in-depth research, forming strategic partnerships and collaborations that would create value for all stakeholders and effect real change in the community.

This will create greater visibility for our programs, improving corporate social image and positioning Savola and its operating companies as 'sustainability game-changers', for whom sustainable development will be the only way of doing business. Measuring and tracking returns will be central to all investments, followed by reporting and communication of the net results.

Four elements underpin the overall goal:

- Establishing Savola's competitive edge in scalable sustainability initiatives
- Communicating Savola's practices and reinforcing its ethical brand positioning
- Measuring social return on investment
- Boosting external relationships with key stakeholders

The overarching theme is to leverage Savola's scale and outreach to address crucial issues across communities, employees, the environment, and the sector. Key issues, causes, and responses have been developed for each quadrant: community, employees, the environment, and society.

Savola's 'People with Disabilities' empowerment program – Makeen – has also undergone a business remodeling phase, with a new portal set for launch in 2017 that works to increase career opportunities for people with disabilities by connecting job seekers and employers though a dynamic and engaging platform. Increasing employability and expanding potential through research, training, and accessibility drives business competitiveness and value on a national level.

Sustainability reporting

Savola achieved Global Reporting Initiative (GRI) certification at GRI-G4 level during 2015: the first organization in the food and retail sectors globally to do so, and the only one in Saudi Arabia.

GRI is an international and independent standards organization that helps businesses, governments, and other organizations understand and communicate their impacts on issues such as climate change, human rights, and corruption.

Its new G4 reporting level assesses sustainability levels in companies and institutions by performance indicators and social initiatives.

Savola's GRI-G4 accreditation reflects commitment to operating at the highest international level, and its well-established standards of corporate governance and transparency. GRI-G4 reporting enables Savola to disclose financial indicators and results, while communicating non-financial performance such as strategies, expectations, and achievements in terms of social responsibility, the environment, safety issues, and industrial security.

Injaz Saudi Arabia

Injaz is the world's largest non-profit organization dedicated to educating students and preparing them for the workplace. The program is based on the US Junior Achievement initiative, which started in 1919 and was adopted in the Arab world in 2004. Today, the program is implemented in a number of Arab countries. Savola has partnered with Injaz Saudi Arabia since 2010, being a board member in the Kingdom and one of its chief supporters. The Group also contributes financially and provides training venues and recognition awards to students.

Volunteering

More than 2,200 volunteers from Savola have contributed upwards of 670,000 hours to Injaz activities. Savola volunteers are also trained to deliver the Success Skills program for the visually impaired, where Savola is the sole sponsor. Employees also voluntarily support the Safeer initiative, which helps students enter the job market after graduation.

Qaderoon

Savola has become a member of the Ambassadors Group of Qaderoon, the business and disability network. The Ambassadors Group is a voluntary committee comprising people with various disabilities – hearing, vision, mobility, or intellectual – who share their career success stories and experiences to influence and inspire others. The objectives are to create more consideration for the rights and requirements of people with disabilities; inform people with disabilities about events and activities relating to training, employment, and inclusion; and encourage them to take up actual jobs and avoid phantom employment.

Savola's GRI-G4 accreditation reflects commitment to operating at the highest international level, and its well-established standards of corporate governance and transparency.

Global Reporting Initiative™

02

Disclosures, Corporate Governance and Audit Committee Report

A) Main activities of the Group

The Savola Group was established in 1979 as a publicly-listed joint stock company, with the objective of manufacturing and marketing edible oil and vegetable ghee in Saudi Arabia. Its operations are concentrated on food and retail business in the Middle East, North Africa, and Turkey (MENAT) region.

The Group has a broad portfolio of activities. In the foods sector, this is mainly the production and marketing of edible oils, vegetable ghee, sugar, and pasta. The retail sector operates a chain of hypermarkets, supermarkets, and convenience stores. Savola also has significant investments in leading Saudi listed and non-listed companies such as Almarai Co. and Herfy Food Services Co. (which operate in the food and retail sectors, respectively), and real estate development companies such as Knowledge Economic City and Kinan International Real Estate Development Co., as well as holdings in private equity funds.

Savola's subsidiaries, sister companies, investments, activities, and country of incorporation are:

Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of Shares
Foods sector						
Savola Foods Company	KSA	Foods (edible oils, ghee, sugar, and pasta)	Holding company manages the investment in foods sector in KSA and overseas	100%	SAR 2.2 billion	220,000,000
Afia International Company	KSA	Edible oils and ghee	KSA, Gulf, Egypt, Iran, Turkey, Jordan	95.19%	SAR 500 million	50,000,000
United Sugar Company	KSA	Sugar and sweeteners	KSA, Egypt	74.48%	SAR 395 million	395,000
Savola Foods Emerging Markets Company	British Virgin Islands	Holding company	Algeria, Sudan, Morocco	95.43%	SAR 130 million	13,000,000
El-Maleka for Food Industries Company	Egypt	Manufacturing of pasta	Egypt	100%	EGP 268.89 million	437,708
El Farasha for Food Industries Company	Egypt	Manufacturing of pasta	Egypt	100%	EGP 20 million	20,000
International Food Industries Company	KSA	Manufacturing of specialty fats	KSA	75%	SAR 30 million	3,000,000
Afia International Distribution and Marketing Co.	KSA	Trading and Distribution	KSA	99%	SAR 200 thousand	200
Seafood International Two FZCO	UAE	Fish and Seafood Trading	UAE	60%	AED 100 thousand	100
Alexandria Sugar Co. – Egypt	Egypt	Sugar Manufacturing	KSA & Egypt	79.65% (indirectly)	EGP 1.008 billion	1,008,585
Savola Foods Co. International	UAE	Holding Company	UAE	100%	AED 500 thousand	500
Retail sector						
Panda Retail Company	KSA	Retail (hypermarkets, supermarkets, and convenience stores)	KSA, UAE (Dubai), and Egypt	91%	SAR 1.452 billion	145,284,000
Investment sector (non-managed)						
Herfy Food Services Company	KSA	Foods and fast-food restaurants	KSA and some GCC countries	49%	SAR 462 million	46,200,000
Almarai Company	KSA	Fresh food products	KSA	36.5%	SAR 8 billion	800,000,000
Kinan International Real Estate Development Company	KSA	Real estate development	KSA	29.9%	SAR 1.694 billion	169,400,000
Knowledge Economic City Company	KSA	Real estate development	KSA	11.5%	SAR 3.39 billion	339,300,000
Taameer Jordan Holding Company	Jordan	Real estate development	Jordan	5%	JOD 86.4 million	4,342,105
Dar Al Tamlik Company	KSA	Real estate development	KSA	5%	SAR 1 billion	100,000,000

A) Main activities (continued)

Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of Shares
Operating subsidiaries (noted in 2016 financial statements clarifications)						
Al Matoun International for Real Estate Investment Holding Co.	KSA	Real estate	Saudi Arabia	80%	SAR 100 million	100,000
United Sugar Company of Egypt (USCE)	Egypt	Sugar manufacturing	Egypt	19.32% direct and 56.75% through United Sugar Company	USD 156 million	15,600,000
Giant Stores Trading Company Ltd.	KSA	Retail	Saudi Arabia	10% direct and 90% through Panda Retail Co	SAR 0.5 million	500
Savola Industrial Investment Company	KSA	Holding company	Saudi Arabia	5% direct and 95% through Savola Foods Co.	SAR 205.9 million	205,907
Non-active subsidiaries and special purpose vehicles						
Adeem Arabia Company Ltd.	KSA	Holding company	Saudi Arabia	100%	SAR 1 million	10,000
Al Utur Arabian Holding Company for Commercial Investment	KSA	Holding company	Saudi Arabia	100%	SAR I million	10,000
Al Mojammat Al Mowahadah Real Estate Company	KSA	Holding company	Saudi Arabia	100%	SAR 2 million	200,000
Madarek Investment Company	Jordan	Holding company	Jordan	100%	JOD 1 million	1,000,000
United Properties Development Company	KSA	Dormant company	Saudi Arabia	100%	SAR 4 million	400
Afia Foods Arabia	KSA	Dormant company	Saudi Arabia	100%	SAR I million	1,000
Seera City for Real Estate Development	KSA	Real estate development	Saudi Arabia	40%	SAR 20 million	200,000
Knowledge Economic City Development Co.	KSA	Real estate development	Saudi Arabia	20.72%	SAR 830 million	83,000,000
Savola Foods for Sugar Co.	Cayman Islands	Dormant company	-	95%	USD 50 thousand	5,000
Non-active subsidiaries and holding subsidiaries that were transferred to Savola Foods Co (noted in the 2016 financial statements clarifications)						
Al Maoun International Holding Company	KSA	Dormant company	Saudi Arabia	-	SAR 1 million	1,000
Marasina International Real Estate Investment Ltd.	KSA	Holding company	Saudi Arabia	-	SAR 200 thousand	200
Non-active subsidiaries and holding subsidiaries that were liquidated (noted in the 2016 financial statements clarifications)						
Kafazat Al Kawniah for Real Estate Ltd	KSA	Holding company	Saudi Arabia	-	SAR 200 thousand	200
Alwaqat Al Kawniah Ltd	KSA	Holding company	Saudi Arabia	-	SAR 200 thousand	200
Aalinah Al Kawniah Ltd	KSA	Holding company	Saudi Arabia	-	SAR 200 thousand	200
Abtkar Al Kawniah Ltd	KSA	Holding company	Saudi Arabia	-	SAR 200 thousand	200
Asda'a International Real Estate Investment Ltd.	KSA	Holding company	Saudi Arabia	-	SAR 200 thousand	200
Masa'ay International Real Estate Investment Ltd.	KSA	Holding company	Saudi Arabia	-	SAR 200 thousand	200
Saraya International Real Estate Investment Ltd.	KSA	Holding company	Saudi Arabia	-	SAR 200 thousand	200
Kamin Al Sharq for Industrial Investments Co.	KSA	Dormant company	Saudi Arabia	-	SAR 500 thousand	5,000
Arabian Sadouk for Telecommunications Company	KSA	Dormant company	Saudi Arabia	-	SAR 500 thousand	5,000
Almustabsheroon International For Real Estate Development	KSA	Dormant company	Saudi Arabia	-	SAR 200 thousand	200
Savola Trading International Ltd.	BVI	Dormant company	BVI	-	SAR 375 thousand	100,000

B) Consolidated performance of the Group

B-1) Consolidated 2016 income statement and year-on-year comparisons

Income statement	2016 (SAR'000)	2015 (SAR'000)	Variance + or (-) (SAR'000)	Variance %
Revenues – net	25,312,384	25,125,596	186,788	0.7%
Cost of revenue	(20,875,996)	(20,100,206)	(775,790)	3.9%
Gross profit	4,436,388	5,025,390	(589,002)	–11.7%
Share in net results of associates and dividend income of available-for-sale investments – net	782,576	796,114	(13,538)	–1.7%
Total income	5,218,964	5,821,504	(602,540)	–10.4%
Selling and marketing expenses	(3,646,970)	(3,454,515)	(192,455)	5.6%
General and administrative expenses	(739,584)	(581,619)	(157,965)	27.2%
Total expenses	(4,386,554)	(4,036,134)	(350,420)	8.7%
Income from operations	832,410	1,785,370	(952,960)	–53.4%
Insurance claim reimbursement	–	126,500	(126,500)	–100.0%
Gain on disposal of investments	–	265,152	(265,152)	–100.0%
Gain on disposal of land	–	38,820	(38,820)	–100.0%
Financial charges – net	(549,709)	(167,394)	(382,315)	228.4%
Impairment loss	(573,892)	–	(573,892)	100.0%
(loss)/income before zakat, tax and non-controlling interest from continuing operations	(291,191)	2,048,448	(2,339,639)	–114.2%
(loss)/income from discontinued operations	(176,260)	1,161	(177,421)	–15282%
(Loss)/income before zakat, tax and non-controlling interest	(467,451)	2,049,609	(2,517,060)	–122.8%
Zakat and foreign income tax	(156,900)	(138,505)	(18,395)	13.3%
Net (loss)/income before minority interests	(624,351)	1,911,104	(2,535,455)	–132.7%
Net loss/(income) attributable to non-controlling interests	173,043	(119,357)	292,400	–245.0%
Net (loss) income	(451,308)	1,791,747	(2,243,055)	–125.2%

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

B-2) Reasons for variance (as mentioned in the above table)

The Group recorded a net loss for the year ended 31 December 2016 compared to the profit achieved in the same period last year. The variance in the Group results is attributable to:

- Non-recurring items booked in 2016 comprised impairment of assets and goodwill related to Egypt operations in Savola Foods Company of gross SAR 302mn (net impact to the Group SAR 245mn), inventory reduction costs in Panda Retail Company of gross SAR 377mn (net impact to the Group SAR 343mn), and impairment of non-core investments of SAR 272mn.
- Lower share of net income from an associate.
- Capital gain recorded from disposal of Savola Packaging Systems Co in 2015 (SAR 265mn).
- Gain on sale of land of SAR 38.8 mn and gross insurance proceeds of SAR 126.5mn recorded in 2015.
- Lower gross profit, mainly due to lower margins in Retail sector and one-off charge to reduce inventory.
- Increased financial charges mainly due to currency exchange losses.
- Higher zakat and income tax.
- Higher losses from USCE due to higher currency exchange, lower margins, and increased operating expenses, mainly driven by growth in Retail operations.
- This recorded loss came despite positive impact of reduced minority interests and non-recurring net positive impact for the Group of SAR 26mn for reinstatement from 'held for sale' of the classification of edible oil subsidiary of Savola Foods Company in Morocco.

B) Consolidated performance of the Group (continued)

B-3) Consolidated financial statements 2012-2016

B-3-1) Consolidated income statement 2012-2016

Income	2016 (SAR'000)	2015 (SAR'000)	2014 (SAR'000)	2013 (SAR'000)	2012 (SAR'000)
Revenues – net	25,312,384	25,125,596	26,587,842	25,280,718	27,391,493
Cost of revenue	(20,875,996)	(20,100,206)	(21,724,122)	(20,507,182)	(22,599,544)
Gross profit	4,436,388	5,025,390	4,863,720	4,773,536	4,791,949
Share in net results of associates and dividend income of available-for-sale investments – net	782,576	796,114	977,588	760,379	578,567
Total income	5,218,964	5,821,504	5,841,308	5,533,915	5,370,516
Selling and marketing expenses	(3,646,970)	(3,454,515)	(2,723,492)	(2,443,192)	(2,323,952)
General and administrative expenses	(739,584)	(581,619)	(663,128)	(600,996)	(590,317)
Total expenses	(4,386,554)	(4,036,134)	(3,386,620)	(3,044,188)	(2,914,269)
Income from operations	832,410	1,785,370	2,454,688	2,489,727	2,456,247
Insurance claim reimbursement	–	126,500	–	–	–
Gain on disposal of investments	–	265,152	209,700	231,411	46,651
Gain on disposal of land	–	38,820	–	–	–
Financial charges – net	(549,709)	(167,394)	(236,553)	(240,167)	(427,381)
Impairment loss	(573,892)	–	(67,400)	(100,000)	–
(loss)/income before zakat, tax and non-controlling interest from continuing operations	(291,191)	2,048,448	2,360,435	2,380,971	2,075,517
(loss)/income from discontinued operations	(176,260)	1,161	50,285	69,519	–
(Loss)/income before zakat, tax and non-controlling interest	(467,451)	2,049,609	2,410,720	2,450,490	2,075,517
Zakat and foreign income tax	(156,900)	(138,505)	(180,426)	(303,321)	(268,148)
Net (loss)/income before minority interests	(624,351)	1,911,104	2,230,294	2,147,169	1,807,369
Net loss/(income) attributable to non-controlling interests	173,043	(119,357)	(157,975)	(442,688)	(405,160)
Net (loss) income	(451,308)	1,791,747	2,072,319	1,704,481	1,402,209

B-3-2) Consolidated balance sheet 2012-2016

Balance Sheet	2016 (SAR'000)	2015 (SAR'000)	2014 (SAR'000)	2013 (SAR'000)	2012 (SAR'000)
Current assets	8,030,287	9,331,719	10,237,717	9,040,383	8,544,892
Current liabilities	9,924,791	9,967,229	10,161,490	9,102,352	9,302,929
Working capital	(1,894,504)	(635,510)	76,227	(61,969)	(758,037)
Current assets	8,030,287	9,331,719	10,237,717	9,040,383	8,544,892
Other non-current assets	9,228,550	9,790,923	9,408,393	9,339,515	9,016,692
Property, plant, and equipment	6,864,808	7,852,721	6,755,516	6,382,958	5,779,951
Total assets	24,123,645	26,975,354	26,401,626	24,762,856	23,341,535
Current liabilities	9,924,791	9,967,229	10,161,490	9,102,352	9,302,929
Long-term loans	4,217,478	4,579,096	4,602,713	4,126,378	3,612,246
Other liabilities	863,730	922,963	709,371	642,581	544,308
Total liabilities	15,005,999	15,469,288	15,473,574	13,871,311	13,459,483
Paid-up capital	5,339,807	5,339,807	5,339,807	5,339,807	5,000,000
Retained earnings and reserves	3,143,560	5,210,222	4,626,359	4,311,170	3,286,670
Shareholders' equity	8,483,367	10,550,029	9,966,166	9,650,977	8,286,670
Minority interests	634,279	956,037	961,886	1,240,568	1,595,382
Total liabilities and shareholders' equity	24,123,645	26,975,354	26,401,626	24,762,856	23,341,535

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

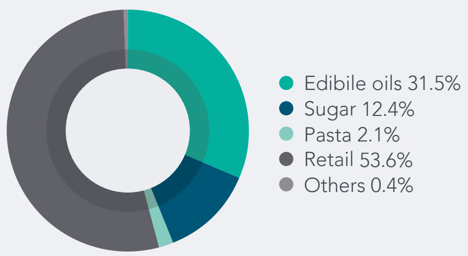
B) Consolidated performance of the Group (continued)

B-4) Geographical analysis of 2016 revenues compared to last year

Below is the Group's consolidated revenue for 2016 compared to the previous year, based on the sector and various activities of the Group (edible oils and vegetable ghee, sugar and sweeteners, pasta, and retail sector), including geographical analysis based on brands and the countries where they are available:

Business line/country	Products/brands	2016 (SAR'000)	2015 (SAR'000)
Edible oil and vegetable ghee			
KSA, GCC, and Yemen	Afia, Al-Arabi, Olite, Shams, Sun Glow, Dalal, Canola Afia	2,241,154	2,093,149
Egypt	Rawabi, Afia, Ganna, Slite, Helwa	1,108,264	1,303,857
Iran	Ladan, Aftab, Bahar, Afia	2,755,529	2,701,598
Sudan	Al Tayeb, Sabah, Shams	320,928	717,946
Morocco	Afia, Hala	303,525	275,532
Turkey	Yudum, Sirma	891,376	945,385
Algeria	Afia, Oleor	472,412	467,466
Total edible oil		8,093,188	8,504,933
Sugars and sweeteners			
KSA, GCC, and Yemen	Al Osra, Ziadah, Safaa, Nehar, Halla, Sweeva	2,848,025	2,477,731
Egypt	Al Osra	339,580	324,859
Total sugars and sweeteners		3,187,605	2,802,590
Pasta product – Egypt			
Total pasta product	El Maleka, Macaronto, Italiano	532,142	527,301
Seafood products			
Total seafood products – UAE		22,787	–
Total Afia International Distribution and Marketing Co. – KSA		1,142,507	–
Intercompany elimination		(1,196,615)	(22,620)
Total foods		11,781,614	11,812,204
Retail			
KSA	Hyper Panda, Panda Supermarket, and Pandati	13,439,659	13,209,968
United Arab Emirates/Dubai	Hyper Panda	303,509	312,660
Egypt	Panda Super	35,636	10,103
Total retail		13,778,804	13,532,731
Others			
Real estate, KSA		137,611	144,856
Total other activities		137,611	144,856
Gross revenues		25,698,029	25,489,791
Consolidated intercompany elimination		(385,646)	(364,195)
Total revenues		25,312,384	25,125,596

Breakdown of sector and main Group activity contributions to 2016 consolidated revenues



C) Long- and short-term loans of the Group and subsidiaries

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

As part of these efforts, the Group issued, three years ago, 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-term and long-term borrowings) from various commercial banks and financial institutions that Savola secured during 2016 (at prevailing market rates) reached SAR 383.1 million compared to SAR 365.5 million in the previous year. With regards to loan guarantees granted by the Group to its subsidiaries (see table below), 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-term and short-term loans of the Group and its subsidiaries obtained in the normal course of business:

C-1) Long-term loans as of 31 December, 2016 (SAR '000)

Borrowing company	Lender	Loan period	Date issued	Original amount	Paid amount in 2016	Balance Dec '2016	Balance Dec '2015
Savola	Banque Saudi Fransi	5 years	Dec-13	500,000	153,846	153,846	307,692
	Bank Aljazira	2 years	Dec-14	250,000	250,000	–	250,000
		2 years	Dec-16	250,000	–	250,000	–
		2 years	Dec-14	200,000	200,000	–	200,000
		2 years	Dec-14	200,000	200,000	–	200,000
	Saudi Investment Bank	5 years	Dec-12	250,000	62,500	62,500	125,000
		5 years	Mar-12	500,000	31,250	–	31,250
	National Commercial Bank	5 years	Oct-16	500,000	–	500,000	–
	Sukuk	7 years	Jan-13	1,500,000	–	1,500,000	1,500,000
Savola Group						2,466,346	2,613,942
Panda	Banque Saudi Fransi	5 years	Mar-14	500,000	–	500,000	500,000
	Samba Financial Group	2 years	Dec-14	50,000	50,000	–	50,000
	National Commercial Bank	4 years	Jul-15	300,000	–	300,000	300,000
	Saudi British Bank	5 years	Dec-15	300,000	30,000	270,000	300,000
		6 years	Dec-16	400,000	–	400,000	–
	Al Rajhi Bank	4 years	Mar-16	250,000	–	250,000	–
Panda Retail Company						1,720,000	1,150,000
Afia-KSA	Saudi British Bank	5 years	Dec-14	350,000	12,500	309,375	321,875
		4 years	Mar-15	100,000	100,000	–	100,000
Kugu	HSBC	8 years	Jan-11	62,475	10,413	26,031	36,444
Afia-Egypt	Emirates NBD	5 years	Jan-16	13,656	–	13,656	–
		5 years	Jan-16	11,386	–	11,386	–
Afia International Co						360,448	458,319
Afia Algeria	Fransabank	5 years	Oct-12	21,113	4,311	–	4,311
		2 years	Aug-15	6,236	–	6,236	6,236
Savola Edible Oils Sudan	Bank of Khartoum	3 years	May-16	4,268	–	4,268	–
		3 years	May-16	4,371	–	4,371	–
		3 years	May-16	543	–	543	–
		3 years	Jul-16	280	–	280	–
Savola Foods Emerging Co						15,698	10,547

C-1) Long-term loans as of 31 December, 2016 (SAR '000) (continued)

Borrowing company	Lender	Loan period	Date issued	Original amount	Paid amount in 2016	Balance Dec '2016	Balance Dec '2015
El Maleka for Food Industries	Qatar National Bank	5.3 years	Feb-14	9,890	3,036	6,854	9,890
		3.5 years	Dec-15	4,975	4,975	–	4,975
	National Bank of Kuwait	5.5 years	Sep-14	7,587	168	–	168
		4 years	Nov-15	19,247	19,247	–	19,247
		4 years	Mar-16	17,744	11,203	6,541	–
		4 years	Mar-16	3,323	442	2,881	–
Pasta						16,276	34,280
USC	Banque Saudi Fransi	2 years	Dec-14	100,000	100,000	–	100,000
ASC Egypt	Commercial International Bank	7 years (Dec'2016 loan value changed due to devaluation)	Mar-10	529,937	198,016	288,092	487,870
	Egyptian Saudi Finance Bank (Al Baraka Bank)	10 years (New Loan Period)	Jul-09	24,366	422	1,625	2,047
USC Egypt	Standard Chartered Bank	6 years	Aug-11	187,500	23,841	–	23,841
Alexandria UCLR	National Bank of Kuwait	5 years (Dec'2016 loan value changed due to devaluation) (New Loan Period)	Jan-15	77,512	–	34,987	57,035
Savola Industrial Investment Co						324,704	670,793
IFI	Saudi British Bank	4.75 years	Nov-15	170,000	10,625	159,375	170,000
International Foods Industries Co						159,375	170,000
Total long-term loans						5,062,847	5,107,881

C-2) Short-term loans as of 31 December, 2016 (SAR '000)

Borrowing company	Lender	Loan period	Date issued	Balance Dec '2016	Balance Dec '2015
Savola	Al Rajhi Bank	6 months	Aug-16	120,000	
		6 months	Nov-16	140,000	
		6 months	Nov-16	90,000	
		6 months	Dec-16	50,000	
		6 months	Dec-16	100,000	
		6 months	Dec-16	90,000	
		6 months	Dec-16	60,000	
	Saudi British Bank	3 months	Nov-16	240,000	
	Saudi Investment Bank	6 months	Nov-16	198,803	
		3 months	Dec-16	60,016	
	Riyad Bank	1 month	Dec-16	130,000	
		1 month	Dec-16	100,000	
	Samba Financial Group	1 month	Dec-16	80,000	
		1 month	Dec-16	70,000	
Savola Group				1,528,819	1,505,000

C-2) Short-term loans as of 31 December, 2016 (SAR '000) (continued)

Borrowing company	Lender	Loan period	Date issued	Balance Dec '2016	Balance Dec '2015
Panda	Saudi British Bank	3 months	Nov-16	140,000	
	Banque Saudi Fransi	3 months	Dec-16	80,000	
	Samba Financial Group	1 month	Dec-16	50,000	
	National Commercial Bank	1 month	Dec-16	150,000	
		1 month	Dec-16	85,000	
Panda Retail Company				505,000	960,000
Afia Arabia	Saudi British Bank	3 months	Nov-16	90,000	
		1 month	Dec-16	110,000	
	Samba Financial Group	15 days	Dec-16	190,000	
Afia International Egypt	Arab African International Bank	1 year	Sep-16	3,045	
	HSBC	1 year	Aug-16	87,682	
	Emirates NBD	1 year	Aug-16	7,462	
	Al Baraka Bank Egypt	1 year	Nov-16	13,785	
	National Bank of Kuwait	1 year	Jul-16	29,989	
	National Bank of Abu Dhabi	1 year	Oct-16	8	
	Mashreq Bank	1 year	Nov-16	4	
Behshahr Industrial Co	Mellat Bank	1 year	Mar-16	23,727	
Yudum	Finansbank AS	1 year	Dec-16	12,936	
	European Bank for Reconstruction and Development	1 year	Dec-16	39,876	
Afia International Co				608,514	587,318
Afia International Algeria	Fransabank	6 Months	Oct-16	20,281	
		3 Months	Oct-16	4,224	
	Arab Bank	6 Months	Aug-16	43,413	
	HSBC	6 Months	Aug-16	15,756	
Savola Morocco	Attijari Wafa Bank	2 Months	Nov-16	18,716	
	Credit Du Maroc	1 month	De-16	30,068	
Savola Sudan	National Bank of Egypt	9 months	May-16	828	
		9 months	Aug-16	2,171	
		9 months	Aug-16	1,546	
	Arab Sudanese Bank	9 months	May-16	78	
		9 months	Jun-16	50	
		9 months	Jul-16	93	
		9 months	Dec-16	1,446	
		9 months	Dec-16	1,671	
	Bank of Khartoum	8 months	Jun-16	3,117	
		8 months	May-16	684	
		8 months	Sep-16	3,488	
		8 months	Oct-16	2,367	
		8 months	Nov-16	3,105	
		8 months	Dec-16	12,826	
		8 months	Dec-16	9,853	
	Qatar National Bank	12 months	Aug-16	7,245	
	Sudanese Islamic Bank	8 months	Dec-16	133	
Savola Foods Emerging Co				183,159	229,510

C-2) Short-term loans as of 31 December, 2016 (SAR '000) (continued)

Borrowing company	Lender	Loan period	Date issued	Balance Dec '2016	Balance Dec '2015
Elmaleka for Food Industries	Emirates NBD	6 months	Sep-16	6,268	
	National Bank of Kuwait	6 months	Sep-16	45,783	
	Qatar National Bank	6 months	Sep-16	716	
AL Farashah for Food Industries	Qatar National Bank	6 months	Sep-16	5,136	
Pasta				57,903	36,238
United Sugar Co	National Commercial Bank	1 month	Dec-16	30,000	
		1 month	Dec-16	200,000	
		1 month	Dec-16	50,000	
	Saudi British Bank	1 month	Dec-16	290,000	
	Samba Financial Group	1 month	Dec-16	90,000	
Alexandria Sugar Co	Commercial International Bank	1 year	Oct-16	22,920	
		1 year	Oct-16	22,543	
	Bank of Alexandria	1 year	Nov-16	26,278	
		1 year	Nov-16	17,749	
Alexandria UCLR	National Bank of Kuwait	1 year	Sep-16	7,944	
Savola Industrial Investment Co				757,434	1,131,808
Savola Foods Company	Saudi Investment Bank	2 months	Dec-15	–	31,883
Total short-term borrowing				3,640,829	4,481,757

D) Summary of payments made to the Government

Item description (payments)	2016 (SAR'000)	2015 (SAR'000)
Customs duties/fees	324,397	180,194
Zakat, income tax, and withholding tax	143,118	157,575
GOSI (Saudi Arabia) and social insurance (outside Saudi Arabia)	121,530	127,763
Visa and Government fees	80,206	63,576
Other duties and Government levies	2,432	13,475
Total	671,683	542,583

A) Key developments and decisions in 2016

Significant events during 2016, detailed in Tadawul announcements

Date	Announcement
12/01/2016	Addendum to the announcement from the Savola Group regarding the expected financial impact of the increase in energy products prices and electricity tariffs
19/01/2016	Savola Group announces the appointment of a new chief executive officer
20/01/2016	Savola Group announces the opening of nominations for the Board of Directors for the new term of office
20/01/2016	Savola Group announces interim financial results for the period ending on December 31, 2015 (twelve months)
20/01/2016	Savola Group announces distribution of dividends to shareholders for the fourth quarter of 2015
11/02/2016	Savola Group announces the resignation of a member of the Board of Directors
24/02/2016	Savola Group announces annual financial results for the period ending on December 31, 2015
06/03/2016	Savola Group invites attendance at the Extraordinary General Assembly (29)
29/03/2016	Savola Group announces the signing of a shareholders' agreement along with the other shareholders of United Sugar Company of Egypt and the European Bank for Reconstruction and Development
18/04/2016	Savola Group issues reminder of invitation to attend the Extraordinary General Assembly (29)
20/04/2016	Savola Group announces the results of the Extraordinary General Assembly
20/04/2016	Savola Group announces interim financial results for the quarter ending on March 31, 2016
20/04/2016	Savola Group announces distribution of dividends to shareholders for the first quarter of 2016
21/04/2016	Savola Group announces the date of distribution of 2015 Q4 dividends
26/06/2016	Savola Group announces the appointment of the Chairman of the Board and forms the new Board's committees for the new term of office
29/06/2016	Savola Group makes a follow-up announcement related to the appointment of the Chairman of the Board and the formation of the sub-committees for the new term of office
29/06/2016	Savola Group invites attendance at the Ordinary General Assembly (38)
25/07/2016	Savola Group issues reminder to attend the Ordinary General Assembly (38)
27/07/2016	Savola Group announces the results of the Ordinary General Assembly (38)
28/07/2016	Savola Group announces interim financial results for the six months to June 30, 2016
28/07/2016	Savola Group announces distribution of dividends to Shareholders for the second quarter of 2016
31/08/2016	Savola Group announces its progress on transition to International Financial Reporting Standards (IFRS), adhering to Phase I disclosure requirements
20/10/2016	Savola Group announces interim financial results for the nine months ending on September 30, 2016
20/10/2016	Savola Group announces distribution of dividends to shareholders for the third quarter of 2016
26/10/2016	Savola Group announces its progress on transition to International Financial Reporting Standards (IFRS), adhering to Phase II disclosure requirements
07/11/2016	Savola Group announces the expected financial impact of the flotation of the Egyptian pound exchange rate against foreign currencies
24/11/2016	Savola Group announces resignation of Mr Muwaffaq Mansour Jamal, CEO of Panda Retail Co, and appointment of Eng Rayan Mohammed Fayez as acting CEO of Panda
19/01/2017	Savola Group announces interim financial results for the year ending December 31, 2016
31/01/2017	Savola Group announces its progress on transition to International Financial Reporting Standards (IFRS), adhering to Phase III disclosure requirements

B) Potential risks

B-1) Overview

The Group, like any other economic entity, may be affected by risks through the nature of its commercial activities in basic food commodities, retail, and other investments. These risks may be summarized in the possibility of Group operations being exposed to geopolitical risks that result from its operations outside the Kingdom, as well as fluctuations in raw material prices, currencies, speculation, and unfair price competition in the local and international markets where it operates. There are also economic and political risks in the countries where it operates and risks pertaining 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 operates in, and inflation in the economies of 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 countries where the Group operates or exports its products.

The Group faces other risks 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 Committees, executive management, 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.

B-2) Financial instruments and risk management:

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 consolidated balance sheet include cash and cash equivalents, trade receivable, investments, long-term receivables, short-term and long-term borrowings, trade payable and accrued expenses and other current liabilities.

a) **Credit risk** is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risks. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade receivable are stated at their estimated realizable values.

b) **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, United States Dollars, Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. Currency risk is managed on regular basis.

c) **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 position and cash flows. The Group's interest rate risk arise mainly from short term bank deposits and bank borrowings, which are at floating rates of interest. All deposits and debts are subject to re-pricing on a regular basis. During 2014, the Group entered into Interest Rate Swaps ("IRS") to manage its exposure to interest rate risk. Such IRS is designated as a Cash flow hedge. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

d) **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 the 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 to meet the Group's future commitments.

e) **Price risk** is 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 consolidated 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.

C) Plans to comply with International Financial Reporting Standards (IFRS)

Savola has finalized the accounting policies necessary for the preparation of the financial statements under IFRS. These accounting policies were approved by the Board of Directors during 2016 and enable a seamless transition to IFRS by the first quarter of 2017 as specified by the regulatory requirements. The Group has also announced its transformation phases to adopt IFRS on the Saudi Stock Exchange website (Tadawul) in accordance with the requirements of the Capital Market Authority. Savola has finalized the management purpose IFRS transition balance sheet (statement of financial position prepared under IFRS for management purposes) as of January 1, 2016 (the date of transition) which forms an integral part of Savola's IFRS management accounts for the period ended March 31, 2016, being the comparative period, and the first statutory IFRS financial statements for the period ending March 31, 2017. Savola announced the details of the impact of the transformation to IFRS on the Saudi Stock Exchange website (Tadawul) on January 31, 2017.

D) Corporate Governance Report and major relevant disclosures:

Illustrating Savola's commitment to enhancing its relationship with shareholders, investors, and all stakeholders, and because of the Group's strong beliefs in the importance of corporate governance to protect shareholders' rights and maintain effective internal controls through the activation of the Board and its committees' roles, and commitment to the principles of disclosure and transparency, during 2016, the Group continued to implement and comply with the Corporate Governance Regulations of Saudi Arabia's Capital Market Authority and other relevant regulations.

In addition to the performance and financial results previously outlined, Savola discloses information that is of interest to its investor community in line with relevant regulations and best international practices adopted by the Group in corporate governance and transparency. These are:

Disclosures required by corporate governance, related regulations, and international best practices in corporate governance:

Based on corporate governance requirements, the Group discloses information that is of interest to its shareholders, investor community, and stakeholders:

D-1) Shareholder rights and mechanisms of communication:

Due to the Group's belief, interest, and care in the rights of its shareholders, and in light of applicable regulations, these rights form part of Savola's bylaws and Corporate Governance Manual, which can be viewed on Savola's website. The Group's efforts in that matter are summarized as follows:

D-1-1) Shareholder access to information

Savola publishes financial statements, announcements, and key decisions on the Saudi Stock Exchange (Tadawul) website, in daily newspapers, and in the annual Directors' Report. A dedicated department manages and deals with shareholder affairs.

D-1-2) Savola Group equity profile as of December 31, 2016

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 (by Tadawul records)**	397,784,403
Paid-up capital (SAR)	5,339,806,840
Nominal value per share (SAR)	SAR 10
Paid-up value per share (SAR)	SAR 10

Notes: * Declaration: The Group does not have preferred shares or shares with special priority rights of voting, issued to either shareholders, Board of Directors, or employees. All shares of the Group are ordinary shares of equal nominal value and rank equally in voting rights and other rights as specified by regulations.

** 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. Please note that the number of floated shares has been taken from Tadawul's records on March 12, 2017.

D-1-3) Dividend policy

According to article 43 of Savola's bylaws, the dividend distribution policy is characterized by:

1) Allocating 10% of net profits to establish a statutory reserve. The General Assembly has the authority to suspend this allocation when the stated reserve reaches half of the Group's capital.
2) Then, 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 can then be distributed to shareholders as additional dividends.

As part of the dividends policy and in light of the Group's bylaws, the Group used to distribute quarterly cash dividends in the range of 50% to 60% of the net profit achieved during each financial year based on the Board of Directors' recommendations. In light of that policy, the Group in 2016 the Group distributed dividends for the first three quarters, which achieved profits. However, there was no recommendation of dividends distribution for Q4 2016, due to the losses recorded by the end of the year.

Regarding 2017, the Group has announced on the Saudi Stock Exchange website (Tadawul) its decision of not distributing cash dividends in 2017. It is noteworthy that the Group reviews its policies and decisions periodically in that regard and in light of laws, regulations, and the results it achieves.

D-1-4) Dividend distributions in 2016 (actual):

The Group distributed cash dividends for the first three quarters of 2016 based on the Board of Directors' recommendations, which form the full dividends for 2016 and will be ratified by shareholders at the 2016 General Assembly.

Period	Dividends per one share (SAR)	Total(SAR million)	Notes
1st quarter	0.25	133.5	Already distributed
2nd quarter	0.25	133.5	Already distributed
3rd quarter	0.25	133.5	Already distributed
Total	0.75	400.5	

Note: The Group has announced on the Saudi Stock Exchange (Tadawul) that it will not distribute quarterly dividends during the 2017 fiscal year.

D-2) Major shareholders

Shareholders owning 5% or more of the total shares of the Group, and movements in shareholdings during 2016 (in SAR), are:

Name	Nationality	Shares # at the beginning of 2016	Ownership at the beginning of 2016	Shares # at the end of 2016	% at the end of 2016
Assila Investment Company (formerly 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 Company	Saudi company	42,551,296	7.97%	43,861,108	8.21%
Al-Muhaidib Holding Company	Saudi company	33,980,684	6.36%	33,980,684	6.36%

Declaration: Regarding the declaration of movements in major shareholders' ownership in accordance with listing rules, the Group confirms that it has not received any written notification during 2016 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.

D-3) Dates of key events for shareholders and investors:

In accordance with international best practice in corporate governance, Savola provides the dates of key and anticipated events during 2017:

Dates, 2017	Key events for 2017	Notes on the event
First quarter events		
January 18	Audit Committee meeting to recommend approval of the financial results for the fourth quarter of 2016 to the Board.	To recommend that the Board approve the financial results for the fourth quarter of 2016.
January 18	Board of Directors' meeting.	To approve the financial results for the fourth quarter of 2016 based on the Audit Committee's recommendation.
March 12	Audit Committee meeting to recommend approval of the audited financial results for 2016.	To recommend the approval of the audited financial results, the Board of Directors' annual report, Audit Committee report.
March 12-16	Publishing audited financial results for 2016.	To publish the audited financial results and the Board of Directors' annual report on the Saudi Stock Exchange (Tadawul), the Group's website, and in daily newspapers.
Second quarter events		
April 19 (suggested date, subject to authorities' approval)	EGM.	The date of the General Assembly and its agenda, notified through Tadawul, daily newspapers, and the Group's website, in accordance with the statutory time frame and process and after obtaining the authorities' approval.
May 4	Audit Committee meeting to recommend Board approval of 2017 Q1 results.	Recommend the approval of the financial results for Q1, 2017 in line with IFRS standards.
May 4	Board of Directors' meeting.	Approve the 2017 Q1 financial results, based on the Audit Committee's recommendation, followed by announcing the results on Tadawul's website.
Third quarter events		
August 6	Audit Committee meeting to recommend approval of 2017 Q2 results.	Recommend the 2017 Q2 financial results to the Board in line with IFRS standards.
August 6-10	Publishing the 2017 Q2 results.	Approve the 2017 Q2 financial results, based on the Audit Committee's recommendation, followed by announcing the results on Tadawul's website.
September 14	Board of Directors' meeting.	Review performance to date.
Fourth quarter events		
November 2	Audit Committee meeting to recommend approval of 2017 Q3 results.	Recommend the 2017 Q3 financial results to the Board in line with IFRS standards..
November 2	Board of Directors' meeting	Approve the 2017 Q3 financial results, based on the Audit Committee's recommendation, followed by announcing the results on Tadawul's website.
December 17-19	Board of Directors' meeting to approve the business plan and budget for 2018.	Approve the business plan and budget for 2018.

Note: Savola would like to point out that the dates above are approximate and may change according to notifications received from official authorities. Although Savola is keen to carry out these events on the planned dates, we assume no obligation from failure to do so.

D-4) Disclosures related to the formation of the Board of Directors

The Board of Directors is the highest authoritative body responsible to shareholders for managing the Company in accordance with its bylaws, laws, and relevant regulations. The main role of the Board of Directors includes setting overall corporate strategies, plans, policies, and main objectives of the Company; establishing and reviewing internal control measures, corporate governance, ensuring proper mechanisms to manage risks, and ensuring the effectiveness of internal controls across the Group. The Board approves financial budgets, oversees and monitors the performance of the Group and executive management's performance.

The Board protects the interests of its shareholders and other relevant parties including approving policies that ensure the application, supervision, and execution of the laws and regulations, and commits to disclose any key information related to the Company and its performance that may assist shareholders in evaluating its assets and liabilities.

The Group follows all requirements stipulated by the Company's bylaws, Corporate Governance Code, and other internal policies. The detailed role of the Board has been articulated in the bylaws and Corporate Governance Manual, which are available on the Company's website (www.savola.com).

D-4-1) Board composition, qualifications, categorization, and Directors' membership of other companies

Savola's bylaws state that the Board of Directors should consist of 11 members, which complies with the Corporate Governance Regulations issued by the Capital Market Authority. Due to the end of the Board members 'office term on June 30, 2016 after completing three years, a new Board was elected for the current three-year term that began on July 1, 2016. All the elected members are either non-executive or independent. The accompanying table includes the names of current Board members, classification of their memberships in line with the Corporate Governance Regulations issued by the Capital Market Authority, qualifications, and other joint-stock companies where they hold board positions:

Board members membership classification for 2016, their qualifications, and other companies board memberships

Member name	Membership classification	Qualifications	Companies membership (listed and unlisted) where Savola directors currently hold board membership (excluding Savola Group memberships)
Non-executive Board Members (for the term that began on July 1, 2016)			
Mr Sulaiman A. Al Muhaidib (Chairman)	Non-executive	Two years Faculty of Medicines (1985). He has extensive experience in business and contracting. He is also the Chairman of Al-Muhaidib Holding Group as well as being on the boards of a number of other companies.	**Listed:** Saudi British Bank (SABB), The National Industrialization Company, Almarai Company. **Unlisted:** A. Abdulgadir AlMuhaidib & Sons Co, Rafal Real Estate Development Co, Al Oula Real Estate Development, the Arabian Co for Energy and Water Development, International Energy and Water Businesses Co.
Eng Abdullah M. N. Rehaimi (Managing Director up to June 30 2016 and CEO up to February 29, 2016)	Non-executive	Bachelor of Mechanical Engineering, King Fahad University of Petroleum and Minerals Sciences in Dhahran, Saudi Arabia (1975). He was President of the General Authority of Civil Aviation until March, 2010.	**Listed:** Knowledge Economic City Co, Al Lujain Co, Saudi Cable Company. **Unlisted:** Savola Foods Co (representing Savola Group).
Mr Bader A. 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, Saudi Fransi Banque, Almarai Co. **Unlisted:** Savola Foods Co, Panda Retail Co, Afia International Co (representing Savola Foods), Assila Investment Co.
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. **Unlisted:** Panda Retail Co. (representing Savola Group)
Mr Essam A. Al Muhaidib	Non-executive	Bachelor of Science (Statistics) from King Saud University (1985).	**Listed:** Herfy Food Services Co, Buwan Co. **Unlisted:** A. Abdulgadir AlMuhaidib & Sons Co, Masdar Building Materials, Rafal Real Estate Development Co, Zohoor Alreef Co, Al Balad Al Ameen Co, Emdad for Labour Co, Al Oula Real Estate Development, Arabian Co for Energy and Water Development, Panda Retail Co (representing Savola Group).
Eng Mutaz Q. Alazawi	Non-executive	Bachelor of Information Technology Engineering from King Saud University of Riyadh, KSA (1995).	**Listed:** Alriyadh Bank, Arabian Cement Co, Herfy Food Services Co. **Unlisted:** Savola Foods Co (representing Savola Group).

D-4-1) Board composition, qualifications, categorization, and Directors' membership of other companies (continued)

Member name	Membership classification	Qualifications	Companies membership (listed and unlisted) where Savola directors currently hold board membership (excluding Savola Group memberships)
Independent Board members (for the term that began on July 1, 2016)			
Mr Mohammad A. Al Fadl	Independent	Bachelor of Economics and Marketing Sciences, University of San Francisco USA, (1977).	**Listed:** None. **Unlisted:** Jeddah Holding Co, Kinan International Co (representing Savola Group).
Mr Fahad A. Al Kassim	Independent	Bachelor of Science in Management with a major in accounting, King Saud University, Riyadh (1986); Management and Leadership Program, the University of Oxford.	**Listed:** Dallah Healthcare Services Co, Jarir Marketing Co, Dur Aldeyafa Co., Albilad Bank. **Unlisted:** Fahad A. Al Kassim & Sons Co for Investment & Trade, Saudi Co for Heritage Hospitality, Dr Mohammed Rashed Alfakih and Company Co, Rakeen Najd Co, Naqel Co.
Mr Omar Hadir N. Al-Farisi	Independent	Bachelor in Economics from the University of Notre Dame (1991); JD from Columbia University School of Law (1994).	**Listed:** None. **Unlisted:** Gulf International Bank.
Dr Sami M. Baroom	Independent	PhD in Operation Management and Information Technology, Indiana University, USA (1992); Master's in Business Management with Honors, Wharton Management School, Pennsylvania University, USA.	**Listed:** Arabian Cement Company. **Unlisted:** Jeddah International Colleague Co, Arabian Investment Co (Sanabil), Kinan International Real Estate Co.
Abdulaziz I. Alissa	Independent	Bachelor's in Business Management and International Business, Menlo College, USA (2003).	**Listed:** Saudi Transportation and Investment Co (MOBRD), Aldera Alarabi Insurance Co. **Unlisted:** Saudi Arabian UPS Co.

Note: * The memberships of Mr Ibrahim M. Alissa (Non-executive) and Mr Abdulkareem A. Abu Alnasr (Independent) ended with the previous Board term on June 30, 2016.

D-4-2) Board meeting attendance

Eight Board meetings were held in 2016. The attendance records for each meeting are:

	Meetings during 2016								
	Previous Board term (Ended on June 30, 2016)					Current Board term (Began on July 1, 2016)			No of attendance
Name	19 Jan	20 Jan	21 Feb	19 Apr	23 Jun	1 Sep	19 Oct	28-29-30 Nov	
Mr Sulaiman A. Al Muhaidib	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	8 of 8
Eng Abdullah M. N. Rehaimi	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	8 of 8
Mr Bader A. Al Issa	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	8 of 8
Mr Abdulaziz K. Al Ghufaily	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	8 of 8
Mr Mohammad A. Al Fadl	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	8 of 8
Mr Essam A. Al Muhaidib	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	8 of 8
Mr Fahad A. Al Kassim	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	8 of 8
Mr Omar Hadir N. Al-Farisi	⊙	⊙	⊙	⊙	⊙	⊙	○	⊙	7 of 8
Dr Sami M. Baroom	NA	NA	NA	NA	NA	⊙	⊙	⊙	3 of 3
Mr Abdulaziz I. Alissa	NA	NA	NA	NA	NA	⊙	⊙	⊙	3 of 3
Eng Mutaz Qusai Alazawi	NA	NA	NA	NA	NA	⊙	⊙	⊙	3 of 3
Mr Tarik M. Ismail (Board Secretary)	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	8 of 8
Previous Board members (for the term that ended on June 30, 2016)									
Mr Ibrahim M. Al Issa	⊙	⊙	⊙	⊙	⊙	NA	NA	NA	5 of 5
Mr Abdul Kareem A. Abu Alnasar	⊙	⊙	⊙	⊙	⊙	NA	NA	NA	5 of 5

Notes: * The financial results for Q2 2016 were approved by circulation based on the Audit committee recommendation in its meeting held on 26/07/2016.

** The Group Board held a three-day workshop during November, 2016 fully dedicated to reviewing and discussing Group strategy, plans, general polices, and monitoring tools for their execution.

*** Mr Amin M. Shakir (independent Board member) did not attend Board meetings held on January 19-20, 2016 and submitted his resignation during February, 2016.

D-4-3) Board of Directors' remuneration for 2016

a) Annual remuneration and meeting attendance fees:

Regarding the SAR 200,000 annual remuneration for membership of the Board of Directors that Savola used to pay in light of its bylaw and the rules and regulation in this regard, there is no recommendation to the EGM with regards to the annual Board remunerations for 2016 as the Group did not achieve profits for this year. The table below shows the other fees paid to the Board members for the period from 1/1 till 30th of October 2016, and other expenses for 2016*:

Name of Board member	Annual remuneration (200,000)	Board meetings attendance fees* (5,000 SAR per meeting)	Additional fee for outside Jeddah members (SAR)	Total (SAR)	Other Expenses (transportation & accommodation)
Mr Sulaiman A. Al Muhaidib (Chairman)	0	35,000	21,000	56,000	** 24,645
Eng Abdullah M. N. Rehaimi*** (previous CEO and MD). This compensation is for his membership in the Board of Directors)	0	35,000	NA	35,000	9,536
Mr Bader A. Al Issa	0	35,000	21,000	56,000	24,961
Mr Abdulaziz K. Al Ghufaily	0	35,000	21,000	56,000	29,336
Mr Essam A. Al Muhaidib	0	35,000	21,000	56,000	31,598
Mr Mohammad A. Al Fadl	0	35,000	NA	35,000	9,616
Mr Fahad A. Al Kassim	0	35,000	21,000	56,000	24,740
Mr Omar Hadir N. Al-Farisi	0	30,000	18,000	48,000	**** 177,910
Dr Sami M. Baroom	0	10,000	NA	10,000	7,470
Eng Mutaz Q. Alazawi	0	10,000	6,000	16,000	12,735
Mr Abdulaziz I. Alissa	0	10,000	6,000	16,000	15,021
Previous Board members for the term that ended on June 30, 2016					
Mr Ibrahim M. Al Issa	0	25,000	NA	25,000	–
Mr Abdul Kareem A. Abu Alnasar	0	25,000	NA	25,000	–
Total	0	355,000	135,000	490,000	364,568

Notes: * Board members did not receive meeting attendance fees for the meetings held after October 31, 2016 as it was not part of the annual membership remuneration as defined by regulations. However, it was then included as part of the annual remuneration of a Board Member in the definition as stated in the rules and regulations issued pursuant to the Companies' Law relating to publicly-listed companies that became effective on October 31, 2016.

** The Board Chairman donated the meeting attendance fees, the additional fee for outside Jeddah members, and the transportation expenses to support the Savola employees' Takaful Fund.

*** Also, the former MD of the Group received fees amounted to SAR 3.2 million for his consultancy, administrative, and technical works after the end of his term as the CEO by the end of February 2016.

**** Travel expenses (USA-KSA) and Accommodation Expenses for Board meeting held in 2016.

D-5) Board members' interests and changes during 2016

Name (All Saudi nationals)	Shares at the beginning of 2016	Shares at the end of 2016	Changes during the year	Cash dividends paid for 2016 (SAR)	Relatives' (wife and minor children) ownership changes during the year
Current Board Members					
Mr Sulaiman A. Al-Muhaidib	1,000	1,000	0	750	None
Eng Abdullah M. N. Rehaimi	1,762	46,762	45,000	35,071.50	None
Mr Badr A. Alissa	1,025	1,025	0	768.75	None
Mr Abdulaziz K. Al Ghufaily	1,000	1,000	0	750	None
Mr Essam A. Al-Muhaidib	2,500	2,500	0	1,875	None
Mr Mohammad A. Al Fadl	6,304	6,304	0	4,728	144 shares (wife)
Mr Fahad A. Al Kassim	2,000	2,000	0	1,500	None
Eng Mutaz Q. Alazawi	0	1,000	1,000	750	None
Mr Omar H. Al-Farisi	1,000	1,000	0	750	None
Dr Sami Mohsen Baroom	1,000	1,000	0	750	None
Mr Abdulaziz I. Alissa	0	6,000	6,000	4,500	None
Previous Board members for the term that ended on June 30, 2016					
Mr Ibrahim M. Al Issa	3,000	3,000	0	2,250	None
Mr Abdulkareem A. Abu Alnasar	18,000	2,525	(15,475)	13,500	None

Notes: * Cash dividends for Board members and ex-Board members include 2016 dividends, which have already been paid by the Company.

** All members are Saudi nationals except Mr Omar Hadir Al-Farisi, who holds American nationality.

*** Mr Amin M. Shaker (resigned Board member) shares at the beginning of 2016 were (15,446,460 shares), and his shares at the end of 2016 were (5,810,082 share); the cash dividends paid for him during 2016 were SAR 6,736,772. Mr. Shaker Relatives (wife and minor children) did not have any ownership during the year.

D-6) Board of Directors' sub-committees

The Savola Group Board has three sub-committees, with membership comprising Board Members, external independent experts, and Savola senior executives. The sub-committees are: Compensation, Nomination, and Corporate Governance; Investment; and Corporate Social Responsibility. All committees have special charters, approved by the Group Board, to govern their scope of work and related procedures, except for the Audit Committee, which was formed, and its charters were approved by the Ordinary General Assembly during 2016 in accordance with the new Companies' Law. The committees are:

D-6-1) Board Subcommittees functions and operations during 2016

D-6-1-1) Compensation, Nominations, and Corporate Governance Committee (CNCG)

Committee role and meetings

The Committee consists of five non-executive and independent members, all members of the Group Board, with significant experience in committee work. The Committee held six meetings in 2016. During these meetings the Committee carried out its responsibilities in compensation, nominations, and corporate governance. Below is a summary of the Committee's role, responsibilities, membership, and the number of meetings held during 2016:

Committee role and 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 follow up the implementation of these policies.

To recommend to the Board of Directors the membership appointments for the Board, Subsidiaries Board, and Committees in accordance with the required Group standards and to review the skills required for Board membership; prepare a description of the capabilities and qualifications required for such membership, and ensure Board independence on an annual basis. It also supervises and monitors corporate governance and compliance matters, thus ensuring that sound corporate governance systems are in place. The Committee is also responsible for investigating and settling employee grievances. For more information on the Committee roles and responsibilities, please refer to the Committee Charter on Savola's website (www.savola.com).

D-6-1-1) Compensation, Nominations, and Corporate Governance Committee (CNCG) (continued)

Committee membership and meeting records

Committee member	Role	Meetings during 2016: Previous Board term (ended on June 30, 2016)				Current Board term (began on July 1, 2016)		Total
		13 Jan	10 Feb	29 Mar	16 May	31 Aug	19 Oct	
Mr Mohammad A. Al Fadl (Independent Savola Board member)	Chairman	⦿	⦿	⦿	⦿	⦿	⦿	6 of 6
Mr Essam A. Al Muhaidib (Non-executive Savola Board member)	Member	⦿	⦿	⦿	⦿	⦿	⦿	6 of 6
Mr Bader A. Alissa (Non-executive Savola Board member)	Member	NA	NA	NA	NA	⦿	⦿	2 of 2
Eng Abdullah M.N. Rehaimi (Non-executive Savola Board member)	Member	NA	NA	NA	NA	⦿	⦿	2 of 2
Mr Johan Brand (Independent external member)	Member	NA	NA	NA	NA	⦿	⦿	2 of 2
Mr Tarik M. Ismail	Committee Secretary	⦿	⦿	⦿	⦿	⦿	⦿	6 of 6
Previous members whose memberships ended on June 30, 2016								
Mr Abdulaziz K. Alghufaily* (Non-executive Savola Board member)	Member	NA	NA	NA	⦿	NA	NA	1of 1
Mr Ibrahim M. Al Issa (Non-executive Savola Board member)	Member	⦿	⦿	⦿	⦿	NA	NA	4 of 4

Note: * Mr. Abdulaziz Alghufaily (non-executive Board member) was appointed from April 19, 2016 until the end of the term that ended on June 30, 2016 in place of resigned member Mr Amin M. Shaker who submitted his resignation from the Board and the Committee during February 2016, also Mr. Shaker didn't attend both meetings held in 19th of Jan. and 20th of Feb.2016.

Board assessment

The Group contracted with an independent specialist consultant to study and evaluate the effectiveness of the Board's performance and operations for 2014 and 2015 in the term that ended on June 30, 2016. A new Board was elected and began carrying out its duties on July 1, 2016. Hence, the Board assessment for the current term will begin after the lapse of the first year of the current term, under the supervision of the Compensation, Nominations, and Governance Committee.

D-6-1-2) Investment Committee

Committee role and meetings

The Investment Committee consists of six members, most of whom are non-executives. The Committee held two meetings during 2016 to implement strategic plans in relation to investment opportunities. Below is a summary of the Committee's role, responsibilities, membership, and the number of meetings held during 2016:

Committee role and responsibilities

Define, study, and evaluate investment opportunities within the Group and core sectors in Saudi Arabia and overseas; recommend findings to the Group's Board of Directors; and continue its implementation in light of the authority given to it by the Board.

Committee membership and meeting records

Committee member	Role	Meetings during 2016: 28 Aug	18 Oct	Total
Mr Omar Hadir Alfarsi (Independent Savola Board member)	Chairman	⦿	○	1 of 2
Mr Abdulaziz Khaled Alghufaily (Non-executive)	Member	⦿	⦿	2 of 2
Mr Fahad Al-Kassim (Independent Savola Board member)	Member	⦿	⦿	2 of 2
Dr Sami Mohsen Baroom (Independent Savola Board member)	Member	⦿	⦿	2 of 2
Eng Mutaz Qusai Alazawi (Non-executive)	Member	⦿	⦿	2 of 2
Eng Rayan Mohammed Fayez (CEO)	Member	⦿	⦿	2 of 2
Mr Tarik Mohammed Ismail	Secretary	⦿	⦿	2 of 2
Members during the previous term*				
Eng. Abdullah M.N. Rehaimi	Previous member	NA	NA	NA
Mr Abdul Kareem A. Abu Alnasar	Previous member	NA	NA	NA

Note: * The Committee did not hold any meetings for the period from 01/01/2016 to 30/06/2016.

D-6-1-3) Corporate Social Responsibility Committee

Committee role and meetings

The CSR Committee consists of five members, each with relevant experience and mostly non-executive. In fulfilling its roles and responsibilities, the Committee held three meetings in 2016 to review the Group's CSR programs and plans as detailed in the CSR section of this report. Below is a summary of the Committee's role, responsibilities, membership, and the number of meetings held during 2016:

Committee role and responsibilities

Activate the Group's role in CSR through adoption of CSR initiatives and programs; set criteria and develop plans to develop and serve the community through developing foundations, standards, and plans for CSR programs; and continue their implementation.

Committee membership and meeting records

Name	Role	Meetings during 2016: Previous Board term (ended on June 30, 2016)	Current Board term (began on July 1, 2016)		Total
		1 Feb	28 Aug.	1 Dec	
Mr Abdulaziz I. Alissa (Non-executive)	Chairman	NA	⦿	⦿	2 of 2
Eng Rayan M. Fayez (CEO)	Member	NA	⦿	○	1 of 2
Mr Mahmoud M. Abdulghaffar (Non-executive)	Member	○	⦿	○	1 of 2
Dr Mervat A. Tashkandi (External member)	Member	⦿	⦿	⦿	3 of 3
Mr. Saleh A. Alrammah (External member)	Member	NA	⦿	⦿	2 of 2
Mr Tarik M. Ismail	Secretary	⦿	⦿	⦿	3 of 3
Members of the previous term					
Eng Abdullah M. N. Rehaimi	Chairman	⦿	NA	NA	1 of 1
Mr Abdulkareem A. Abu Alnasar	Member	⦿	NA	NA	1 of 1

Note: Mr Amin M. Shaker submitted his resignation from the Board and the Committee during February 2016, and he did not attend the meeting held in 1 Feb.2016.

D-6-2) Committee members' compensation

First: Compensation of Committee members who are Board members

Board members and sub-committee members of the Board qualifying for annual remuneration and attendance fees up to October 30, 2016 (the effective date for new rules and regulations issued pursuant to the Companies' Law applying to listed joint stock Companies being October 31, 2016). The previous Companies' Law did not include the annual remuneration of committees and attendance fees in the annual remuneration of a Board Member, as this was determined by the Board of Directors, which was within their authorities. However, the rules and regulations (effective from 31/10/2016) included these remunerations as part of the annual remuneration of a Board Member (except for the entitlement of Audit Committee members, which was approved and determined by the General Assembly of shareholders).

Second: Compensation of Committee members who are not Board members

External members of Board sub-committees qualify for full remuneration and attendance fees for the full year, as they are not on the Board of Directors of Savola Group.

Annual remuneration of Board sub-committees and attendance fees for 2016 were (from January 1 2016 to October 30 2016 for Savola Board Members and for the full period for non-Savola Board members):

D-6-2) Committee members' compensation (continued)

CNCG Committee

Committee member name	Committee annual remuneration (100,000 per year)	Committee meetings attendance fees (SAR)	Total (SAR)	Other Expenses (transportation & accommodation)
Mr Mohammad A. Al Fadl (Chairman)	83,333	30,000	113,333	0
Mr Essam A. Al Muhaidib	83,333	30,000	113,333	10,608
Mr Bader A. Alissa	33,333	10,000	43,333	2,435
Eng Abdullah M.N. Rehaimi	33,333	10,000	43,333	0
Mr Johan Brand (Independent external member)	50,000	10,000	60,000	11,809
Members during the previous term				
Mr Abdulaziz K. Alghufaily	25,000	5,000	30,000	2,435
Mr Ibrahim M. Al Issa	50,000	20,000	70,000	0
Total*	369,721	115,000	484,721	27,287

Note: * Mr.Amin Shaker (ex-committee member) received (11,389) as remuneration for period from Jan. till the date of his resignation in Feb. 2016.

Investment Committee

Committee member name	Committee annual remuneration (100,000 per year)	Committee meetings attendance fees (SAR)	Total (SAR)	Other Expenses (transportation & accommodation)
Mr Omar Hadir Alfarsi (Chairman)	33,333	5,000	38,333	–
Mr Abdulaziz Khaled Alghufaily	33,333	10,000	43,333	–
Mr Fahad Al-Kassim	83,333	10,000	93,333	2,435
Dr Sami Mohsen Baroom	33,333	10,000	43,333	–
Eng Mutaz Qusai Alazawi	33,333	10,000	43,333	2,435
Eng Rayan Mohammed Fayez (Executive)	0	10,000	10,000	0
Members during the previous term				
Eng Abdullah M.N. Rehaimi	50,000	0	50,000	0
Mr Abdul Kareem A. Abu Alnasar	50,000	0	50,000	0
Total*	328,054	55,000	383,054	4,870

Note: * Mr.Amin Shaker (ex-committee member) received (11,389) as remuneration for period from Jan. till the date of his resignation in Feb. 2016.

CSR Committee

Committee member name	Committee annual remuneration (100,000 per year)	Committee meetings attendance fees (SAR)	Total (SAR)	Other Expenses (transportation & accommodation)
Mr Abdulaziz I. Alissa (Chairman)	33,333	5,000	38,333	7,072
Eng Rayan M. Fayez (Executive)	0	5,000	5,000	0
Mr Mahmoud M. Abdulghaffar (Non-executive)	0	5,000	5,000	0
Dr Mervat A. Tashkandi (External member)	100,000	15,000	115,000	0
Mr, Ahmed Saleh Alrammah (External member)	50,000	10,000	60,000	7,072
Members during the previous term				
Eng Abdullah M. N. Rehaimi	50,000	5,000	55,000	0
Mr Abdulkareem A. Abu Alnasar	50,000	5,000	55,000	0
Total*	294,722	50,000	344,722	14,114

Note: * Mr.Amin Shaker (ex-committee member) received (11,389) as remuneration for period from Jan. till the date of his resignation in Feb. 2016.

E) Disclosures related to the Executive Management team

The role of Savola Group's CEO and Managing Director and the Executive Management team is to implement the strategies, plans, and policies approved by the Board of Directors and the boards of the Group subsidiaries. They also monitor the performance of Group sectors and ensure their adherence to the Group's plans, policies, regulations, and ethical standards. The Executive Board meets regularly to review and monitor progress. Sub-committees and task forces at subsidiary level also assist (each in its specialty) in management, supervision, and control over implementation. The accompanying table shows the Group Executive Board members and qualifications:

E-1) Senior executives' compensation

Compensation and benefits paid to senior executives including the CEO and CFO of the Group during 2016 were (in thousands of riyals):

Description	Senior executives' (seven in total) compensation including the CEO and the CFO (SAR'000)
Salaries	13,773
Allowances (including housing, transportation, health insurance, education allowance, etc)	4,709
Exceptional remuneration during 2016	2,500
Regular and annual remuneration (including performance-related bonus for 2016)	4,244
Total	25,226

Note: The total amount comprises all entitlements of the current (7) executive members for the year 2016 including the Chief Financial Officer and the Chief Executive Officer, excluding the latter's remuneration for the year 2016; also, it includes the amounts paid to the two executive members, who resigned during the year (in proportion to the period engaged by each member during the year 2016). In addition, it includes the amounts paid to the previous Chief Executive Officer during the year 2016 for his tenure besides his salaries for January and February 2016.

It is worth mentioning, that the current Chief Executive Officer requested from the compensation, nomination & governance committee to postpone his annual remuneration payment for the year 2016 until 2017.

E-2) Senior executives' interests and changes during 2016

Name	Shares at the beginning of 2016	Shares at the end of 2016	Changes during the year	Cash dividends paid for 2016 (SAR)	Shares of immediate relatives
Eng Rayan M. Fayez (Group CEO)	0	45,000	45,000	26,250	None
Mr Bader H. Al Aujan (CEO Foods Sector)	11,000	21,000	10,000	15,750	None
Ms Huda A. Al Luwati (Chief Investment Officer)	0	0	0	0	None
Mr Nouman Farrukh (Chief Financial Officer)	0	0	0	0	None
Mrs Rania S. Al-Turki (Chief Human Capital Officer)	0	0	0	0	None
Mr Tarik M. Ismail (Executive Director, Corporate Affairs & Sustainability, and Board Secretary)	10	10	0	7.50	None
Eng Abdullah M. N. Rehaimi (Previous Group CEO & Managing Director)	As mentioned in the previous table related to Board members' interests. Appointed Group CEO and Managing Director as of January 1, 2016.				

Note: * Cash dividends for executives mentioned above include 2016 dividends, which have already been paid by the Company.

** Mr Muwaffaq M. Jamal's (Previous CEO of the Retail Sector) Shares at the beginning of 2016 were (1000 shares), and his shares at the end of 2016 were (1000 shares); the cash dividends paid for him during 2016 were SAR 750. Mr. Jamal Relatives (wife and minor children) did not have ownerships during the year.

*** Mr. Mr Faysal H. Badran (Previous Chief Investment Officer) did not have any shares at the beginning of 2016 and did not have any shares at the end on 2016; therefore, he did not receive any cash dividends during 2016. Also Mr. Badran Relatives (wife and minor children) did not have ownerships during the year.

F) Related-party transactions direct or indirect to Board members, major shareholders, senior executives, and first degree relatives

During 2016, the Group carried out transactions with related parties in the ordinary course of business. The Group follows the same conditions and principles, with no preference in dealing with such type of transactions with third parties. Related parties in these transactions include parties linked to the Group, Board members, senior executives, major shareholders and any first-degree relatives and others, according to CMA regulations and relevant MOCI laws and the CG guide. These regulations state that disclosures and the approval of the AGM are necessary in such situations regarding a Board member's relations (direct or indirect) to them. Below is a summary of these transactions, which require the approval of the General Assembly:

Related party	Relationship	Type of transaction
Almarai, a listed company in which Savola Group owns 36.52%. Two Savola Directors are members of Almarai's Board. They are Mr Sulaiman Al-Muhaidib and Mr Bader Alissa., as well as Eng Rayan Fayez (Group's CEO), (Eng. Abdullah Rehaimi was a board member in Almarai until October 5, 2016 and was replaced by Eng. Rayan Fayez)	Board representation and major shareholder owning over 5%	The Group, represented by its subsidiaries (in the Retail and Food sectors), executed transactions and supply contracts of food and consumer goods with Almarai and its subsidiaries during 2016 in the ordinary course of business and general commercial terms worked without any preferential treatment, with a total value of SAR 715.48 million: • Panda Retail Company (a Savola subsidiary) purchased consumer foods goods from Almarai with a total value of SAR 514.61 million. • Panda Retail Company (a Savola subsidiary) purchased consumer foods goods from Hail Agricultural Development Company)a subsidiary of Almarai(with a total value of SAR 91.95 million. • United Sugar Company (a Savola Foods subsidiary) sold sugar products to Almarai with a total value of SAR 108.84 million. • Afia International Company (a Savola Foods subsidiary) conducted commercial transactions for sales of edible oil products with a total value of SAR 76 thousand.
Abdulkader Al-Muhaidib & Sons Co, which owns 8.21% of Savola Group and Al Muhaidib Holding Company, which owns 6.36% of Savola Group both chaired by Mr. Sulaiman A. Al-Muhaidib,. Mr Essam A. Al-Muhaidib is the Company CEO and is also a member of the Savola Group Board.	Board representation and major shareholder owning over 5%	During the fiscal year 2016, the Group through its subsidiaries (in the Retail and Food sectors) executed transactions and entered into commercial contracts with Almuhaidib Foods Co. (a subsidiary of Abdulgadir Al-Muhaidib & Sons Co.) in the ordinary course of business. The total value of these transactions amounted to SAR 247.72 million, details of which are: • Panda Retail Company had commercial transactions of purchasing food products through supply contracts with Mayar Foods Company, which has a relationship with Abdulqader Al-Muhaidib & Sons Company, with a total value of SAR 233.76 million during 2016. • Panda Retail Company had executed commercial leasing contracts of stores with a total value of SAR 9.17 million with Abdulqader Al-Muhaidib & Sons Company during 2016. • United Sugar Company (a Savola subsidiary), under specific supply contracts, sold sugar commodity to Al-Muhaidib Foods Company during 2016 with a total value of SAR 3.38 million. • Panda Retail Company executed transactions and entered into commercial contracts with Almehbaj Alshamiyah Trading Company, which is a subsidiary of Abdulqader Al-Muhaidib & Sons Company, to rent spaces in shopping centers (Panda) for the sale of its products with a total value of SAR 1.41 million during 2016.
Herfy Food Services Co, a listed company, in which Savola Group owns 49% (direct and indirect); Savola has four representatives, three of which are board members at Savola Group on Herfy's Board: Mr. Essam A. Al-Muhaidib, who is the chairman of Herfy Board and a board member at Savola Group, Mr Abdulaziz K. Al Ghufaily, and Eng Mutaz Q. Alazawi (both are also board members of Savola Group), as well as Eng Rayan M. Fayez.	Board representation and major shareholder owning over 5%	The Group through its subsidiaries (in the Retail and Food sectors) executed transactions and commercial contracts, in the ordinary course of business, with Herfy Food Services Company with a total value of SAR 37.98 million during 2016. Details of the transactions and contracts are: • A contract with a total value of SAR 34.08 million (which represents rental of shops and retail sales of food products) between Herfy Foods Services Company and Panda Retail Company (a Savola subsidiary). • A contract with a total value of SAR 3.90 million, which represents edible oils products, sold by Afia International Company (a Savola Foods subsidiary) to Herfy Food Services Company.
Kinan International Co, of which Savola Group owns 29.99%; Savola has three members on Kinan's Board of Directors, one of which is also on the Savola Group Board: Mr Mohammad A. Al Fadl, Chairman of Kinan and Savola Group board member; Dr. Sami M. Baroum and Eng. Rayan M. Fayez, the Group CEO.	Board representation and major shareholder owning over 5%	• During 2016, Savola Group and some of its subsidiaries (in the Retail sector) executed commercial leasing contracts of stores with a total value of SAR 41.40 million. These transactions were made in the ordinary course of business.

G) Related party matters

In addition to previous related-party transactions, the following transactions mainly represent sale and purchase of products and leases of stores in the normal course of business with associates and other entities related to subsidiaries. The terms of such transactions are mutually agreed between the parties, with the same conditions and with no preference over third parties:

Company name	Relationship	Transactions in 2016
Panda Retail Company	A subsidiary of Savola (91% owned)	During 2016 Panda Retail Company (a Savola subsidiary) executed transactions and entered into commercial contracts with some Savola Group subsidiaries with a total value of SAR 388.51 million in the ordinary course of business:
		Purchase of sugar products from the United Sugar Company (a Savola Foods subsidiary), with a total value of SAR 71.03 million.
		Purchase of edible oils products from Afia International Company (a Savola Foods subsidiary) with a total value of SAR 178.67 million.
		Lease of stores and centers from Al Matoun International Holding Company for Real Estate Investment Co (a Savola subsidiary) with a total value of SAR 138.81 million.
United Sugar Company	A subsidiary of SFC (owned by Savola)	Afia International Company (a Savola Foods subsidiary) made commercial transactions that dealt with marketing and distributing sugar products with a total value of SAR 390.07 million.

G-1) 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 Board's commitment to highlight the applicable and non-applicable requirements under this Article in its Board of Directors' Annual Report, in addition to the other requirements of Number 23 under the same Article, the Board confirms that:

G-1-1) Declarations related to Article (43) of the Listing Rules

Item as per Article (43) of the Listing Rules	Declaration/confirmation
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.	Not Applicable (NA)
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: The Group declared the interests of Board members, senior executives, and their relatives previously in this report.	NA
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
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
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
A description of waiving any salary or compensation by an arrangement or agreement with:	
a) A director: The Group Board Chairman donated his meetings attendance fees, additional fees and transportation and accommodation expenses for the fiscal year 2016 to support the Savola Group employees' Takaful Fund, amounting to SAR 77,705.	Exist/applicable
b) A senior executive of the Group.	NA

G-1-1) Declarations related to Article (43) of the Listing Rules (continued)

Item as per Article (43) of the Listing Rules	Declaration/confirmation
A description of any arrangement or agreement under which a shareholder of the issuer has waived any rights to dividends.	NA

The Board confirms that:

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 held on December 5, 2012.

G-1-2) Board declaration according to Corporate Governance regulations for 2016 in accordance with Form (8) related to compliance with CG Code:

Declaration/confirmation
The Board of Directors confirms that the external auditors' report for the year 2016 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 the event of auditors expressing any reservations on the annual financial statements.
The Board of Directors confirms that the Group's books and records comply with the accounting standards issued by SOCPA.
There was no recommendation by the Board of Directors to replace the external auditors (KPMG), which were appointed for the fiscal year of 2016 to audit the Group's financials and they were not replaced during the year.
The external auditors did not provide consultancy services to the Group during 2016 and did not receive any fees in this regard.
The Group Board did not receive any request from the external auditor to convene a General Assembly.
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.
There were no penalties or precautionary attachments imposed on the Company by the Capital Market Authority, or by any other supervisory, regulatory, or judicial body.
The Company has avoided taking any action that might hamper the use of shareholders' voting rights.
The Group Board did not receive any request to convene a General Assembly 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.
The company's bylaws do not specify the use of cumulative voting when electing the Board members by the shareholders' General Assembly. Although the Board has twice recommended to the EGM to use this method of voting, it was rejected by the EGM in both meetings. Hence, the cumulative voting system was not adopted to elect Board members and not included in the Company's bylaws.
The Savola Group does not grant employees any stock options and is committed to declaring this whenever applicable.
The Chairman of the Board did not receive a written request to call for an unforeseen meeting from any two or more of the Board members during 2016.
The Board of Directors did not waive any of the company's debts during the year.

H) Compliance with Corporate Governance regulations issued by the CMA based on 'comply and explain' approach

The Board confirms that during 2016 the Group complied with Corporate Governance regulations issued by CMA, except for the following guiding or (non-mandatory) items where the reasons for non-appliance were clarified:

Article/Clause No in accordance with CG regulations	The question in accordance with Form (8)	Reasons for non or partial compliance
Article 6, Clause (b) (cumulative voting)	Did the company AOA specify cumulative voting as the voting method in the General Assembly for the nomination of Board Members? If so, was the cumulative voting method applied in the nomination of the current Board members?	**Explanation:** The Company's bylaws do not specify the use of cumulative voting when electing the Board members by General Assembly, as this has been voted against by the General Assembly. **Justification:** The General Assembly rejected the cumulative voting mechanism. Although the Board has twice recommended to the EGM to use this method of voting, it was rejected by the EGM in both meetings.
Article 6, Clause (d) of CG Regulations	(d) Investors who are judicial persons and who act on behalf of others – eg, investment funds – shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.	**Explanation:** Clause (d) of Article 6 of the CG regulations was not implemented because it does not apply to the Company. **Justification:** This clause relates to legal entities such as investment funds, limited liability companies, closed joint stock companies, or any other non-listed associations that may not publish an annual report. Should they publish their annual report, it may not comply with the expected standards. As none of the considered legal entities mentioned in the section provided the company with their annual reports during 2016, it is difficult for Savola Group to view their voting policies, actual voting, and any essential conflict of interest that may affect the special foundation rights practice. In relation to the Group's policy (as a legal entity), regarding voting on conflict of interest matters and related parties transactions, the Group declares all these matters in its Board of Directors' annual report, as well as observing the rules of the Capital Market Authority and the Ministry of Commerce and Investment, which require a vote on the matter in the general assembly, especially if it had relations to any of the Board members. Also, it must be recorded in the assembly's records, ensuring that any related party may not vote (in the Board or general assembly). If it didn't have any relation to any of the Board members and is related to other parties, this will be declared in the Board's annual report. Its representatives cannot vote on any of the terms that have a beneficial relationship to any other legal personality, according to the laws.
Article 12, Clause (i) of CG Regulations	(i) Judicial person who is entitled under the company's bylaws to appoint representatives in the Board of Directors, is not entitled to nomination vote for other members of the Board of Directors.	**Explanation:** Clause (b) of article 2 of the CG regulations was not implemented because it does not apply to the company. **Justification:** The Group confirms that no legal entity is entitled under the company's bylaws to appoint representatives to the Board of Directors.

I) Procedure to monitor the effectiveness of Savola's governance code

The Group has a Corporate Governance (CG) Manual developed and approved for the first time in 2004, and continue updating it 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 Group, during 2016, contracted a specialized consulting firm to review and update its Corporate Governance Manual in accordance with the new Companies' Law and new regulations that were issued by the relevant authorities; and in accordance with some of the Group structural needs that relate to the holding company operating model, which organizes the relationship between the Group and its subsidiaries. The said project is expected to concluded and be approved by management during 2017.

The Board of Directors formed a Compensation, Nominations, and Governance Committee. Part of its role is to supervise and monitor the implementation of the CG code and transparency practices. A dedicated CG and Compliance Officer has a support team at Group level to monitor CG code implementation and compliance, ensure proper implementation of the Committee's resolution regarding CG, and submit regular reports to the Committee. The Group Board and CEO supervise the overall implementation and development of the governance code in general.

Saafa award for integrity and transparency

The Group continued, during 2016, to apply corporate governance mechanisms through its Board of Directors, Board of Directors of its subsidiaries, committees, executive management, and sectors. It also continues to implement corporate governance regulations through its own CG own Manual and by adhering to the rules and regulations issued by the Capital Market Authority and the Ministry of Commerce and Investment, as well as observing international best practices in transparency and corporate governance. Consequently, the Group was granted the 2016 Saafa Award for Integrity and Transparency.

Introduction

The Council of Ministers of the Kingdom of Saudi Arabia approved the New Companies' Law on 9 November 2015 and this was published in the Official Gazette (Umm Al Qura) on 22/2/1437H (4 December 2015). The Ministry of Commerce and Investment announced that the new Companies' Law shall come into force 150 days from its publication in the Saudi Official Gazette (2 May 2016).

In line with article (104) of the new Companies' Law which states that, "The audit committee shall review the company's financial statements and the auditor's reports and notes and give its comments thereon, if any. Further, the audit committee must prepare a report including its opinion regarding appropriateness of the company's internal control system as well as the tasks it has carried out to the extent of its powers. The board of directors shall file sufficient copies of such reports with the company's head office at least ten days before the scheduled meeting of the general assembly with a view to deliver a copy of such report to those shareholders who desire to obtain the same. The report shall be recited at the meeting of the assembly."

We are delighted to present to you Savola Group Audit Committee report in line with article (104) of the new Companies' Law and will be glad to answer any questions in this regard after the Chairman of the Audit Committee presents the report.

Appointment

Savola Group Audit Committee was appointed at the Ordinary General Assembly Meeting No (38), held on July 26, 2016 in line with the new Companies' Law Article No (101), which approved by a majority vote of 322,393,446 (representing 99.99% of attending votes and 60.3% of the Company's issued shares) the formation of the Audit Committee and the charter describing its functions, responsibilities, and guidelines, as well as remuneration of selected members for the new office term, beginning from July 1, 2016 for three years.

The appointment of Mr Fahad Abdullah Al-Kassim, Mr Abdulaziz Al Ghufaily, Mr Abdul Aziz Al-Issa, Dr Abdulraoof Suliman Banaja, and Mr Khalid Mohammed Alsolai as Audit Committee members was approved at the Ordinary General Assembly. Subsequent to the Shareholders Assembly, an Audit Committee meeting selected Mr Fahad Al-Kassim (independent member of the Board of Directors) as its Chairman.

Savola Group Operating Model

The current operating model of the Group, as holding company, shows independence of OpCos operational aspects. Hence, all interactions between committees and internal audit departments of the Group and its subsidiaries are performed through representations of the Group in its subsidiaries Audit Committees. In addition, these interactions are governed by the charters of the Audit Committee and Internal Audit Department, and the Level of Authority Matrix that is in place to govern these interactions.

Committee roles and responsibilities

The Committee's main duties and responsibilities include oversight of the internal audit function, its roles, and effectiveness – according to the rules, regulations, and norms of business related to it. This includes oversight of the annual and quarterly financial statements before previewing them to the Board of Directors for their input and recommendation, to ensure integrity, fairness, and transparency among other requirements of the rules, regulations, and related business norms.

The Committee also oversees the effectiveness of the systems of internal control and provide periodic reports to the Board of Directors. It also recommends to the Board the appointment of external auditors, exclusion of them, their fees, and their performance assessments. It ensures the independence of the external auditor and the objectivity and effectiveness of auditing, taking into consideration related rules and standards.

It investigates grievances and claims raised by stakeholders to the Group, as well as identifying risks and managing them effectively by continuously formulating policies and plans to ensure their implementation in accordance with best practices. For more information on the Committee's roles and responsibilities please refer to the Committee Charter on the Savola website (www.savola.com).

Committee members' qualifications

The qualifications of the Committee members who are also members of the Savola Group Board of Directors were stated above.

Qualifications of those Committee members who are not also Savola Board members:

- Dr Abdulraoof Banaja holds a PhD in Economics from the University of California, Santa Barbara, USA (1981). He is on the boards and committees of several companies, such as the Audit Committee of Panda Retail Co and Savola Foods Co, and many other joint stock companies. Previously, he was a consultant to the Saudi Arabian Monetary Agency and an economic consultant for the Ministry of Finance. He has held many other roles and positions in local and regional banks.
- Mr Khaled Alsolae holds a Bachelor's degree in Managerial Sciences, Accountancy Department, from King Saud University (1983), and a Diploma of Economics and Accountancy from the Boulder Economic Institute, Colorado, USA. In addition, he is a Certified Public Accountant (CPA) from the USA, and he is a Certified Fraud Examiner (CFE) from the USA. He has more than 30 years' experience in finance, internal audit, financial analysis, and financial accountancy arbitration, and corporate governance.

Committee membership and meeting records:

		Meetings during 2016							
		Previous office term ended July 30, 2016				Current office term began July 1, 2016			
Committee member name	Role	20 Jan	21 Feb	28 Mar	19 Apr	26 Jul	1 Spt	19 Oct	Total
Mr Fahad Al-Kassim (Independent, Savola Board member)	Chairman	⊙	⊙	⊙	⊙	⊙	⊙	⊙	7 of 7
Mr Abdulaziz K. Al Ghufaily (Non-executive, Savola Board member)	Member	⊙	⊙	○	⊙	○	⊙	⊙	5 of 7
Abdulaziz I. Alissa (Non-executive, Savola Board member)	Member	NA	NA	NA	NA	○	⊙	⊙	2 of 3
Dr Abdulraoof Banaja (Independent, external member)	Member	NA	NA	NA	NA	⊙	⊙	⊙	3 of 3
Mr Khalid M. Alsolae (Independent external member)	Member	NA	NA	NA	NA	⊙	⊙	⊙	3 of 3
Mr Tarik M. Ismail	Committee secretary	⊙	⊙	⊙	⊙	⊙	⊙	⊙	7 of 7
Members during the previous term									
Mr. Abdulkareem Abu Alnasr (Previous independent Board member)	Previous Chairman	⊙	⊙	⊙	⊙	NA	NA	NA	4 of 4
Dr Mohammed Ali Ikhwan (Independent external member)	Previous member	⊙	⊙	⊙	⊙	NA	NA	NA	4 of 4
Mr Abdulhameed S. Almuhaidib (Independent external member)	Previous member	⊙	⊙	⊙	⊙	NA	NA	NA	4 of 4

As part of its role, the audit committee recommended to the Board of Directors the appointment of Al Fozan & Co (KPMG) to be the external auditor of the Group's financials for the 2016 fiscal year, with SAR 500,000 as fees to audit the Company's quarterly, annual, and closing financial statements. The Committee also reviewed the quarterly and closing financial statements for 2016 with the external auditor, and recommended to the Board of Directors the distribution of dividends during the year.

In addition, the Committee reviewed the accuracy of the financial statements and its fulfilment of the requirements of the Generally Accepted Accountancy Reporting in Saudi Arabia that relate to the Group. Its recommendation was passed to the Board of Directors. The Committee has also approved the general framework for the Group's internal audit and risk management strategy.

The Group has an Internal Audit department and other departments in its operating companies. The Internal Auditor reports to the Audit Committee and submits periodic reviews.

03

Consolidated Financial Statements

KPMG Al Fozan & Partners
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License No. 46/11/323, issued 11/3/1992

The Shareholders
Savola Group Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Savola Group Company (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as at December 31, 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and the attached notes 1 through 38 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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

1) present fairly, in all material respects, the consolidated financial position of the Savola Group Company and its subsidiaries as at December 31, 2016 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
2) comply 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.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Jumada Al Thani 17, 1438H
Corresponding to March 16, 2017

Consolidated Balance Sheet

As at December 31, 2016
(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

	Note	2016	2015
ASSETS			
Current assets:			
Cash and bank balances	4	1,331,524	2,067,074
Trade receivable	5	1,228,616	920,620
Inventories	6	3,204,482	4,853,454
Prepayments and other current assets	7	1,208,926	1,490,571
Assets classified as held for sale	8	1,056,739	–
Total current assets		8,030,287	9,331,719
Non-current assets:			
Long-term receivables	9	10,751	177,207
Investments	10	8,527,437	8,430,233
Property, plant and equipment	11	6,864,808	7,852,712
Deferred tax asset	12	28,693	69,763
Intangible assets	13	661,669	1,113,720
Total non-current assets		16,093,358	17,643,635
Total assets		24,123,645	26,975,354
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities:			
Short-term borrowings	14	3,640,829	4,481,757
Current maturity of long-term borrowings	15	845,369	528,785
Trade payable	16	2,415,503	3,123,979
Accrued expenses and other current liabilities	17	2,084,212	1,832,708
Liabilities classified as held for sale	8	938,878	–
Total current liabilities		9,924,791	9,967,229
Non-current liabilities:			
Long-term borrowings	15	4,217,478	4,579,096
Deferred tax liability	18	50,551	102,932
Deferred gain	19	158,217	175,314
Long-term payables	20	215,581	232,497
Employees' end of service benefits	21	439,381	412,220
Total non-current liabilities		5,081,208	5,502,059
Total liabilities		15,005,999	15,469,288
EQUITY			
Share capital	22	5,339,807	5,339,807
Share premium reserve		342,974	342,974
Statutory reserve	23	1,774,085	1,774,085
General reserve		4,000	4,000
Fair value reserve	24	(22,093)	3,784
Effect of acquisition transactions with non-controlling interest without change in control		(171,375)	(171,375)
Currency translation reserve		(1,941,088)	(1,019,087)
Retained earnings		3,157,057	4,275,841
Equity attributable to shareholders' of Parent Company		8,483,367	10,550,029
Non-controlling interest		634,279	956,037
Total equity		9,117,646	11,506,066
Total liabilities and equity		24,123,645	26,975,354
Contingencies and commitments	35		

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the year ended December 31, 2016
(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

	Note	2016	2015
Continuing operations:			
Revenues	33	25,312,384	25,125,596
Cost of revenue	33	(20,875,996)	(20,100,206)
Gross profit		4,436,388	5,025,390
Share in net results of associates and dividend income of available-for-sale investments – net	10	782,576	796,114
		5,218,964	5,821,504
Expenses			
Selling and marketing	26	(3,646,970)	(3,454,515)
General and administrative	27	(739,584)	(581,619)
		(4,386,554)	(4,036,134)
Income from operations		832,410	1,785,370
Other (expenses)/income			
Impairment losses	28	(573,892)	–
Insurance claim reimbursement		–	126,500
Gain on disposal of investments	1	–	265,152
Gain on disposal of land		–	38,820
Financial charges – net	29	(549,709)	(167,394)
(Loss)/income before Zakat, tax and non-controlling interest from continued operations		(291,191)	2,048,448
Discontinued operations:			
(Loss)/income from discontinued operations	8.2	(176,260)	1,161
(Loss)/income before Zakat, tax and non-controlling interest		(467,451)	2,049,609
Zakat and foreign income taxes	36	(156,900)	(138,505)
Net (loss)/income for the year		(624,351)	1,911,104
Net (loss)/income for the year attributable to:			
Shareholders' of the Parent company		(451,308)	1,791,747
Non-controlling interest		(173,043)	119,357
Net (loss)/income for the year		(624,351)	1,911,104
Basic and diluted (loss)/earnings per share (in SR):	34		
Income from operations		1.56	3.34
Net (loss)/income for the year attributable to the shareholders of the Parent Company		(0.85)	3.36
Weighted average number of shares outstanding (in thousands)		533,981	533,981

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2016
(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

	Note	2016	2015
Cash flow from operating activities			
Net (loss)/income for the year		(624,351)	1,911,104
Adjustments for:			
Depreciation and amortization	11&13	751,360	623,775
Impairment losses	28	573,892	–
Share in net results of associates and dividend Income	10	(781,408)	(794,946)
Financial charges – net	29	549,709	167,394
Deferred gain amortization	19	(17,097)	(17,097)
Gain on disposal of investments		–	(265,152)
Provision for employees' end of service benefits	21	83,550	77,586
Loss/(gain) on disposal of property, plant and equipment		9,736	(38,820)
Provision for inventory obsolescence/slow moving	6.2	24,297	145,167
Provision for doubtful debts	5.1	12,040	5,122
Zakat and income tax expense		156,900	138,505
Insurance claim reimbursement		–	(126,500)
		738,628	1,826,138
Changes in operating assets and liabilities			
Trade receivable		(510,637)	63,280
Inventories		1,016,548	(610,429)
Prepayments and other current assets		181,492	632,632
Trade payable		(254,306)	384,369
Accrued expenses and other current liabilities		876,303	(68,151)
		2,048,028	2,227,839
Employee end of service benefits paid	21	(40,144)	(33,198)
Zakat and income taxes paid		(84,362)	(103,974)
Net cash generated from operating activities		1,923,522	2,090,667
Cash flow from investing activities			
Purchase of property, plant and equipment	11	(1,087,778)	(2,076,605)
Additions to investments	10	(41)	–
Dividends received	10	321,082	290,476
Contribution to settle an associate's liability	10	(20,403)	–
Proceeds from sale of investments		–	984,911
Collection from long-term receivables		166,456	144,889
Proceeds from disposal of property, plant and equipment		13,774	134,756
Addition to intangible assets		–	(5,162)
Net cash used in investing activities		(606,910)	(526,735)
Cash flow from financing activities			
Net change in short-term borrowings		(259,031)	585,987
Net movement in long-term borrowings		185,427	(89,799)
Net change in long-term payables		539	–
Change in non-controlling interest		(148,715)	(209,747)
Net change in restricted deposits		13,312	(14,259)
Financial charges paid		(587,772)	(207,289)
Dividends paid		(696,291)	(1,051,109)
Net cash used in financing activities		(1,492,531)	(986,216)
Net change in cash and cash equivalents		(175,919)	577,716
Effect of currency exchange rates on cash and cash equivalents		(204,361)	(159,413)
Less: cash and cash equivalents classified as held for sale	8	(154,458)	–
Cash and cash equivalents at beginning of year		1,813,044	1,394,741
Cash and cash equivalents at end of the year	4	1,278,306	1,813,044
Supplemental schedule of non-cash financial information			
Directors' remuneration	25.1	–	2,200
Fair value reserves	24	(25,877)	21,249
Currency translation reserve		922,001	217,559
Effect of transaction with non-controlling interest without change in control	1	–	58,587

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016
(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

	Equity attributable to the Shareholders of the Parent Company										
	Share capital	Share premium reserve	Statutory reserve	General reserve	Fair value reserve	Effect of transactions with non-controlling interest without change in control	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
January 1, 2016	5,339,807	342,974	1,774,085	4,000	3,784	(171,375)	(1,019,087)	4,275,841	10,550,029	956,037	11,506,066
Net loss for the year	–	–	–	–	–	–	–	(451,308)	(451,308)	(173,043)	(624,351)
Dividends (Note 32)	–	–	–	–	–	–	–	(667,476)	(667,476)	–	(667,476)
Fair value reserve adjustment	–	–	–	–	(25,877)	–	–	–	(25,877)	–	(25,877)
Currency translation adjustment	–	–	–	–	–	–	(922,001)	–	(922,001)	–	(922,001)
Other changes in non-controlling interests	–	–	–	–	–	–	–	–	–	(148,715)	(148,715)
December 31, 2016	5,339,807	342,974	1,774,085	4,000	(22,093)	(171,375)	(1,941,088)	3,157,057	8,483,367	634,279	9,117,646
January 1, 2015	5,339,807	342,974	1,594,910	4,000	(17,465)	(229,962)	(801,528)	3,733,430	9,966,166	961,886	10,928,052
Net income for the year	–	–	–	–	–	–	–	1,791,747	1,791,747	119,357	1,911,104
Transfer to statutory reserve	–	–	179,175	–	–	–	–	(179,175)	–	–	–
Dividends	–	–	–	–	–	–	–	(1,067,961)	(1,067,961)	–	(1,067,961)
Fair value reserve adjustment	–	–	–	–	21,249	–	–	–	21,249	–	21,249
Currency translation adjustment	–	–	–	–	–	–	(217,559)	–	(217,559)	–	(217,559)
Directors remuneration	–	–	–	–	–	–	–	(2,200)	(2,200)	–	(2,200)
Effect of transactions with non-controlling interest without change in control	–	–	–	–	–	58,587	–	–	58,587	–	58,587
Other changes in non-controlling interests	–	–	–	–	–	–	–	–	–	(125,206)	(125,206)
December 31, 2015	5,339,807	342,974	1,774,085	4,000	3,784	(171,375)	(1,019,087)	4,275,841	10,550,029	956,037	11,506,066

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016
(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

1. GENERAL INFORMATION

Savola Group 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 Company's registered office is located at the following address:
Savola Tower,
The Headquarter Business Park,
Prince Faisal Bin Fahad Street,
Jeddah 23511-7333,
Kingdom of Saudi Arabia.

These accompanying consolidated financial statements comprise the financial statements of Savola Group Company (the "Company" (or) the "Parent Company") and its local and foreign subsidiaries (collectively referred to as the "Group"); collectively involved in the manufacturing and sale of vegetable oils and to set up related industries, retail outlets, dairy products, fast foods, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

At December 31, the Company has investments in the following subsidiaries:

(a) Direct subsidiaries of the Company

(i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) at December 31, 2016	2015
Savola Foods Company ("SFC")	Saudi Arabia	Foods	100	100
Panda Retail Company	Saudi Arabia	Retail	91	91
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
Savola Industrial Investment Company ("SIIC")*	Saudi Arabia	Holding Company	5	5

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

(ii) Dormant and Holding subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) at December 31, 2016	2015
Adeem Arabia Company Limited	Saudi Arabia	Holding company	80	80
Al Utur Arabian Holding Company for Commercial Investment	Saudi Arabia	Holding company	100	100
Al Mojammat Al Mowahadah Real Estate Company	Saudi Arabia	Holding company	100	100
Madarek Investment Company	Jordan	Holding company	100	100
United Properties Development Company	Saudi Arabia	Dormant company	100	100
Afia Foods Arabia	Saudi Arabia	Dormant company	100	100
Al Maoun International Holding Company (transferred to SFC)	Saudi Arabia	Dormant company	–	100
Marasina International Real Estate Investment Limited (transferred to SFC)	Saudi Arabia	Holding company	–	100

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

(a) **Direct subsidiaries of the Company** (continued)

(iii) Dormant and Holding subsidiaries (liquidated)

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) at December 31, 2016	2015
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	Holding company	–	100
Alwaqat Al Kawniah Limited	Saudi Arabia	Holding company	–	100
Aalinah Al Kawniah Limited	Saudi Arabia	Holding company	–	100
Abtkar Al Kawniah Limited	Saudi Arabia	Holding company	–	100
Asda'a International Real Estate Investment Limited	Saudi Arabia	Holding company	–	100
Masa'ay International Real Estate Investment Limited	Saudi Arabia	Holding company	–	100
Saraya International Real Estate Investment	Saudi Arabia	Holding company	–	100
Kamin Al Sharq for Industrial Investments	Saudi Arabia	Dormant company	–	100
Arabian Sadouk for Telecommunications Company	Saudi Arabia	Dormant company	–	100
Savola Trading International Limited	British Virgin Island ("BVI")	Dormant company	–	100
Al Mustabshiroun International for Real Estate Investment Company	Saudi Arabia	Dormant company	–	100

Pursuant to the sale purchase agreement signed during December 2014 by the Group with Takween Advanced Industries (a third party) for sale of its ownership interest in Savola Packaging Systems Limited, representing the Group's plastic segment, all the legal formalities for the sale were completed during the three-months period ended March 31, 2015 and resulted in the gain on disposal of investment amounting to SR 265 million.

(b) **Savola Foods Company**

The Parent Company has a 100% (2015: 100%) ownership interest in Savola Foods Company ("SFC"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 236/G dated Dhul Qadah 21, 1435H (September 16, 2014). Prior to its conversion to a closed joint stock company, SFC was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030180782 issued in Jeddah on Rajab 05,1429H (July 08, 2008).

The principle objective of SFC is to deal in wholesale and retail trading of food items. SFC through its direct and indirect subsidiaries is engaged in the manufacturing, marketing and distribution of products including edible oil, pasta, sugar, seafood, confectionery, and agro cultivation, in the local and overseas market.

Subsidiaries controlled through Savola Foods Company:

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) at December 31, 2016	2015
Afia International Company	Saudi Arabia	Manufacturing of edible oils	95.19	95.19
Savola Industrial Investment Company	Saudi Arabia	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 Emerging Markets Company Limited	BVI	Holding company	95.43	95.43
Afia International Distribution and Marketing Company (see note (i) below)	Saudi Arabia	Trading and distribution	99	60
Alexandria Sugar Company Egypt ("ASCE")	Egypt	Manufacturing of sugar	19	19
Savola Foods for Sugar Company	Cayman Islands	Holding company	95	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	100	100

1. GENERAL INFORMATION (continued)

(b) **Savola Foods Company** (continued)

Subsidiaries controlled through Savola Foods Company: (continued)

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) at December 31, 2016	2015
International Foods Industries Company Limited	Saudi Arabia	Manufacturing of specialty fats	75	75
Seafood International Two FZCO (see note (ii) below)	UAE	Seafood products trading and distribution	60	–
Al Maoun International Holding Company (transferred from Savola Group)	Saudi Arabia	Dormant company	100	–
Marasina International Real Estate Investment Limited (transferred from Savola Group)	Saudi Arabia	Holding company	100	–

Subsidiaries controlled through Afia International Company:

Subsidiary name	Country of incorporation	Principal business activity	2016	2015
Savola Behshahr Company ("SBeC")	Iran	Holding company	90	90
Malintra Holdings	Luxembourg	Holding company	100	100
Savola Foods Limited ("SFL")	BVI	Holding company	100	100
Afia International Company – Jordan	Jordan	Dormant company	97.4	97.4
Inveskz Inc.	BVI	Holding company	90	90
Afia Trading International	BVI	Dormant company	100	100
Savola Foods International	BVI	Dormant company	100	100
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	Holding company	100	100
SBeC				
Behshahr Industrial Company	Iran	Manufacturing of edible oils	79.9	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	100	100
Savola Behshahr Sugar Company	Iran	Trading and distribution	100	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	90	90
SFL				
Afia International Company, Egypt	Egypt	Manufacturing of edible oils	99.95	99.92
Latimar International Limited	BVI	Dormant company	100	100
Elington International Limited	BVI	Dormant company	100	100
KUGU				
Yudum Gida Sanayi Ve Ticaret A.S	Turkey	Manufacturing of edible oils	100	100

Subsidiaries controlled through Savola Industrial Investment Company:

Subsidiary name	Country of incorporation	Principal business activity	2016	2015
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of sugar	74.48	74.48
USC				
United Sugar Company, Egypt*	Egypt	Manufacturing of sugar	56.75	56.75
Alexandria Sugar Company, Egypt ("ASCE")	Egypt	Manufacturing of sugar	62.13	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	100	100
USCE				
Alexandria Sugar Company, Egypt	Egypt	Manufacturing of sugar	18.87	18.87
ASCE				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	100	100

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

(b) Savola Foods Company (continued)

Subsidiaries controlled through Savola Foods Emerging Markets Company Limited:

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) at December 31, 2016	2015
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

Subsidiary controlled through Savola Foods Company International Limited:

Modern Behtaam Royan Kaveh Company	Iran	Food and confectionery	100	100

* During March 2016 as part of the Group's strategic assessment of its core operations; the Group's and other shareholders' of USCE signed a Shareholders' Agreement to increase the paid up share capital of USCE in the form of participation by a new shareholder, European Bank for Reconstruction and Development ("EBRD"). Consequent to completion of all legal formalities (including approval from certain regulatory and government authorities in Egypt), the ownership of the Group will be diluted and the Group will continue to jointly control the strategic, operational and financial activities of USCE.

In view of the above resolution, the assets and liabilities of USCE at December 31, 2016, have been classified as 'held for sale' in the consolidated balance sheet and its results of operations for the year ended have been disclosed as 'loss from discontinued operations' in the consolidated statement of income (Note 8). In this regard, USCE has already received SR 375 million from EBRD on account of issuance of new shares that will be effected after the completion of legal formalities. On January 5, 2017, USCE has received approval from General Authority for Investment and Free Zones for the issuance of shares to EBRD. Upon issuance of shares to EBRD, USCE will be deconsolidated and a gain or loss on the transaction will be recognized.

Further, at January 1, 2016, USCE changed its functional currency, which is deemed to be more appropriately representing the underlying operations of that entity.

(i) During December 2015, Afia International Distribution and Marketing Company ("ADC") was formed, which was 60% owned by SFC and 40% owned by AIC. ADC is currently engaged in trading and distribution of Group's food products to wholesale and retail. Consequent to the shareholders' resolution dated August 23, 2016, the shareholding has been amended as 99% owned by SFC and 1% owned by AIC.

(ii) During January 2016, Seafood International Two FZCO has been incorporated in Jebel Ali Free Zone in Dubai, UAE. The Company is engaged in trading and distribution of seafood products.

(c) Panda Retail Company

The Parent Company has a 91% (2015: 91%) ownership interest in Panda Retail Company ("Panda"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 235/G dated Rajab 22, 1431H (July 3, 2010). Prior to its conversion to a closed joint stock company, Panda was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010137417 issued in Riyadh on Rabi-ul-Awal 1, 1416H (July 28, 1995).

Panda together with its subsidiaries is principally engaged in wholesale and retail trading in food supplies and consumable materials. Panda Group operates through its network of supermarkets, hypermarkets and convenience stores.

Subsidiaries controlled through Panda

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) at December 31, 2016	2015
Panda				
Giant Stores Trading Company	Saudi Arabia	Retail	90	90
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	100	100
Panda International for Retail Trading	Egypt	Retail	100	100
Panda International Retail Trading	UAE	Retail	100	100
Panda Bakeries Company	Saudi Arabia	Bakery	100	100
Giant				
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	95	95

2. BASIS OF PREPARATION

2.1 Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with Saudi Accounting Standard for financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA"), requirements of the Regulations for Companies and the Company's By-laws.

The new Regulation for Companies issued through Royal Decree M/3 on November 11, 2015 (hereinafter referred as "The Law") came into force on 25/07/1437H (corresponding to May 2, 2016). The Company has to amend its By-laws for any changes to align the By-laws to the provisions of The Law. Consequently, the Company shall present the amended By-laws to the shareholders in their Extraordinary General Assembly meeting for their ratification. The full compliance with The Law is expected not later than 24/07/1438H (corresponding to April 21, 2017).

2.2 Basis of measurement

The accompanying consolidated financial statements have been prepared under historical cost basis convention (except for revaluation of available-for-sale investments and derivative financial instruments to fair value), using the accrual basis of accounting, and the going concern assumption. Certain comparative amounts have been reclassified to conform to the current period's presentation.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Company. All amounts have been rounded off to the nearest thousand, unless otherwise stated.

2.4 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements are as follows:

(a) Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and 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 consolidated statement of income. Impairment losses recognized on intangible assets (including goodwill) and available for sale securities are not reversible.

(b) Impairment of available for sale equity investments

The management 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. In case of equity instruments any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for such impairment. The determination of what is 'significant' and 'prolonged' requires management's judgment. The management also considers impairment testing 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. Furthermore, management considers 20% or more as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, and is recognized in the consolidated statement of income as impairment charge on investments. Prolonged decline represents decline below cost that persists for 9 months or longer irrespective of the amount and is, thus, recognized in the consolidated statement of income as impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the consolidated statement of income.

2. BASIS OF PREPARATION (continued)

2.4 Critical accounting estimates and judgments (continued)

(c) Provision for doubtful debts

A provision for impairment of trade receivable 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 agreement. 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 of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

(d) Provision for inventory obsolescence

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year. Significant estimates and judgments involved in the estimation of provision for slow moving and obsolete inventories are disclosed in note 6.

(e) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

3. 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 periods presented, unless otherwise stated:

3.1 Business combination

Business combinations (except for entities under common control) are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition. The excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is classified as goodwill. If the cost of the acquired investee is less than its fair value as of the acquisition date, such difference is adjusted by reducing the fair values of the non-current assets of the acquired investee in proportion to their book values.

Business combinations including entities or business under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognized directly in equity.

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-Group/Company transactions that are recognized in assets, are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

Changes in a Group's ownership interest in a subsidiary that does not result in a change in control, is accounted as equity transaction 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 transactions with non-controlling interest without change in control".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Business combination (continued)

(b) Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights.

Associates are accounted for using the equity method, which are initially recognized at cost including goodwill identified on acquisition. The Company's share in its investees' post-acquisition income and losses is recognized in the consolidated statement of income and its share in post-acquisition movements in reserves is recognized in the Group's equity. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealized gains on transactions between the Group and its equity accounted investees 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.

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

(c) Non-controlling interests

Non-controlling interest represents the interest in subsidiary companies, not held by the Group which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group.

Acquisition transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e., as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Intangible assets

(i) Goodwill

Goodwill represents the difference between the cost of businesses acquired and the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Other intangible assets

Other intangible assets comprise of trade name and certain other intangibles. These assets are carried at infinite useful life and represent group acquisition of such assets in a business combination. These assets are carried at cost and are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(iii) Deferred charges

Deferred charges mainly consist of expenses incurred by the Group on setting up new retail outlets and other projects. Such expenses are amortized using the straight-line method over the related estimated economic lives not exceeding five years.

3.2 Available for sale investments

Available for sale investments principally consist of less than 20% share in quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the consolidated statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated balance sheet date. For investments where there is no active market, including investments in unquoted private equity, fair value is determined using valuation techniques. Such techniques include using reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis, otherwise the cost is considered to be the fair value for these investments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3.4 Foreign currency translations

(a) Functional currency

These consolidated financial statements are presented in Saudi Riyals which is the functional and presentation currency of the Parent Company.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(b) Transactions and balances

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange difference arising on translation are recognized in the consolidated statement of income currently.

(c) Group companies

The results and financial position of foreign subsidiaries and associates, with the exception of economies under hyper-inflation, having reporting currencies other than presentation currency of the Parent Company, are translated into the functional currency 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 statement of income 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 are reported as a separate component of equity as "currency translation reserve".

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 foreign associate are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of income.

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

(d) Hyperinflationary economies

When the economy of a country in which the Group operates is deemed hyperinflationary and the functional currency of a Group entity is the local currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit currency 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 consolidated balance sheet, such as property, plant and equipment and inventories, to reflect current purchasing power as at the year end using a general price index from the date when they were first recognized. The gain or loss on the net monetary position is included in finance costs or income for the year. Comparative amounts are not adjusted. When the economy of a country, in which the Group operates, is no more deemed a hyperinflationary economy, the Group ceases application of hyperinflationary economies accounting at the end of the reporting period that is immediately prior to the period in which hyperinflation ceases. The amounts in the Group's consolidated financial statements as at that date are considered as the carrying amounts for the subsequent consolidated financial statements of the Group. For the purpose of consolidation of foreign components operating in hyperinflation economies; items of balance sheet and income and expenses are translated at the closing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Group without any restrictions. The statement of cash flows is prepared using the indirect method.

3.6 Trade receivable

Trade receivable are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Bad debts are written off when identified, against its related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to consolidated statement of income.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Inventories in transit are valued at cost. Stores and spares are valued at cost, less any provision for slow moving items.

Net realizable value (NRV) comprises estimated selling price in the ordinary course of business, less further costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks. Any NRV losses are adjusted against the carrying value of inventories.

3.8 Assets and liabilities classified as held for sale

Non-current assets (or disposal group) are classified as assets held for sale when their carrying amounts is to be recovered principally through a sale transaction and a sale is considered highly probable within foreseeable future. They are stated at a lower of carrying amount and fair value less costs to sell.

Discontinued Operations

A discontinued operation is a component (cash generating unit) of an entity that either has been disposed of or is classified as held for sale and:

(a) represents a major business line or geographical area of operations;

(b) is part of a single coordinated plan to dispose of a separate major business line or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as discontinued operation, the comparative consolidated statement of income is re-presented as if the operation had been discontinued from the start of the comparative year.

The Group presents after zakat and tax results from discontinued operations as a single separate component of the consolidated statement of income.

Revenues, expenses, taxes and gains or losses are additionally disclosed in the consolidated financial statements.

3.9 Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of income when incurred.

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Property, plant and equipment (continued)

Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of individual items of property, plant and equipment, except for Construction work in progress (CWIP), which is carried at cost. The estimated useful lives of assets is as follow:

	Estimated useful lives
Buildings	12.5 – 50 years
Leasehold improvements	3 – 33 years
Plant and equipment	3 – 30 years
Furniture and office equipment	3 – 16 years
Vehicles	4 – 10 years

Expenditures for maintenance and repairs that do not materially extend the asset's life are included in expenses.

3.10 Impairment

(a) Non-financial assets

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGUs) exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Goodwill represents the excess of the cost of acquisition and fair value of non-controlling interests ("NCI") over the fair value of the identifiable net assets acquired. The Group assesses goodwill arising on acquisitions for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For impairment test, the goodwill for subsidiaries is determined individually, as each subsidiary is considered an independent cash generating unit.

The impairment is determined by reviewing the realizable amount of cash generating unit (subsidiary), the acquisition of which has given rise to goodwill. Where the realizable amount of a subsidiary is less than its carrying value, an impairment loss is recognized in the consolidated statement of income. Impairment losses on goodwill are not reversed.

Long term non-financial assets are reviewed for impairment losses 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. The recoverable amount is estimated as the higher of an asset's fair value less costs to sell and value in use. If fair value less costs to sell is not observable then value in use calculated by income approach is considered as an alternative to fair value. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered impairment, other than intangible assets, 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 consolidated statement of income. Impairment losses recognized on goodwill are not reversible.

(b) Financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated statement of income.

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 consolidated statement of income. Impairment losses recognized on equity investments classified as available for sale are not reversible.

3.11 Sukuk liability

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

The Group derecognize a financial liability when its contractual obligations are discharged, cancelled or expired. Sukuk has been initially recognized and subsequently being carried at cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Trade payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3.13 Provision

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation.

3.14 Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

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.

3.15 Zakat and taxes

The Company and its subsidiaries are subject to zakat and income tax in accordance with the regulations of General Authority of Zakat and Income Tax ("GAZT"). Company's zakat and its share in zakat of subsidiaries are charged to consolidated statement of income. Zakat and income tax attributable to other Saudi and foreign shareholders of the consolidated subsidiaries are charged to non-controlling interest in the accompanying consolidated balance sheet. Additional zakat and income tax liability, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

The Company and its Saudi Arabian subsidiaries withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations.

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

Deferred tax is provided for, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date. Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

3.16 Revenues

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Group,
- it can be reliably measured, regardless of when the payment is being made, and
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable under contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Sale of goods

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Sales is recorded net of returns, trade discounts and volume rebates.

Rental income

Rental income is recognized on a straight-line basis over the term of the lease.

Promotional and display income

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 it is earned.

Dividend income

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

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of revenue and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

3.18 Dividends

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

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors.

3.19 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing 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:

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

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

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group 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 recognized in the consolidated statement of income within "cost of revenue". The gain or loss relating to the ineffective portion is recognized in the consolidated statement of income within 'Financial charges, net'.

(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 recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income within 'Financial charges, net'.

Amounts accumulated in equity are reclassified to gain or loss in the periods when the hedged item affects gain 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 recognized in the consolidated statement of income within 'Cost of revenue'.

However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost. The deferred amounts are ultimately recognized in cost of revenue for inventory upon disposal.

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 recognized when the forecast transaction is ultimately recognized in the consolidated statement of income. 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 consolidated statement of income within 'Financial charges, net'.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payment under operating lease is recognized in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

3.21 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

A qualifying asset is an asset that necessarily takes a substantial period of time to be made ready for its intended use or sale.

3.22 Offsetting

Financial assets and liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. CASH AND BANK BALANCES

Cash and bank balances at December 31 comprise the following:

	2016	2015
Cash in hand	23,316	25,876
Cash at bank – current accounts	488,930	1,334,976
Short term deposits	819,278	706,222
	1,331,524	2,067,074

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

Cash and cash equivalents at December 31 comprise the following:

	2016	2015
Cash and bank balances	1,331,524	2,067,074
Less: Restricted deposits	(53,218)	(254,030)
	1,278,306	1,813,044

Restricted deposits represent time deposits, blocked against bank facilities granted to an overseas subsidiary by a commercial bank.

5. TRADE RECEIVABLE

Trade receivable at December 31 comprise the following:

	Note	2016	2015
Other customer receivables		1,253,436	956,575
Less: provision for doubtful debts	5.1	(72,225)	(73,895)
		1,181,211	882,680
Due from related parties	25	58,156	66,187
		1,239,367	948,867
Less: non-current accounts receivable – net		(10,751)	(28,247)
		1,228,616	920,620

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

5. TRADE RECEIVABLE (continued)

5.1 Movement in provision for doubtful debts for the year ended December 31 is as follows:

	2016	2015
At January 1	73,895	74,240
Additions during the year	12,040	5,122
Reversal during the year	(9,926)	–
Write-offs/currency translation differences	(3,236)	(5,467)
Reclassified to held for sale (Note 8)	(548)	–
At December 31	72,225	73,895

6. INVENTORIES

Inventories at December 31 comprise the following:

	Note	2016	2015
Finished products	6.1 & 28	1,879,388	3,484,851
Raw and packing materials		897,192	1,130,687
Work in process		96,246	100,497
Spare parts and supplies, not held for sale		163,796	200,484
Goods in transit		322,211	159,615
		3,358,833	5,076,134
Less: provision for obsolescence/slow moving	6.2	(154,351)	(222,680)
		3,204,482	4,853,454

6.1 Write down to net realizable value

In line with the recent changes in the consumer behaviors, Panda Retail Company carried out a detailed exercise to rationalize the inventory levels. The study has identified certain Stock Keeping Units (SKUs) that are experiencing declining demands and therefore require changes in disposal strategies. Hence, certain mega promotions have been offered during the last two months of 2016. Accordingly, a consistent approach has been followed to identify and recognize Net Realizable Value (NRV) losses for items that are not recoverable at their carrying values. In this regard, inventories have been categorized under the following categories for specific assessment:

(i) Clearance inventory: These include non-returnable, slow moving items that are resolved to be discontinued for future and hence offered for significant promotion during the three month ended December 31, 2016. Stock Keeping Units (SKUs) were specifically earmarked and closely monitored on a periodical basis. The disposal of these SKUs have resulted in a realized loss of SR 132 million and unrealized loss of SR 68.4 million, up to December 31, 2016.

(ii) Overstock inventory: Certain SKUs were identified in excess of ordinary demand with changing market requirements and therefore their reorders were restricted. These were also offered at promotional prices to achieve significant reduction in quantities. The approach has resulted in a realized loss of SR 65.2 million and unrealized loss of SR 109 million, up to December 31, 2016.

6.2 Movement for provision for inventory obsolescence/slow moving for the year ended December 31 is as follows:

	2016	2015
At January 1	222,680	81,481
Additions during the year	24,297	145,167
Provision utilized during the year	(82,365)	–
Currency translation differences during the year	(9,326)	(3,968)
Transferred to held for sale (Note 8)	(935)	–
At December 31	154,351	222,680

6.3 Inventories amounting to SR 0.14 million (2015: SR 366.8 million) are pledged with foreign banks as collateral against bank borrowing facilities of certain overseas consolidated subsidiaries.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayment and other current assets at December 31 comprise the following:

	Note	2016	2015
Advances to vendors		261,213	496,331
Due from related parties	25	195,951	192,413
Prepaid rent		188,581	276,871
Other prepaid expenses		173,803	163,921
Receivable from government authorities	7.1	109,105	28,519
Deposits		84,710	60,764
Advances to employees		52,096	56,275
Unclaimed dividends		33,365	25,679
Positive fair value of derivatives	7.2	16,612	85,074
Others		93,490	104,724
		1,208,926	1,490,571

7.1 Receivable from government authorities

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

7.2 Positive fair value of derivatives

Balance relating to derivatives represent fair value of commodity hedging contracts outstanding at year end. Positive fair value of derivatives are disclosed in the above note and negative fair value of derivatives is reported under 'Accrued expenses and other current liabilities' (Note 17).

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.

Derivatives that did not qualify for hedge accounting since initial recognition, changes in their fair values are recognized in the consolidated statement of income under financial charges amounting to a loss of SR 8.1 million (2015: gain of SR 97.6 million) (Note 29).

The notional principal amounts of the outstanding forward and future contracts at December 31, 2016 were SR 4,443 million (2015: SR 3,922 million).

8. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(a) Following the decision of the Board of directors of SFC in their meeting dated December 26, 2016, the Group has resolved to cease the disposal plans for edible oil business in Morocco and reinstated the classification of amount in the balance sheet for the current and comparative periods including a favorable gross adjustment of SR 27.1 million in the respective accounts and consolidated statement of income to reflect amendment in the plan. Following assets and liabilities classified as 'held for sale' in 2015, have now been reinstated to the respective captions:

	2015
Assets	
Cash and cash equivalents	6
Trade receivable	6,111
Inventories	13,148
Prepayments and other current assets	21,006
Property, plant and equipment	4,764
Reclassified from 'Assets classified as held for sale' in the consolidated balance sheet	45,035
Liabilities	
Short-term borrowings	48,935
Trade payable	7,160
Accrued expenses and other current liabilities	38,138
Reclassified from 'Liabilities classified as held for sale' in the consolidated balance sheet	94,233

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

8. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

(b) During the last quarter of 2016, the investment in Intaj Capital Limited ("Intaj") has been classified as held for sale pursuant to management's decision for selling the interest in Intaj within next twelve months. Consequently, this investment has been reclassified as such and written down to its fair value at SR 80.8 million from carrying value of SR 169.2 million resulting in the recognition of an impairment loss of SR 88.4 million and has been reclassified in the consolidated statement of income (Note 10.1 and 28).

(c) As disclosed in Note 1, the Group has also classified the assets and liabilities of USCE as held-for-sale at December 31, 2016.

	2016
Assets classified as held for sale, relating to:	
- Investment in Intaj Capital Limited	80,844
- United Sugar Company, Egypt (Note 8.1)	975,895
At December 31	1,056,739
Liabilities classified as held for sale, relating to:	
- United Sugar Company, Egypt (Note 8.1)	938,878

Details of the assets and liabilities of United Sugar Company, Egypt held for sale at December 31, are as follows:

8.1 Assets and liabilities held for sale

	2016
Assets	
Cash and bank balances (Note 8.1.1)	341,958
Trade receivable and other current assets	119,018
Inventories (Note 8.1.2)	237,549
Property, plant and equipment (Note 8.1.3)	273,513
Other non-current assets	3,857
Disclosed as 'Assets classified as held for sale' in the consolidated balance sheet	975,895
Liabilities	
Borrowings	118,070
Trade payable and other liabilities	410,046
Non-current liabilities	35,762
Subscription money received from EBRD	375,000
Disclosed as 'Liabilities classified as held for sale' in the consolidated balance sheet	938,878

8.1.1. This includes restricted deposits amounting to SR 187.5 million.

8.1.2. Inventories of USCE amounting to SR 161.42 million are pledged with foreign banks as collateral against bank borrowing facilities.

8.1.3. Certain property, plant and equipment of USCE amounting to SR 266.73 million are pledged as collateral with commercial banks.

8. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

8.2 (Loss)/income from discontinued operations

Details of the (loss)/income from discontinued operations disclosed as 'loss from discontinued operations' in the consolidated statement of income of United Sugar Company, Egypt for the year ended December 31 are as follows:

	2016	2015
Sales	1,328,627	1,299,820
Cost of revenue	(1,308,372)	(1,232,001)
Gross profit	20,255	67,819
Operating expenses		
Selling and marketing	(3,252)	(4,032)
General and administrative	(20,942)	(23,534)
(Loss)/income from operations	(3,939)	40,253
Financial charges – net	(168,409)	(39,895)
(Loss)/income before foreign income taxes	(172,348)	358
Foreign income taxes	(3,912)	803
Net (loss)/income for the year	(176,260)	1,161

8.3 Cash flows from discontinued operations

Details of cash flows from discontinued operations have been presented within the statement of cash flows for the year ended December 31, 2016. Following are the major components of cash flows from discontinued operations:

	2016	2015
Net cash flow from operating activities	(4,183)	151,433
Net cash flow from investing activities	171	(7,434)
Net cash flow from financing activities	(228,633)	160,823
	(232,645)	304,822

Classification as a discontinued operation occurs at the earlier of disposed or when the operation meets the criteria to be classified as held for sale.

9. LONG-TERM RECEIVABLES

Long-term receivables at December 31 comprise the following:

	Note	2016	2015
Due from related parties	25	3,966	161,427
Others		6,785	15,780
		10,751	177,207

10. INVESTMENTS

Investments at December 31 comprise the following:

	Note	2016	2015
Investments in associates	10.1	7,915,016	7,720,958
Available-for-sale (AFS) investments	10.2	612,421	709,275
		8,527,437	8,430,233

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

10. INVESTMENTS (continued)

10.1 Investments in associates

(a) The details of the Group's investment in associates are as follows:

Name	Principal business sector	Country of incorporation	Direct ownership interest (%) 2016	Direct ownership interest (%) 2015	2016	2015
Almarai Company Limited ("Almarai")	Fresh food products	Saudi Arabia	36.52	36.52	6,755,515	6,362,608
Kinan International for Real Estate Development Company ("Kinan")	Real Estate	Saudi Arabia	29.9	29.9	562,492	617,143
Herfy Foods Services Company ("Herfy")	Food products and fast food restaurant chains	Saudi Arabia	49	49	428,967	391,739
Al-Seera City Company for Real Estate Development	Real Estate	Saudi Arabia	40	40	151,607	151,790
Knowledge Economic City Developers Company	Real Estate	Saudi Arabia	2.07	2.07	16,435	16,435
Intaj Capital Limited ("Intaj") reclassified as held for sale(note 8 (b))	Fund management	Republic of Tunisia	49	49	–	179,244
Seafood International One FZCO	Seafood products distribution	UAE	40	–	–	–
Others			–	Various	–	1,999
					7,915,016	7,720,958

(b) Movement in the investments in associates during the year ended December 31 is analysed as follows:

	2016	2015
At January 1	7,720,958	7,188,197
Additions during the year	20,444	–
Share in net results for the year		
- Almarai	761,544	697,931
- Herfy	105,142	100,844
- Others	(85,278)	(3,827)
Share in net reserves for the year of Almarai (Note 24)	(116,636)	27,121
Less: Dividends received during the year		
- Almarai	(252,001)	(219,131)
- Herfy	(67,913)	(70,177)
Other adjustments	(2,000)	–
Less: Investment in Intaj – transferred to held for sale (Note 8)	(169,244)	–
At December 31	7,915,016	7,720,958

Key financial information of significant associates is as follows:

Name	Assets	Liabilities	Revenues	Net income
2016				
Almarai	29,022,740	15,565,897	14,698,662	2,080,485
Herfy	1,352,190	539,640	1,156,683	217,496
2015				
Almarai	27,371,035	14,752,807	13,794,616	1,915,691
Herfy	1,191,432	455,978	1,077,005	202,682

10. INVESTMENTS (continued)

10.2 Available-for-sale (AFS) investments

AFS investments at December 31 principally comprise the following:

	Direct ownership interest (%) 2016	Direct ownership interest (%) 2015	2016	2015
Quoted investments				
Knowledge Economic City	6.4	6.4	392,265	336,660
Emaar the Economic City ("Emaar")	0.9	0.9	127,729	96,319
Taameer Jordan Holding Company	5	5	–	–
Unquoted investments				
Joussour Holding Company ("Joussour") (Note 28)	14.81	14.81	–	135,869
Swicorp, Saudi Arabia (Note 28)	15	15	67,674	115,674
Dar Al Tamleek	5	5	24,753	24,753
			612,421	709,275

(a) During 2016, the Group received dividend amounting to SR 1.17 million (2015: SR 1.17 million) from one of the above mentioned available-for-sale investments.

(b) Movement in the available-for-sale investments is as follows:

	Note	2016	2015
At January 1		709,275	732,519
Impairment loss recognized during the year	28	(183,869)	–
Fair value reserves adjustment	24	80,732	(24,807)
Others		6,283	1,563
At December 31		612,421	709,275

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress	Total
Cost								
January 1, 2016	1,268,929	1,820,617	1,436,874	3,461,814	2,512,725	400,813	1,246,394	12,148,166
Additions	23,268	231,854	31,021	27,041	179,220	60,746	534,628	1,087,778
Disposals	–	(89)	(23,510)	(9,129)	(32,012)	(5,405)	(1,687)	(71,832)
Transfer from CWIP	–	308,017	23,476	315,610	101,707	2,721	(751,531)	–
Impairment loss	–	(2,748)	(1,237)	(176,548)	(251)	(961)	(3,395)	(185,140)
Hyperinflation adjustment	–	150	–	547	150	253	1,909	3,009
Currency translation differences	(38,770)	(205,850)	(10,242)	(650,189)	(28,934)	(32,684)	(154,626)	(1,121,295)
December 31, 2016	1,253,427	2,151,951	1,456,382	2,969,146	2,732,605	425,483	871,692	11,860,686
Accumulated depreciation								
January 1, 2016	–	(485,016)	(474,528)	(1,681,184)	(1,406,768)	(247,958)	–	(4,295,454)
Additions	–	(81,739)	(117,537)	(150,759)	(280,115)	(46,773)	–	(676,923)
Disposals	–	34	8,621	8,859	25,441	5,367	–	48,322
Hyperinflation adjustment	–	(20)	–	(72)	(12)	(6)	–	(110)
Currency translation differences	–	28,884	262	143,461	14,620	14,573	–	201,800
December 31, 2016	–	(537,857)	(583,182)	(1,679,695)	(1,646,834)	(274,797)	–	(4,722,365)
Net book value	1,253,427	1,614,094	873,200	1,289,451	1,085,771	150,686	871,692	7,138,321
Transferred to assets classified as held for sale (Note 8)	(6,626)	(103,377)	(15,368)	(137,803)	(1,017)	(1,437)	(7,885)	(273,513)
Net book value 2016	1,246,801	1,510,717	857,832	1,151,648	1,084,754	149,249	863,807	6,864,808
Net book value 2015	1,268,929	1,335,601	962,346	1,780,630	1,105,957	152,855	1,246,394	7,852,712

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Construction work in progress relates to the construction of super markets and hyper markets for Panda and upgrading and enhancing the production facilities of certain subsidiaries of SFC.

(b) Property, plant and equipment of the Group contains overseas subsidiaries amounting to SR 232.4 million (2015: SR 1,270 million) are pledged as collateral with commercial banks.

(c) Additions include SR 14.4 million in respect of finance costs capitalized during 2016 (2015: SR 32 million). The average rate used to determine the amount of finance costs capitalized during 2016 was in the range of 2.88% to 3.15% (2015: 2.5%).

12. DEFERRED TAX ASSET

Movement in the deferred tax asset for the year ended December 31 is as follows:

	2016	2015
At January 1	69,763	50,025
Addition during the year	908	25,084
Currency translation adjustment	(38,278)	(5,346)
Classified as held for sale	(3,700)	–
At December 31	28,693	69,763

Deferred tax asset is calculated on deductible temporary difference of certain foreign subsidiaries of the Group under the liability method using effective tax rate.

13. INTANGIBLE ASSETS

Movement in intangible assets for the year ended December 31, is as follows:

	Goodwill	Deferred charges	Brands with indefinite useful life	Total
Cost:				
January 1, 2016	796,407	595,884	242,876	1,635,167
Currency translation differences	(109,942)	–	(165,249)	(275,191)
December 31, 2016	686,465	595,884	77,627	1,359,976
Amortization:				
January 1, 2016	–	(521,447)	–	(521,447)
Additions	–	(74,437)	–	(74,437)
Impairment (Note 28)	(102,423)	–	–	(102,423)
December 31, 2016	(102,423)	(595,884)	–	(698,307)
Net balance 2016	584,042	–	77,627	661,669
Net balance 2015	796,407	74,437	242,876	1,113,720

The carrying values of goodwill at December 31, after currency translation reserve adjustment and impairment loss adjustment (Note 28), comprises the following:

	2016	2015
Geant's operations	222,024	222,024
Savola Industrial Investment Company	101,004	140,341
Afia International Company	84,016	84,016
Giant Stores Trading Company	75,703	75,703
KUGU Gida Yatum Ve Ticaret A.S	41,121	46,649
Afia International Company Egypt	24,482	55,348
Notrika Golden Wheat Company	20,780	22,702
United Sugar Company	14,912	14,912
El Maleka for Food Industries Company	–	108,650
El Farasha for Food Industries Company	–	8,154
Alexandria Sugar Company	–	17,908
	584,042	796,407

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 financial charges at the prevailing market rates. Certain short-term borrowings of subsidiaries are secured by corporate guarantees of the Parent Company.

15. LONG-TERM BORROWINGS

Long-term borrowings at December 31 represent the following:

	Note	2016	2015
Murabaha term finance	15.1	3,164,558	2,955,817
Commercial bank loans	15.1	398,289	652,064
Sukuk	15.2	1,500,000	1,500,000
		5,062,847	5,107,881
Current maturity shown under current liabilities		(845,369)	(528,785)
		4,217,478	4,579,096

15.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its consolidated subsidiaries. These borrowings are in Saudi Riyals, Egyptian Pounds, US Dollars, Algerian Dinar and Sudanese Pounds. Certain of these borrowings are secured by a charge on the property, plant and equipment of certain overseas subsidiaries. The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the long-term borrowings of subsidiaries are secured by corporate guarantees of the Parent Company.

15.2 On January 22, 2013, the Group completed its initial offering under this program by issuing Sukuk with a total value of SR 1.5 billion with a tenor of 7 years and carrying an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.10% payable semi-annually. The covenants require certain financial and other conditions to be complied during the tenure.

As at December 31, 2016, the Group has unused bank financing facilities amounting to SR 3.7 billion (2015: SR 3.5 billion).

15.3 Maturity profile of long-term borrowings

Years ending December 31:	2016	2015
2016	–	528,785
2017	845,369	1,433,611
2018	1,123,085	594,673
2019	828,984	567,833
2020 and thereafter	2,265,409	1,982,979
	5,062,847	5,107,881

15.4 Interest Rate Swaps (IRS)

The Company has entered into IRS contracts with local commercial banks to hedge its interest rate exposure on its borrowings and is expected to mature in 2020. The fair value of such contracts outstanding as at December 31, 2016 amounted to SR 2.97 million (2015: SR 7.05 million) which are disclosed within 'Accrued expenses and other current liabilities' and the fair value adjustment amount is recorded within equity under fair value reserve (Note 24).

The notional principal amounts of the outstanding interest rate swap contracts at December 31, 2016 were SR 750 million (2015: SR 750 million).

16. TRADE PAYABLE

Trade payable at December 31 comprise the following:

	Note	2016	2015
Trade		2,295,776	3,031,636
Due to related parties	25	119,727	92,343
		2,415,503	3,123,979

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at December 31 comprise the following:

	Note	2016	2015
Accrued expenses		648,606	499,356
Accrued zakat and tax	36.1	271,099	258,134
Payable related to government authorities	17.1	251,122	80,310
Accrued rent, utilities and freight charges		185,704	129,725
Employee related accruals		168,579	137,823
Accrued financial charges		159,339	186,770
Marketing related accruals		157,170	222,903
Payable to Margarin Company	17.2	63,438	51,592
Unclaimed dividend		51,639	35,232
Payable to contractors		50,370	89,333
Insurance related liabilities	17.3	30,154	33,399
Advances from customers		26,841	50,244
Negative fair value of derivatives	7.2 &15.4	13,802	34,367
Dividend payable to non-controlling interest		6,349	23,520
		2,084,212	1,832,708

17.1 This amount mainly represents the accrued expenses of estimate payments to be made to government authorities related to custom duties, subsidies and price differences on edible oil purchases.

17.2 This amount represents payable to Margarin Company (MMC) in connection with the price differences on subsidized crude oil consumed by Behshahr Industrial Company for production of free market products.

17.3 The amount represents the accrued expenses of estimated payments to be made to third parties as compensation in connection with the damages incurred due to the fire incident in the United Sugar Company's warehouse.

18. DEFERRED TAX LIABILITY

Movement in the deferred tax liability for the year ended December 31, is as follows:

	2016	2015
At January 1	102,932	80,205
Addition during the year	27,959	32,125
Currency translation adjustment	(59,160)	(9,398)
Classified as held for sale (Note 8)	(21,180)	–
At December 31	50,551	102,932

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

19. DEFERRED GAIN

Movement in the deferred gain for the year ended December 31 is as follows:

	2016	2015
At January 1	175,314	192,411
Amortization	(17,097)	(17,097)
At December 31	158,217	175,314

Deferred gain principally relates to deferral of capital gain on land and building sale and operating leaseback transactions by the Group's subsidiaries. Such gains are deferred over a period ranging from 10 years to 18 years.

20. LONG-TERM PAYABLES

Long-term payables at December 31 comprise the following:

	Note	2016	2015
Unclaimed dividends	20.1	214,491	218,449
Deferred rent payable		–	12,047
Other long term payable		1,090	2,001
		215,581	232,497

20.1 Unclaimed dividends

Unclaimed dividends at December 31, 2016 and 2015 represent dividends declared by the Company 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, dividends unclaimed for more than two years are unlikely to be paid during 2017 and, accordingly, such amounts have been classified under non-current liabilities.

21. EMPLOYEES' END OF SERVICE BENEFITS

Movement in employees' end of service benefits for the year is as follows:

	2016	2015
At January 1	412,220	372,168
Charge for the year	83,550	77,586
Payments made during the year	(40,144)	(33,198)
Currency translation adjustment	(11,847)	(4,336)
Reclassified to 'liabilities classified as held for sale' (Note 8)	(4,398)	–
At December 31	439,381	412,220

22. SHARE CAPITAL

At December 31, 2016 and 2015, the Company's share capital of SR 5.3 billion consists of 533.9 million fully paid shares of SR 10 each.

23. STATUTORY RESERVE

In accordance with the Company's By-laws and the previous Saudi Arabian Regulations for Companies, the Company sets aside 10% of its net income each year to a statutory reserve until such reserve equals 50% of the share capital. The new Saudi Arabian Regulations for Companies issued on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income each year to a statutory reserve until such reserve reaches 30% of the share capital. The Company is currently in the process of amending its By-laws as described in Note 2.1.

This reserve is currently not available for distribution to the shareholders of the Company.

24. FAIR VALUE RESERVE

Fair value reserve includes share of reserve of associates, AFS and cash flow hedge. Movement in fair value reserve is as follows:

	Note	2016	2015
At January 1,		3,784	(17,465)
Share in changes in other reserve of Almarai (an associate)	10.1	(116,636)	27,121
Fair value adjustment from investments in available-for-sale (AFS) investments	10.2	80,732	(24,807)
Fair value adjustment from derivative financial instruments relating to cash flow hedge	7.2 &15.4	10,027	18,935
At December 31,		(22,093)	3,784

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties include the Group's shareholders, associates and affiliated companies, other entities related to certain consolidated subsidiaries and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group's management.

(b) Significant related party transactions for the year ended December 31, and balances arising there-from are described as under:

Name	Relationship	Nature of transactions	Amount of transactions 2016	Amount of transactions 2015	Closing balance 2016	Closing balance 2015
Due from related parties – Trade receivables						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	207,508	369,287	3,826	39,944
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	98,282	93,127	40,922	15,978
Al Marai Company	Affiliate	Trade	83,426	85,275	7,855	5,656
Western Bakeries Company Limited	Affiliate	Trade	25,412	23,439	2,882	2,250
Abdul Kader Al-Muhaidib & Sons	Shareholder	Trade	5,698	7,831	936	1,425
Herfy Food Company	Affiliate	Trade	3,897	1,488	879	146
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	1,407	–	68	–
Others		Trade	–	–	788	788
					58,156	66,187
Due from related parties – Prepayments and other current assets						
Kinan International (Note 25.2)	Associate	Non-trade	41,403	42,255	149,405	150,935
Intaj Capital Limited	Associate	Non-trade	–	–	27,200	40,554
Seafood International One FZCO	Associate	Expenses	21,347	–	19,346	–
Others		Non-trade	–	–	–	924
					195,951	192,413
Due from related parties – Long-term receivables						
Kinan International (Note 25.2)	Associate	Non-trade	–	–	–	148,960
Shareholder of USC – Net	Shareholder of a subsidiary	Trade	–	–	3,966	12,467
					3,966	161,427
Due to related parties – Trade payables						
Al Marai Company	Associate	Purchases	514,611	476,501	55,202	52,356
Hail Agricultural Development Company	Affiliate	Purchases	91,946	93,184	12,759	12,920
Herfy	Associate	Purchases	34,075	35,411	10,902	8,725
Mayar Food Company	Affiliate	Purchases	233,759	200,896	40,864	18,342
					119,727	92,343

25.1 Board of directors remuneration

Remuneration, compensation and bonuses of the key management personnel paid during the year ended December 31, 2016 was SR 25.23 million (2015: SR 25.87 million).

Board of Directors' remuneration for the year ended December 31, 2016 amounting to Nil (2015: SR 2.2 million) has been calculated in accordance with the Company's By-laws and is considered as appropriation shown in the consolidated statement of changes in equity. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 2.6 million (2015: SR 4.4 million) are charged to expenses and included under general and administrative expenses.

25.2 In September 2014, the Parent Company sold its direct and indirect ownership interest in Diyar Al Mashreq (Masharef Project) to its associate Kinan at a total consideration of SR 593.6 million, receivable in four installments until November 2017.

26. SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the year ended December 31 comprise the following:

	2016	2015
Salaries, wages and benefits	1,388,204	1,415,050
Rent	892,845	768,329
Advertisement	352,940	409,921
Depreciation and amortization	467,884	393,503
Utilities	317,706	262,147
Maintenance	107,892	87,503
Commission	51,697	62,969
Others	67,802	55,093
	3,646,970	3,454,515

27. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprise the following:

	2016	2015
Salaries, wages and benefits	411,993	358,723
Depreciation and amortization	108,054	73,983
Professional fees	47,054	33,776
Computer related cost	25,769	19,745
Insurance	29,004	30,703
Rent	13,131	10,642
Traveling	9,994	11,204
Training	5,575	7,109
Utilities, telephone and communication cost	16,785	18,505
Repairs and maintenance	4,588	5,443
Others	67,637	11,786
	739,584	581,619

28. IMPAIRMENT LOSSES

As part of Group's assessment exercise of the fair values of available for sale securities and recoverable amounts of certain assets, investment in an associate held for sale and goodwill at the year end; the Group has recognized a cumulative impairment loss of SR 573.89 million during the year ended December 31, 2016. The breakup of the amount by class of assets and basis of determination are as follows:

	2016
Impairment loss on:	
- fair valuation of AFS Investment (Note 'a' below)	183,869
- re-measurement of an associate held for sale (Note 'b' below)	88,400
- recoverable amount of non-financial assets including goodwill (Note 'c' below)	301,623
Total impairment losses	573,892

(a) Impairment loss on Fair Valuation of AFS investments:

The Group holds investment in equity shares of Swicorp, Saudi Arabia and Joussor Holding Company and classify these under Available for Sale investments. The Group has carried out an internal study to estimate the reliable Fair Values of these unquoted investments at December 31, 2016 using multiple valuation techniques. The study captures the deteriorating financial performance of the companies and also refers to the range of acceptable fair valuation techniques such as Price Earnings Multiples, Price to Book value and Price to Tangible Book Value. The decline in the recent fair value has been considered significant and therefore impairment losses amounting to SR 48 million and SR 135.9 million has been recognized on Swicorp, Saudi Arabia and Joussor Holding Company, respectively.

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

28. IMPAIRMENT LOSSES (continued)

(b) Impairment loss on re-measurement of an associate held for sale:

As disclosed in note 8, the investment in Intaj Capital Limited has been classified as held for sale resulting its measurement at lower of carrying amount or Fair value less cost to sell. The determination of fair value less cost to sell was principally based on bid prices from potential buyers but also supported by detailed internal analysis of underlying investments. The Group considered the latest available NAV report from the Fund Manager, and adjusted the same with the probable exit timing, appropriate EBITDA multiples and current liquidity discount. Consequently, this investment has been written down to its estimated fair value of SR 80.8 million and an impairment loss of SR 88.4 million has been recognized during the three month period ended December 31, 2016.

(c) Impairment loss on recoverable amount of non-financial assets, including goodwill:

The Group has reviewed the carrying amounts of its non financial assets including goodwill to determine whether their carrying values exceeds the recoverable amounts. For the impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows based on 5 year management's approved plan, discounted to their present value using the growth rates, pre-tax discount rates and a terminal value percentages (disclosed as key assumptions below).

The recoverable amount of the CGU was estimated to be lower than the carrying amount and therefore, a cumulative impairment loss of SR 301.6 million has been recognised on the goodwill first and then to other assets (including intangible assets) on a pro rata basis (in case of ASC and AUCR) in the consolidated statement of income under 'Impairment losses'. In allocating any impairment loss, individual assets are not written down below individual recoverable amount or zero.

At 31 December 2016, following is the breakup of impairment loss:

CGU	Impairment loss	Key Assumptions
El Maleka for Food Industries Company	41,550	• Budgeted EBITDA growth rate 33.7% • Discount rate 24.86 % • Terminal value growth rate 5.5%
El Farasha for Food Industries Company	3,627	• Budgeted EBITDA growth rate 17.51% • Discount rate 24.86 % • Terminal value growth rate 5.5%
Savola Industrial Investment Company – (USCE)	39,338	• Budgeted EBITDA growth rate (1.08)% • Discount rate 12.8 % • Terminal value growth rate 3%
Alexandria Sugar Company, Egypt (ASC)	17,908	• Budgeted EBITDA growth rate (5.7)% • Discount rate 25.6 % • Terminal value growth rate 5.5%
Total	102,423	

Key assumptions used for value in use calculation:

Management determined forecast sales growth and gross margin based on past performance and its expectations of market development. The discount rates reflect management's estimate of the specific risks relating to the segment. Estimates for raw material price inflation have been made based on the publicly available information and historical actual raw material price movements, which have been used as an indicator of future price movements. Growth rates are based on the industry averages.

The calculation of value in use is most sensitive to the assumptions on sales growth rate (negative 3% to positive 16%) and cost of sales inflation (negative 3% to positive 16%) used to extrapolate cash flows beyond the budget period of 5 years, as well as the terminal value using Gordon growth model.

Other non-financial assets:

The impairment in other assets represents the write-down of certain property, plant and equipment of Alexandria Sugar Company, Egypt (ASCE) and Alexandria United Company for Land Reclamation (AUCR) (subsidiaries) to their recoverable amounts due to volatile sugar pricing and supply dynamics; increase in the costs structure due to subsidy removal and sales disruptions led to decreased profitability.

28. IMPAIRMENT LOSSES (continued)

Due to the above mentioned factors, the carrying value of property, plant and equipment of ASC and AUCR have been written-down by SR 160 million and SR 39.2 million (including SR 14 million pertaining to inventory write-down) respectively, to their recoverable amounts.

The recoverable amount as at December 31, 2016 was based on "value-in-use" method and was determined at the level of cash generating unit ("CGU") as identified by management and consists of the net operating assets of ASCE and AUCR. In determining value in use for the CGUs, the cash flows (determined using approved five-year business plan and budget) were discounted at a rate of 25.6% on a post-tax basis and were projected up to the year 2021. The estimated average growth rate used to extrapolate the cash flows beyond the five-year period was 5.5% and nil for ASCE and AUCR respectively and management believes that such growth rate does not exceed the long-term average growth rate for the market in which it operates. The calculation of value-in-use is most sensitive to the following key assumptions used:

- Future performance improvements
- Discount rate applied to cash flows projections
- Sale prices and quantities

29. FINANCIAL CHARGES – NET

Financial charges for the year ended December 31 comprise the following:

	Note	2016	2015
Bank commission		22,722	29,925
Financial charges on borrowings	14 & 15	361,177	329,828
Loss/(gain) from derivatives – net	7.2	8,111	(97,640)
Foreign exchange loss	29.1	353,782	48,909
Commission income earned on short-term bank deposits	4	(196,083)	(143,628)
		549,709	167,394

29.1 This represents exchange loss arising on monetary items. The amount principally represents exchange differences arising on translation of monetary assets and liabilities as well as transactions in Egypt and Iran.

30. HYPERINFLATIONARY ACCOUNTING

The Group has operations in Sudan through its subsidiary Savola Sudan, which was declared as hyperinflationary economy by International Accounting Standard Board (IASB) since 2013.

During December 2016, after Sudan ceased to be a hyperinflationary economy; the Group ceased to apply hyperinflation accounting with effect from September 30, 2016 (i.e. the last reported period).

The main effects on the Group's consolidated financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) for the period ended September 30, 2016 and year ended December 31, 2015 are as follows:

	Period ended September 30, 2016	Year ended December 31, 2015
Revenue increased by	1,001	12,875
Income from operations decreased by	(8,561)	(50,391)
Total non-current assets decreased by	(20,852)	(30,594)
Currency translation differences impacted by	(34,782)	(46,903)

The management applied the consumer price index (CPI), published by the World Bank and the Central Bank of the entity to adjust its financial information. The conversion factors used for the CPI adjustment is given below:

	Sudan
Conversion factor for the period ended September 30, 2016	1.20
Conversion factor for the year ended December 31, 2015	1.09

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

31. OPERATING LEASES

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2016 amounted to SR 905.9 million (2015: SR 779.7 million). Future rental commitments at December 31, under these operating leases are as follows:

	2016	2015
Within one year	781,447	851,550
Between two and five years	1,563,004	2,462,002
More than five years	5,486,169	5,178,133
	7,830,620	8,491,685

32. DIVIDENDS

The Company's shareholders have approved and paid dividends amounting to SR 667 million in 2016. The details of interim dividends approved and final dividend proposed by the Board of Directors are as follows:

Date of approval	Interim/Final	Per share value (SR)	Total Amount (SR)
January 20, 2016	Final 2015	0.50	266.99 million
April 19, 2016	Interim 2016	0.25	133.5 million
July 27, 2016	Interim 2016	0.25	133.5 million
October 19, 2016	Interim 2016	0.25	133.5 million

33. SEGMENT INFORMATION

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

For management purposes, the Group is organized into the following operating segments:

Foods – Foods segment consist of operations of subsidiaries engaged in the manufacturing, marketing and distribution of products related to edible oil, pasta, sugar, seafood, confectionery, and agro cultivation in the local and overseas market.

Retail – Retail segment consist of operations of subsidiaries engaged in wholesale and retail trading in food supplies and consumable materials.

Investment and other activities – segment consist of Head office operations pertaining to investment and other activities.

Selected financial information as at and for the year ended December 31, summarized by segment, is as follows:

	Retail	Foods	USCE (discontinued operations)	Investments and other activities	Eliminations	Total
2016						
Revenues – net	13,778,804	11,781,614	–	137,611	(385,645)	25,312,384
Cost of revenue	(11,118,867)	(10,005,165)	–	–	248,036	(20,875,996)
Net (loss)/income	(772,509)	190,741	(176,260)	299,972	6,748	(451,308)
Property, plant and equipment	3,972,618	2,345,765	–	546,425	–	6,864,808
Other non-current assets	297,728	403,386	–	8,527,436	–	9,228,550
2015						
Revenues – net	13,532,732	11,812,204	–	144,856	(364,196)	25,125,596
Cost of revenue	(10,303,388)	(10,031,350)	–	–	234,532	(20,100,206)
Net income/(loss)	146,359	686,398	1,161	972,386	(14,557)	1,791,747
Property, plant and equipment	3,826,703	3,120,580	295,215	610,214	–	7,852,712
Other non-current assets	338,738	918,243	3,700	8,530,242	–	9,790,923

33. SEGMENT INFORMATION (continued)

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and other countries. Selected financial information as at and for the year ended December 31 summarized by geographic area, is as follows:

	Saudi Arabia	Egypt	Iran	Other countries	Total
2016					
Revenues – net	18,262,369	2,015,622	2,755,529	2,278,864	25,312,384
Cost of revenue	(14,877,166)	(1,604,483)	(2,370,499)	(2,023,848)	(20,875,996)
Net (loss)/income	(373,313)	(338,380)	135,972	124,413	(451,308)
Property, plant and equipment	5,513,148	439,025	728,305	184,330	6,864,808
Other non-current assets	9,029,063	110,131	40,699	48,657	9,228,550
2015					
Revenues – net	17,557,819	2,164,537	2,701,598	2,701,642	25,125,596
Cost of revenue	(13,562,273)	(1,854,430)	(2,308,818)	(2,374,685)	(20,100,206)
Net income/(loss)	1,483,058	(28,760)	232,106	105,343	1,791,747
Property, plant and equipment	5,299,702	1,616,303	730,105	206,602	7,852,712
Other non-current assets	9,304,118	411,435	61,699	13,671	9,790,923

34. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share for the year ended December 31, 2016 and 2015, have been computed by dividing the operating income (including share of non-controlling interest) and net income attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding 533.981 million (2015: 533.981 million) during such periods.

Diluted earnings per share for the year ended December 31, 2016 and 2015, have been computed by dividing the operating income (including share of non-controlling interest) and net income attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares. However, as the impact of dilution is not material, the diluted earnings per share is approximately same as basic earnings per share.

35. CONTINGENCIES AND COMMITMENTS

(i) The Group has outstanding bank guarantees and letters of credit amounting to SR 198.9 million (2015: SR 466 million), which were issued in the normal course of business;

(ii) Also see Note 14 with respect to guarantees given for certain borrowings, Note 36 with respect to zakat contingencies and Note 31 with respect to leases;

(iii) At December 31, 2016, one of the subsidiaries had commitments to sell in 2017 refined sugar of approximately 243,695 MT (2015: 409,861 MT to sell in 2016) at prices, which would approximate the prevailing market prices at the contract date. The raw sugar price of committed sale contracts is hedged through futures contracts and are expected to mature in 2017;

(iv) At December 31, 2016, the Group had outstanding commitments of SR 49.6 million (2015: SR 49.6 million) for investments;

(v) At December 31, 2016, the Group had outstanding capital commitments of SR 253 million (2015: SR 518 million);

(vi) The Company has also issued a corporate guarantee, amounting to SR 102 million (2015: SR 102 million), to Saudi Industrial Development Fund for their loan to an associated company in proportion of the Company's ownership interest in the equity accounted investee; and

(vii) The Group is a defendant in various legal claims arising in the normal course of business. Provision has been established for certain claims, based on the information presently available. Management believes that the existing amounts provided for such claims are adequate. Any additional amount that may result in connection with other claims are not expected to have a material effect on the Group's financial position or results of its operations.

(Expressed in Thousands of Saudi Riyals, unless otherwise stated)

36. ZAKAT AND FOREIGN INCOME TAX

36.1 Zakat and tax matters

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

	2016	2015
Current foreign income-tax charge	106,917	108,201
Zakat	22,932	23,263
	129,849	131,464
Deferred foreign income-tax charge:		
- Deferred tax liability related (Note 18)	27,959	32,125
- Deferred tax asset related (Note 12)	(908)	(25,084)
	27,051	7,041
	156,900	138,505

The movement in the accrued zakat and current-income taxes are as follows:

	2016	2015
At January 1,	258,134	270,280
Charge for the year	129,849	131,464
Transferred to 'liabilities classified as held for sale' (Note 8)	(5,104)	–
Currency translation adjustment	(24,187)	(39,636)
Payments/adjustment during the year	(87,593)	(103,974)
At December 31,	271,099	258,134

36.1.1 Components of zakat base

The Group's Saudi Arabia's 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 regulations 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.

36.1.2 Status of final assessments

(a) Zakat status

The Company has finalised its Zakat status up to the year 1998. The Company has an ongoing objection against the Zakat assessment issued by the General Authority of Zakat and Income Tax (GAZT) for the years 1999 and 2000 which showed Zakat differences of SR 1.9 million. The GAZT issued a claim on the Company's accounts for the year 2009 amounting to SR 1.3 million, against which the Company has filed an appeal.

The Company filed the Zakat returns for the years 2005 to 2012. The GAZT recently conducted a field audit on the Company's accounts for the years 2005 to 2012.

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 GAZT for the open years, for which replies have been/will be filed by the respective companies. Some Saudi subsidiaries received assessments from the GAZT concerning their zakat declarations for the years 2005 to 2012, in which the GAZT assessed additional zakat liabilities of approximately SR 42.7 million (2015: SR 46.8 million). The subsidiaries have appealed against 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 tax rates to the adjusted taxable income for the year. Certain foreign subsidiaries are also obliged to pay quarterly advance 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.

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 consolidated balance sheet include cash and cash equivalents, trade receivable, investments, long-term receivables, short-term and long-term borrowings, trade payable and accrued expenses and other current liabilities.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risks. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade receivable are stated at their estimated realizable values.

The table below shows the maximum exposure to credit risk for the significant components of the consolidated balance sheet:

	2016	2015
Bank balances and short term deposits	1,308,208	2,041,198
Trade receivable	1,181,211	882,680
Other current assets	535,352	442,695
Other long term assets	10,751	177,207
	3,036,458	3,545,205

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, United States Dollars, Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. Currency risk is managed on regular basis.

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 position and cash flows. The Group's interest rate risk arise mainly from short term bank deposits and bank borrowings, which are at floating rates of interest. All deposits and debts are subject to re-pricing on a regular basis. During 2014, the Group entered into Interest Rate Swaps ("IRS") to manage its exposure to interest rate risk. Such IRS is designated as a Cash flow hedge. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

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 the 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 to meet the Group's future commitments.

As at December 31, 2016, the Group has unused bank financing facilities amounting to SR 3.7 billion (2015: SR 3.5 billion).

Price risk is 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 consolidated 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying consolidated financial statements are prepared under the historical cost method, except for the revaluation of the available-for-sale investments and derivative financial instruments which are carried at fair values through equity, differences may arise between the book values and the 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.

38. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were authorized for issue by the Company's Board of Directors on Jumada Al Thani 16, 1438H, corresponding to March 15, 2017.

Savola welcomes your comments and suggestions that may help to enhance the quality of services provided to our shareholders and customers.

You may contact our toll free number 800 244 0204, or visit our website: www.savola.com.

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