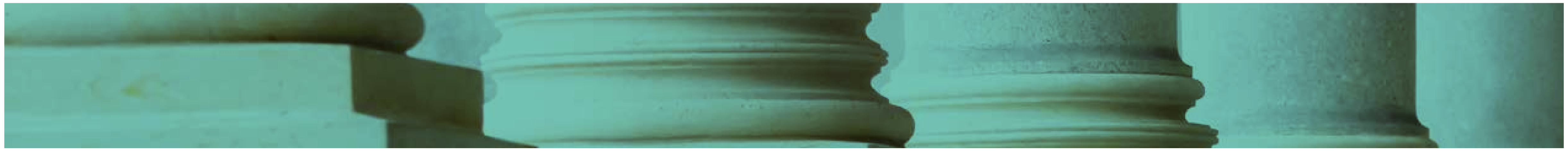
SAVOLA

Value Built on Values

Strengthening the Group at every level

Annual Report 2018



Sustaining future growth through strategic change

2018 has been a year of bold strategic changes that will strengthen the Group at every level and reestablish our position as the leading investment holding Group for the food and retail sectors in the MENAT (Middle East, North Africa and Turkey) region.

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Read Our Highlights on **page 6**

Maintaining focus on market leadership.

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Investing in growth through our acquisition of Al Kabeer.

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Panda – A strategy fit for the long term.

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Enhancing the workplace for our employees.

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01 Strategic Report

In this section

Savola at a Glance

We are one of the leading strategic investment holding Groups in the food and retail sectors across the MENAT (Middle East, North Africa and Turkey) region.

Major/manufacturing markets

Saudi Arabia, Iran, Egypt, Turkey, Sudan, Algeria, Morocco, Iraq, UAE

Export markets

Afghanistan, Angola, Bahrain, Benin, Cameroon, Canada, Cape Verde, China, Comoros, Congo, Djibouti, Eritrea, Ethiopia, France, Gambia, Ghana, Guinea, Iraq, Italy, Jordan, Kenya, Kuwait, Lebanon, Liberia, Libya, Maldives, Mali, Mauritius, Mayotte, Morocco, Mozambique, Nepal, Netherlands, New Zealand, Oman, Pakistan, Palestine, Qatar, Rwanda, Sierra Leone, Singapore, Somalia, Somaliland, South Africa, South Korea, South Sudan, Spain, Sri Lanka, Sudan, Syria, Tanzania, Tunisia, Turkey, UAE, Uganda, United Kingdom, Yemen

We maintain a diverse and expanding portfolio of managed and non-managed assets. Across our verticals in food and retail, we operate the largest grocery store chain in Saudi Arabia, produce much-loved everyday household products including oil, sugar, pasta and frozen foods in more than 30 countries. We believe in creating "Value Built on Values"; we are Savola. Since 1979, investors have chosen Savola for its strong performance and specialist market knowledge.

Food investments

Our food vertical includes investments in large branded categories across the MENAT region. Savola Foods is a leader in basic branded consumer packaged goods, which it offers in more than 30 countries. We are proud to say that many of our products are market leaders in their respective categories. We continue to build on our range of established products by expanding into higher-value items and diversifying our portfolio. We also generate profits through our long-term strategic investments. We are the largest shareholder in the Middle East's leading food manufacturer and distributor, Almarai, with a 34.52% stake in the business, and in 2018 acquired a majority stake in Al Kabeer Group of Companies, one of the region's leaders in frozen foods manufacturing and distribution.

44% of Group revenue

34.52% Stake in Almarai

51% Stake in Al Kabeer

Read our **Performance Review** on **page 20**

Retail investments

Panda Retail is the largest modern grocery chain in Saudi Arabia with 214 stores serving 116 million customers annually. Panda boasts a proud history, a leading market share and formidable geographic reach. We are the largest shareholder in Herfy Food Services Company, one of the leading restaurant, industrial bakery and meat processing businesses in Saudi Arabia, with a 49% stake in the business.

56% of Group revenue

219 Panda stores in 40+ cities

379 Herfy stores in 50+ cities

Read our **Performance Review** on **page 32**

Strategic and Financial Highlights

A year of challenges and opportunities

This year, Savola Group has faced strong challenges across all markets. However, we remain focused on the long term and we are committed to a strategy that will both safeguard our leading market position and allow us to emerge from this period of turbulence as a stronger and leaner organization.

Highly challenging macro economic conditions have continued to affect our business across our footprint in 2018. Group achieved revenue of SAR 21.8 billion compared to SAR 23.8 billion in 2017, while operating income reached to SAR 643.7 million compared to SAR 1.09 billion before exceptional items. Overall Group recorded a net loss of SAR 520.4 million after recording the exceptional charges of SAR 531 million compared to net income of SAR 1.03 billion last year, which included the net exceptional gain of SAR 381 million.

Consumer habits are changing and the costs of doing business are on the rise. The negative effects of this environment have been magnified by regulatory intervention across some geographies.

Nonetheless, we have maintained our strong, established presence in the food sector, achieving total sales volumes of just under 1.7 million tons of edible oil, 2.2 million tons of sugar and 0.3 million tons of pasta. In 2018, Savola Foods Company generated a net revenue of SAR 9.7 billion, achieving a gross profit of just under SAR 1.2 billion, an operating income of SAR 379 million and a net loss of SAR 17 million.

We also continue to capitalize on present market conditions by investing in growth. To that end, we acquired a 51% stake in Al Kabeer Group of Companies, a leading regional frozen foods player with factories in Saudi Arabia and UAE, marketed across the GCC.

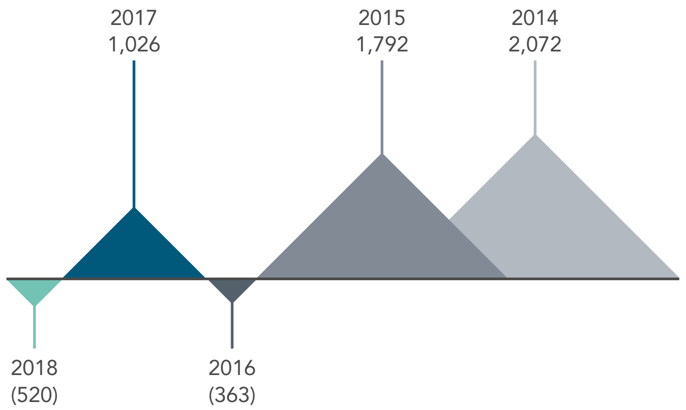
In Saudi Arabia, the grocery retail market remains challenging. FMCG sales in the Kingdom fell by around 5% in 2018, whilst the implementation of VAT, unprecedented shopper price sensitivity, rising energy and utility prices, and falling expatriate customer count have acted as major barriers to the sector's recovery.

These factors have led to a delay in the recovery of our retail brand, Panda. In 2018, sales were slightly lower than in 2017 due to a decline in customer count that was only partially offset by an increase in basket size. Revenue was SAR 11.1 billion, 5% lower than in 2017, whilst gross profit stood at SAR 2.3 billion (0.6% below 2017) representing a net loss of SAR 917 million, compared to a net loss of SAR 1.02 billion in 2017. Our Pandati format was closed by the end of the year. However, like-for-like sales experienced a drop of only 2% from 2017.

The Group is focused on continuing its ongoing strategic reforms with a view to a deeper active portfolio, managed dynamically to allocate capital to capitalize on growth and extract synergies available.

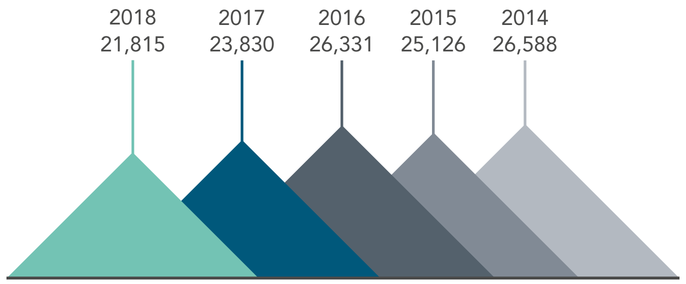
Net income (SAR million)

(520)



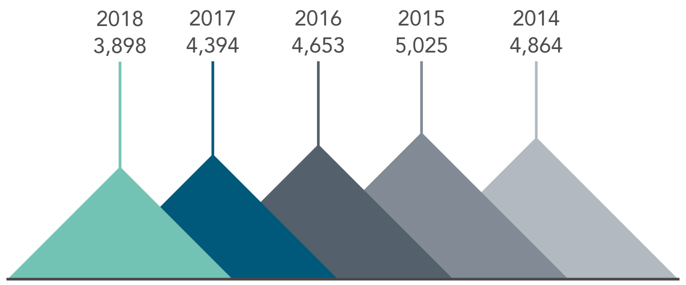
Revenues (SAR million)

21,815



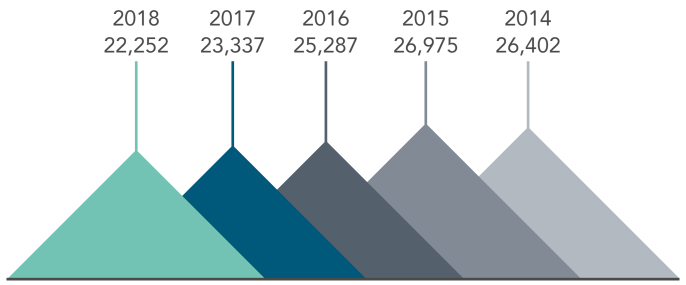
Gross profit (SAR million)

3,898



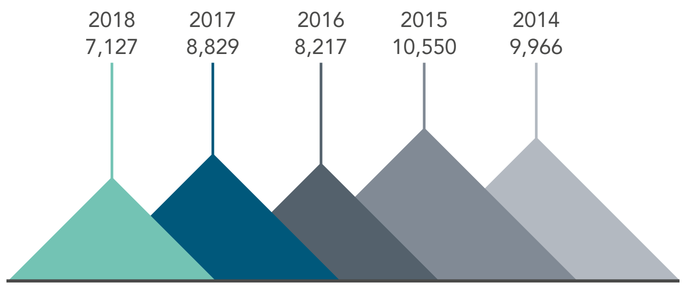
Total assets (SAR million)

22,252



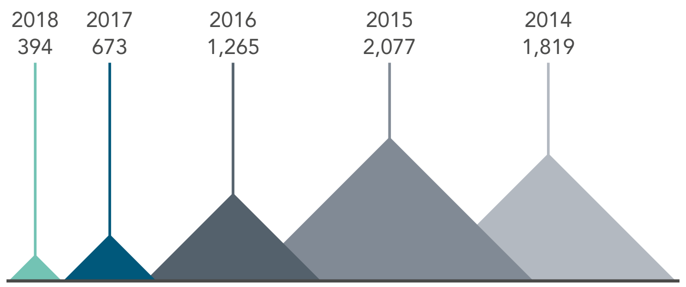
Shareholders' equity (SAR million)

7,127



Capital expenditure (SAR million)

394



Chairman's Statement

Strengthening our position across all of our markets

On behalf of the Board of Directors, I am pleased to present Savola Group's Annual Report for 2018.

Sulaiman A. Al Muhaidib
Chairman

Read **Our Highlights** on **page 6**

Read **Our Journey** on **page 18**

It has been yet another difficult year across all our markets. In the face of this challenging environment, Savola has continued to pursue its long-term transition strategy, formulated to safeguard the future of the Group as a strategic investment holding company in the consumer space and create lasting value for our shareholders, customers and communities across our footprint.

Our ongoing drive for diversification resulted in the acquisition of a 51% stake in Al Kabeer Group of Companies in 2018, marking our entry in the frozen foods segment through the company's impressive footprint in the Gulf region. This encapsulates our strategic aim to capitalize on the present uncertainty to reinforce our leading position in the region's consumer market.

This year, Panda faced even greater challenges than in 2017, on the back of the expat exodus, VAT introduction and increasing promotional activity. However, with a new executive team in place, we have now begun implementing our plans to achieve the turnaround of the company, which will take time, but we remain firmly focused on securing Panda's long-term stability and success, and confident that we have the team and position to achieve it.

Savola Group is proud of its unique corporate governance system. Risk management has been a key governance focus area in 2018, resulting in the implementation of an integrated enterprise risk management framework developed during the course of 2018 and approved by the Board.

Financial results

The Group recorded a loss of SAR 520 million in 2018 including exceptional charge of SAR 531 million, compared to SAR 1.03 billion net income in 2017 which included SAR 694 million of gain from sale of 2% of Almarai shares. The worsening macroeconomic situation across our markets has undermined profitability, which was affected to a large extent by foreign exchange movement in central Asia, directly or indirectly.

Yet, despite the negative combination of currency devaluation, inflation, rising interest rates, regulatory intervention, escalating costs, shrinking margins and changing consumer behavior, we continue to hold majority shares across our business. We remain dedicated to the Kingdom's national priorities and the objectives of the 2030 Vision, despite these challenging market conditions.

A mindset for long-term success

On behalf of the Board of Directors, I wish to express our deep appreciation to our shareholders and stakeholders for their continued support and trust in Savola. We are also indebted to our employees and executive management, who have been instrumental in strengthening our long-term growth objectives. Our tremendous journey is still underway and we are confident in our future as the Kingdom's leading strategic investor in food production and retail.

Sulaiman A. Al Muhaidib
Group Chairman

Board of Directors

Mr. Sulaiman A. Al Muhaidib

Chairman of the Board; Non-Executive

Current positions: Chairman of the Board, Al Muhaidib & Sons Co., Board member of many companies as follows Almarai Co., The Saudi British Bank, National Industrialization Co., Acwa Power International, Rafal Real Estate Co., Vision Invest, Mayar Foods Co., Amwal AlKhaleej Commercial Investment Co., Taj Al Awfia Co., That Al Sawary Co., International Timber Co., Al Muhaidib Holding Co.

Previous positions: Chairman of the Board, Middle East Paper Co. (MEPCO), Chairman of the Board Al Oula For Real Estate Development Co., Thabat Construction Co.

Qualifications: Second Class, Faculty of Medicines, King Saud University, Saudi Arabia.

Experience: Business, industrial and banking management, as well as investment management and real estate development and contracting. He also sits on a number of other Boards.

Mr. Bader Abdullah Al Issa

Vice Chairman of the Board; Non-Executive

Current positions: CEO, Amias Holding; CFO, Assila Investment.

Previous positions: Investment Portfolio Manager, HSBC Saudi Arabia Limited (2006-2008); Financial & Marketing Analyst, SABIC America; Financial Analyst, JP Morgan.

Qualifications: Master of Business Administration, Rice University, United States; Bachelor of Economics, University of Virginia, United States; Certified Financial Analyst (CFA).

Experience: Financial and administrative fields, portfolio management, studying and analyzing of listed companies. In addition, he also sits on a number of other Boards.

Eng. Abdullah Mohammed Nour Rehaimi

Non-Executive Board member

Current positions: Retired – Government Official.

Previous positions: Managing Director/CEO, Savola Group (2015-2016); President, General Authority of Civil Aviation (2003-2011); Assistant Director General, SIDF (1998-2003).

Qualifications: Bachelor of Mechanical Engineering, King Fahad University of Petroleum and Minerals Sciences, Saudi Arabia; Chase Manhattan Bank Credit Program (JP Morgan Chase) and various leadership programs.

Experience: Extensive skills in leadership, management, finance, strategic planning, and restructuring. He has held several positions in the public and private sectors, and sits on a number of other Boards.

Mr. Fahad Abdullah AL Kassim

Independent Board member

Current positions: Chairman, Amwal Financial Consultants; Board Advisor, Al Rajhi United Investment Co.

Previous positions: CEO, Amwal Financial Consultants (2001-2011); GM, Al Othaim Trading Group (2000-2001); Managing Partner, KPMG International (1995-1999); The Executive Director, Dallah Hospital (1991-1995); Partner, Al-Qasim Office Certified Public Accountants (1990-1991).

Qualifications: Bachelor of Science in Management with a major in Accounting, King Saud University, Saudi Arabia; Advanced Management and Leadership Program, Oxford University, United Kingdom.

Experience: Financial, administrative and auditing consultancy (20 years), Executive Management in a health institution (5 years), Executive Management in retail and wholesale (1 year) and sits on a number of other Boards.

Mr. Mohammad A. Al Fadl

Independent Board member

Current positions: Chairman of the Board, Al Fadl Group.

Previous positions: CEO, Al Fadl Group of Companies.

Qualifications: Bachelor of Economics and Marketing, University of San Francisco, United States.

Experience: More than 40 years' experience in Corporate Management through managing of Al Fadl Group of Companies, which includes many companies in various fields and sits on a number of other Boards.

Mr. Mohammed Ibrahim Al Issa

(appointed on 6 September 2018)

Independent Board member

Current positions: Head of Balance Sheet Management and Investment SABB Bank (2014-Present).

Previous positions: Head of Derivatives Trading and Structuring – SABB Treasury (Aug 2012 – Sep 2014).

Qualifications: Bachelors of Commerce, Finance option, Sauder School of Business, University of British Columbia Vancouver, Canada.

Experience: Has a wealth of experience in the fields of financial management, investments and financial markets. He also served as a member of the Board of Directors of Sukoon Real Estate Company and Al Aqeeq Real Estate Company.

Eng. Mutaz Qusai Alazawi

Non-Executive Board member

Current positions: CEO of the Saudi Co. for Construction, Industrial and Engineering Projects.

Previous positions: Running his private business since graduating from university.

Qualifications: Bachelor of Information Technology Engineering, King Saud University, Saudi Arabia.

Experience: 25 years of experience in investment, trade, and construction management, and sits on a number of other Boards.

Mr. Abdulaziz Khaled Al Ghufaily

Non-Executive Board member

Current positions: Retired – Public Sector.

Previous positions: General Director, Local Shares Dept, Hassana Investment Co. (2014-2017); Director, Direct Investments Dept., General Organization for Social Insurance (GOSI) (1991-2013).

Qualifications: Masters of Economics, United States; Bachelor of Economics, King Saud University, Saudi Arabia.

Experience: Experience in the field of social insurance, investment portfolios and shares. He also sits on a number of other Boards.

Mr. Essam Abdulkader Al Muhaidib

Non-Executive Board member

Current positions: Managing Director, Al Muhaidib & Sons Co. and Board member of various of Savola Group subsidiaries.

Previous positions: Held a number of managerial and leadership positions, and board memberships in Al Muhaidib Group of Companies.

Qualifications: Bachelor of Science in Statistics, King Saud University, Saudi Arabia.

Experience: Experience in managing a number of companies in the food and contracting field. He also sits on a number of other Boards.

Mr. Omar Hadir N. Al-Farisi

Independent Board member

Current positions: Managing Member of Diyala Advisors LLC, New York.

Previous positions: Investment banker, Credit Suisse First Boston Bank, New York (2000-2004); Lawyer and Member in Financial and Commercial Corporate Department, White & Case, New York (1994-2000).

Qualifications: Bachelor in Economics, University of Notre Dame, United States; JD, Columbia University School of Law, United States.

Experience: Experience in financing and law, investment, and mergers and acquisitions. He is also a former Board member of Gulf International Bank (Bahrain).

Dr. Sami Mohsen Baroum

Independent Board member

Current positions: Retired – private business.

Previous positions: Managing Director, Savola Group (2007-2010); Various senior positions in different sectors of Savola (1993-2007), including Financial Management, Retail, Foods, Real Estate and Plastics; Faculty Member, College of Engineering, Abdul Aziz University (1992-1993).

Qualifications: PhD in Operation Management and Information Technology, Indiana University, United States; Master's in Business Management with Honors, Wharton Management School, Pennsylvania University, United States.

Experience: Experience in strategic management, financial planning, investment, planning management of Joint Stock Companies, and information technology. He also sits on a number of other Boards.

Group CEO's Message

Strengthening the Group at every level

Our economies and industries continue to face challenges throughout our operating footprint. Nonetheless, we remain steadfast in our mission to achieve long-term efficiency, productivity and profit as a leading strategic investment holding company.

Eng. Anees Ahmed Moumina
Group CEO

Panda – A strategy fit for the long term.

Read more on **Page 36**

Consolidated performance of the Group.

Read more on **Page 60**

Acquisition of Al Kabeer.

Read more on **Page 30**

Across our markets, we have faced currency devaluations, regulatory intervention and inflation, which have challenged our efforts to achieve greater profitability. Yet we have maintained our focus on transforming our business through increased efficiency, diversification and innovative product launches, supported by our extensive portfolio of popular brands. By launching new products and diversifying our production with new facilities, we have successfully capitalized on these negative conditions to exploit opportunities to increase our market share.

In our home market of Saudi Arabia, we faced the challenging effects of prevailing market conditions, evolving demographics and changing consumer behavior. In response, we continued to push for greater operational efficiency and performance in our food and retail businesses, while maintaining our diligent approach to portfolio management, capital allocation and risk.

This has served to strengthen our Group in every respect, particularly by creating a more efficient organizational and operating structure to confront the challenges that remain ahead.

Governance and sustainability

Savola seeks to protect its stakeholders, reputation and the value of its assets. We are committed to continually develop our risk management culture by way of our Risk Governance Framework and by continual team development. Our wider efforts to promote a risk-aware culture across the Group through the Waei initiative have also seen significant improvements to our approach to business.

We also continue to develop an integrated Enterprise Risk Management program which will be implemented through a robust Governance, Risk management, and Compliance system. Our sustainability platform, Savola World, is considered among the most comprehensive of any operated in the Kingdom.

Financial results

The Group achieved a revenue of SAR 21.8 billion in 2018 and remains a market-leader in many of the geographies in which we operate – most notably in Saudi Arabia.

Savola Foods generated SAR 9.8 billion in net revenue and 4.1 million metric tons in sales volumes in 2018, and continued to diversify its activities through the year. Meanwhile, Panda Retail, still the largest modern retailer in Saudi Arabia, achieved a revenue of SAR 11.1 billion.

We acquired a majority stake in one of the region's most prominent frozen foods companies, Al Kabeer – in keeping with our strategy to acquire strong regional businesses in value-added categories.

Diversifying and engaging our workforce

We continue to maintain our focus on attracting, supporting and developing our employees throughout our organization, launching and strengthening a number of programs to promote their wellbeing and success. We also maintained our platinum level Saudization rating.

Meanwhile, an Employee Engagement survey of our staff conducted in 2018 revealed an increase by six points over the results of the last survey initiated in 2016. This provided a useful knowledge base for initiatives to improve engagement and establish synergies across our subsidiaries.

Looking forward

I am confident that the Group will surpass this period of volatility and emerge stronger as a result. There is still much to be done, and it will take time to achieve our ambitions. I have complete faith in the strategic path we have adopted to preserve and enhance our long-term market position.

I would like to thank all our shareholders, customers, employees, suppliers and partners for their support as we work to build a stronger and ultimately more prosperous Savola Group.

Eng. Anees Ahmed Moumina
Group Chief Executive Officer

Executive Management

Our Executive Management team brings to Savola a wealth of experience from multiple sectors across the MENAT region, with extensive accomplishments in several sectors including government, investment and finance, food and retail, pharmaceuticals and communications spanning several decades.

Eng. Anees Ahmed Moumina
Group CEO, Savola Group

Previous positions: CEO of SEDCO Holding Group. He has also worked with the Samba Financial Group where he advanced to roles including General Manager and Senior Credit Officer. Additionally, he also worked with Proctor & Gamble Co.

Qualifications: Master of Science in Engineering Administration with honors and a Bachelor of Science in Civil Engineering with honors, both from The George Washington University, United States.

Experience: More than 25 years of experience in the private sector and the financial services industry and his career has given him experience across a variety of business sectors including investments, retail, manufacturing, and real estate.

Mr. Sameh Mahmoud Hassan
CEO, Savola Foods Co. (since January 2019)

Previous positions: Chief Portfolio Officer of Al-Faisaliah Group, Chief Executive Officer of Saudi Tadawi Healthcare Co., Chief Operating Officer of Basamh Trading & Industries Group. Served as a Board member in a number of companies.

Qualifications: Bachelor's Degree in Economics, American University, Cairo.

Experience: Vast experience in leadership, planning and management of foods and industrial multinational companies and other diverse sectors.

Dr. Bander Talaat Hamooh
CEO, Panda Retail Co.

Previous positions: CEO of Al Nahdi Medical Company; General Supervisor of Public Affairs at the Ministry of Health.

Qualifications: Bachelor Degree in Pharmaceutical, King Saud University, Saudi Arabia.

Experience: More than 25 years' experience in retail, pharmaceutical and food industries, he held several positions in both private and public sectors.

Eng. Bader Hamid Al Aujun
Previous CEO, Savola Foods Co. (until December 2018)

Current positions: Board member in Savola Foods Co.

Previous positions: CEO of Savola Foods Co. Managing Director of Al Muhaidib Foods Group; Managing Director Aujan Industries Group of Companies; Chairman of the Board of Directors for Eastern Industrial Company (EICO); Board member of a number of companies in Saudi Arabia, the GCC and in the wider Middle East such as in Egypt, Turkey, Morocco, Algeria, Iraq and India.

Qualifications: Bachelor's Degree in Mechanical Engineering, King Saud University, Saudi Arabia.

Experience: Illustrious experience in the planning and management of foods companies and other diverse sectors.

Mr. Nouman Farrukh Muhammad Abdussalam
Chief Financial Officer

Previous positions: CFO Savola Foods Company; CFO Attieh Group; CFO Emaar The Economic City; Deputy CFO Savola Group; Director Finance Savola Group; Senior General Manager Finance & IT at Savola Foods; Finance Manger Savola Bahrain; Assistant Manager Cost & Budget of Pakistan based cement manufacturer.

Qualifications: Holds professional qualifications in cost and management accountancy, and taxation management; an Associate of the Institute of Cost & Management Accountants; Fellow of the Institute of Taxation Management; Bachelor of Finance, Karachi University, Pakistan.

Experience: More than 20 years' experience in the field of financial management, financing and accounting with Savola Group and its subsidiaries.

Ms. Huda Al Lawati
Chief Investment Officer

Previous positions: 13 years at the Abraaj Group, last position she held was Partner and Chief Investment Officer MENA and a member of the Investment Committee. She led its investment strategy and transactions across MENA.

Qualifications: Bachelor (Hons) in Business Economics, Brown University, United States; Bachelor in Neuroscience, Brown University, United States.

Experience: Experience in investment and operational strategy leadership, deal origination, restructuring, M&A, managing investment portfolios and exit plans across several sectors.

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

Previous positions: Director, Corporate Communications and CSR, Senior Manager, Communication and CSR in Panda Retail Co. Senior Manager, Investment and Marketing, Aayan Group, VIP department Manager at Emaar The Economic City.

Qualifications: Bachelor's degree in Management, University of Dubai, UAE; Certificate in Corporate Governance International Directors Program, INSEAD – France, Honorary Doctorates in Sustainability from United Nations.

Experience: Experience in communication, Marketing, CSR, real estate, investment, and board and committees affairs.

Our Business Model and Strategy

A rebuilding model that aims to sustain long-term growth

As a strategic shareholder focused on the consumer, we aim to manage, build and buy into businesses that maximize our share of the consumer wallet.

Our strengths

Strategic focus
Savola views businesses through a long-term consumer trend-driven lens, aiming to allocate and re-allocate capital to generate long-term value growth.

Strong governance framework
A robust governance and transparency framework, prioritized throughout the Group history, building shareholder trust.

Infrastructure and consumer access
Through our holdings, we control Saudi Arabia's largest distribution network, retail space and brand portfolio in the country's consumer space and touch millions of consumers across all of our markets.

Our challenges

Challenging macro environment in operating countries

Decrease in consumer capabilities

How we add value

Capability building
In an increasingly evolving market and on its path of rebuilding for the future that started with the launch of our new identity in 2016, value creation capability building has remained a high strategic priority for Savola.

We have succeeded in bolstering our teams, building a strong strategic and investment function, bolstering communications and Investor Relations and setting up a risk function. At the subsidiary level Panda leadership overhaul has allowed us to affect our turnaround strategy with a view to build long term sustainability.

Dynamic capital allocation
As a strategic investment holding Savola aims to maximize return on investment and deploying or redeploying capital with a view to enhance shareholders returns by gaining access to segments with long term potential within the consumer space.

Our recent rebuilding journey has been focused largely on recovery of returns by investing in the turnaround of Panda and allocating capital to a vertical which we believe, despite recent challenges, is a core and robust segment within our Group. We have also invested in expanding SFC portfolio through allocating capital to our recent seafood JV and B2B-focused expansion into specialty fats and margarines with the commissioning of IFI. Finally, we successfully demonstrated the benefits of capital reallocation amongst investments by reallocating SAR 571 million of capital from Almarai to Al Kabeer thereby adding another growth vertical and realizing significant value arbitrage.

Portfolio collaboration
The Group aims to extract value from its role as a strategic shareholder in the consumer space by realizing synergies across our holdings.

Our rebuild journey has started with a turnaround and capability focus and this will set a strong base for synergy extraction in the next phase.

Performance monitoring and management
As a strategic holding it is imperative for Savola to build the tools required for effective performance management across the portfolio.

Over the course of our rebuilding journey we have augmented our portfolio boards with representation from Savola as well as carefully selected industry veterans. We have improved monthly, quarterly and annual reporting and budgeting processes that are reflective of an active holding company and appointed dedicated portfolio managers to support our role.

Transformative M&A
As part of our strategy as an investment holding company we aim to focus on acquisitions to establish new business verticals and to enrich the Savola offerings to consumers across our markets, thereby continuing to maximize our share of consumer spend.

In 2018 we successfully completed the acquisition of Al Kabeer Group, cementing our position in the frozen foods segment with one of the market leaders in the GCC. Propelled by an increased focus on convenience, female participation in the workforce and expected growth in consumption through the HORECA channel, we expect Al Kabeer to provide a growth avenue for Savola in years to come.

Long-term strategic planning
Savola believes that in addition to managing our capital and operating companies for performance and long-term sustainability at the subsidiary level, our role is to look at our markets, our holdings and our operations with a view to realize our ambition of maximizing our share of consumer spend across our markets profitably over the long-term horizon.

To affect this, we dedicate time and effort to very long-term strategic thinking, pulling leadership teams out of the current situation to debate and align on the upcoming year's vision, expectations and risks which provide the framework through which we activate other strategic imperatives.

Our corporate values
Our values underpin everything we do, they are a blueprint for concrete actions we take as individuals, as a team and as a company, every day. Since the Group was founded in 1979, this is how we do business:

Personal Values

Tawado: Confident Humility; Having the confidence to perform our responsibilities while having the humility to minimize our ego
It'qan: Relentless pursuit of perfection; The ability, willingness desire and intention to do our best to ensure that work is completed to the best standards
Azm: Fierce Resolve; Apply what we learn to improve ourselves
Iq'tida: Apprenticeship; To seek out, interact with, and learn from those who are more knowledgeable than us

Group Values

Ihsan Al-Dhan: Trusting; Trusting others intentions without doubting it
Qabool: Acceptance; Endure the views of others by going beyond tolerance or acceptance
Iq'bal: Approaching; Improve what we do by using what we have learned from the interaction with others
Mu'azarah: Caring; Provide support to our colleagues to help enable their success

Corporate Values

Amanah: Honesty; Is the fulfillment of our responsibilities towards investors
Taqwa: Conscientiousness; Fulfillment of our responsibility toward external parties
Birr: Caring Justice; Fulfillments to our responsibility toward our colleagues and the employee of the company
Mujahadah: Personal control; Achieving the personal discipline necessary to fulfill our responsibilities

Our Journey

A strong history of sustainable growth

Group
Food
Retail

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

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.

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

1991
Acquisition of a 40% shareholding 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.

1992
Savola Bahrain and Savola Egypt commence edible oil operations.

1992
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.

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

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

1995
Afia International Egypt is formed through the merger of Savola Egypt and SIME Derby Egypt. Savola acquires 50% of the merged operation. In 2009, Savola Foods' stake increases to 99%. Savola Foods establishes an edible oil factory in Egypt.

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 (2010). Through the Panda merger, Savola inherits stakes in Al-Mawashi (divested in 2000), Deemah (divested in 2001) and Al-Azizia Commercial Investment Company (divested 2009).

2003
Savola Foods establishes edible oil businesses in Morocco and Sudan.

2004
Panda launches the Hyper Panda format and expands abroad with the opening of a Hyper Panda store in Dubai (divested in 2017).

2004
Savola achieves its "Triple 5" strategic goal 12 months ahead of target: SAR 5bn sales, SAR500m profit within 5 years. New corporate governance standards are adopted, not only for legal compliance but as an ethical commitment aligned to Savola's corporate values.

2004
Savola Foods enters the Iranian 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).

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, Jacqueline, Tom Tailor, Yves Rocher (divested in 2011).

2006
Savola invests 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).

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

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

2008
Savola Foods' cane sugar refinery in Egypt begins commercial operation and establishes an edible oil refinery in Algeria.

2008
Panda acquires Giant Stores and 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.

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

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.

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.

Panda launches the Pandati convenience store concept (closed in 2018).

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

2015
Acquisition of 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.

Panda opens its second central distribution center in KAEC.

2016
Savola unveils a new brand identity, symbolizing its evolution toward becoming a strategic investment holding company. Savola receives the Sa'afa Award from the Integrity and Transparency Foundation.

2017
Savola Group sells a 2% stake in Almarai, as a part of its capital re-allocation, whilst remaining that largest shareholder with a 34.52% stake.

Savola ranks top 10 for Transparency in corporate governance, environment and social practices in MENA (S&P and Dow Jones indices and Hawkamah Institute, Dubai).

Commissions a new factory in Jeddah to manufacture specialty fats for the B2B market.

Establishes a joint venture in Iraq with Aves to create Bonus Food Company LLC, which is engaged in the refining and packaging of edible oils and vegetable ghee.

In line with the strategy to refocus on core markets, Panda Retail sells its UAE hypermarket for a total amount of AED 80 million.

2018
Savola Group acquires a majority stake in Al Kabeer (51%), one of the region's leading frozen foods companies.

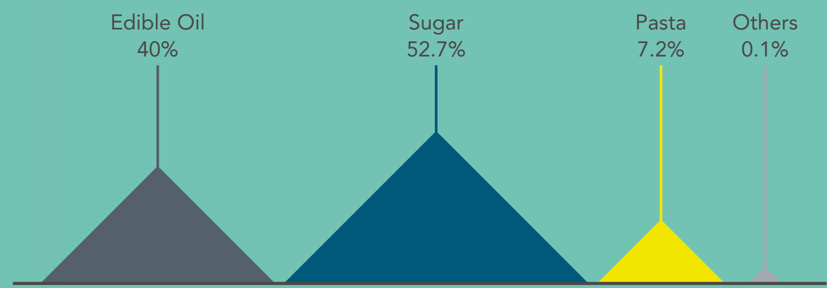
Performance Review

Food investments

Savola Foods Company remained focused on achieving efficiency in our operations while evolving to meet changing customer preferences through new product launches. We continue to diversify our engagement in the foods sector, expanding our B2B production and complementing our existing holding in Almarai with the strategic acquisition of a majority stake in Al Kabeer Group, a leading player in the frozen foods market.

"2018 was a turbulent year and we have faced the most challenging circumstances across all our major markets since the financial crisis of 2008. To weather this perfect macroeconomic storm of severe currencies devaluations, escalating in inflation and interest rates and regulatory intervention, we have continued to focus on the fundamentals of our business to achieve greater efficiency while launching innovative new products in value added categories. Through the ongoing diversification of our revenue streams, including investing in increased B2B production capacity and R&D, we will continue to build our brands equity and secure our long term position across our geographic footprint."
CEO, Savola Foods

2018 Volume by business line (%)



0.1

Others
Revenue (SAR Billion)

0.5

Pasta
Revenue (SAR Billion)

3.7

Sugar
Revenue (SAR Billion)

6.8

Edible Oil
Revenue (SAR Billion)

13.7

Almarai
Revenue (SAR Billion)

94*

Frozen Foods
Revenue (SAR Million)

*Two months revenue, full year revenue was SAR 577 Million.

Performance Review: Food investments continued

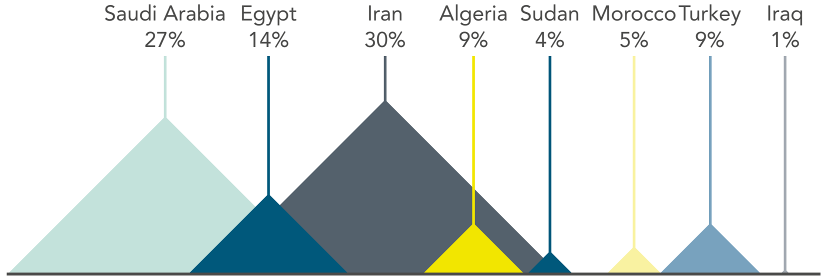
Savola Foods Company

Savola Foods is a leading producer of high-quality products including edible oils, vegetable ghee, sugar, pasta, seafood and baked goods. With leading positions in major markets throughout the Middle East, North Africa and Turkey (MENAT) region, we distribute branded products and provide customized food ingredients and services across 30 countries.

Edible oil sales volume by country (including exports)

1.7

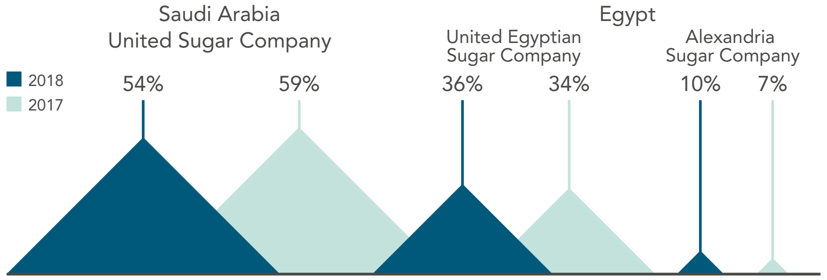
MT Total sales volume



Sugar sales volume by country (including exports)

2.2

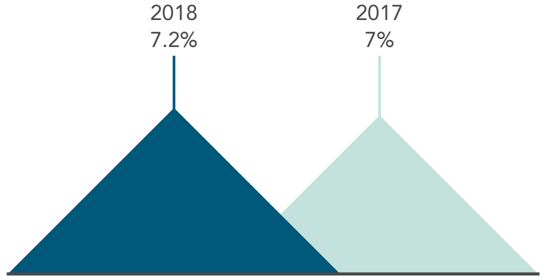
MT Total sales volume



Pasta sales volume (including exports)

300,000

Tonnes Total sales volume



Maintaining focus on market leadership and sales volumes despite highly challenging environment

Following the difficult economic backdrop of 2017, Savola Foods has faced an even more challenging year in 2018, characterized by intense macroeconomic headwinds across all of our markets. Savola continue to defend the business today with a view to continue building our brands and market shares for tomorrow and to take advantage of decreasing competition to gain market share wherever possible. Therefore, it continues to rely on strong brands and product innovation. In 2018, this approach enabled us to maintain our industry-leading position, serving markets with total population of 1 billion and achieving total sales volumes of just under 1.7 million tons of edible oil, 2.2 million tons of sugar and nearly 300 thousand tons of pasta.

Regulators across our operating markets are adopting direct and indirect tools of price controls, capping commodity prices despite escalating costs and placing margins under severe pressure. In addition, currency devaluations and inflation have continued to negatively impact consumer purchasing power and eroded sales and profitability. We generated a net revenue of SAR 9.7 billion, achieving a gross profit of above SAR 1.2 billion and an operating income of SAR 379 million.

We have also continued to invest in the development of our human capital (see: Our People), whilst applying cost reduction initiatives (Fit to Grow), and our ITQAN program, with its focus on cost-efficiency in materials, technology and operations.

Our product categories

Edible oils

In Arabia (GCC and Levant), 2018 has witnessed the impact of introduction of VAT, impact of structural reforms such as energy prices and expat levy resulted in increase in cost of doing business as well as changing consumer behavior in addition to access limitation to neighboring markets. This has resulted in a 7% decrease in volumes across Arabia and a 65% fall in overall operating income. We focused on defending our premium brands equity and introduced new innovation such as oil sprays and flavored oil while maintaining an overall strong market share of 61%.

During 2018 we launched new premium Afia Organic Extra Virgin Olive Oil, which was revealed in 2018. International Food Industries (IFI) which produces specialty fat products for industry and other B2B customers commenced operations in 2017. During 2018, IFI has almost doubled its customer base. Through innovative solutions, IFI is currently producing 50 SKUs in comparison to 15 SKUs during 2017 resulting to volume sold increase by 189% and five-fold increase in sales to SAR 69 million. IFI introduced new specialty fats such as "Culina Choco Premium", which is designed for chocolate molding applications & "Fonta" brand, produced exclusively for Al Marai Co., in line with the new SFDA regulation.

In Egypt, we have witnessed continued impact of massive devaluation occurred towards end of 2016 resulted in lower purchasing power coupled up with increase in costs of doing business due to ongoing energy reforms. While consumer demand has been impacted as many elect to move from premium brands toward cheaper alternatives/edible oils. Our business witnessed a year-on-year increase in sales volume of 16% but operating income decreased by 4% in Saudi Riyals. We maintained our premium edible oil brands but offered a lower price point to consumers through downsizing and packaging alterations offering great value for money. Ganna Mix, a consumer margarine brand, was launched with a successful market share gain of 6% in one year.

We are also capitalizing on the new capacities in soft oil refinery and filling lines to increase exports and growth opportunity.

61%

Market share in Arabia

Performance Review: Food investments continued

In Turkey, massive currency headwinds during second half of 2018 coupled up with unusual rise in interest rates and severe price controls put pressure on the profitability. However, due to diversification in business segments: local seed oil, specialty fats (new) and sustainable exports resulted in maintaining EBITDA, while operating income increased by 1% as compared to last year.

Although traditionally a B2C player in the Turkish market, we commissioned a new facility in April 2018 to produce value-added products such as specialty fats (including margarine) for the B2B market, which is less impacted by price controls. The new facility is expected to reach full capacity during 2019.

The success of the business was recognized during the year, receiving awards at the International Business Excellence Awards 2018 in Food and Beverage categories, as well as being named Turkey's number one packed olive oil exporter by the Aegean Exporters Assembly. Furthermore, three of its brands – Yudum Sunflower Oil, Yudum Ziyafet and Egemden Extra Virgin Olive Oil, received Superior Taste Awards from the International Taste & Quality Institute in Brussels in 2018.

Olive oil brand Egemden launched during 2017 gained momentum to reach market leadership position and recognized by various institutions locally and internationally. Export volumes has been doubled in comparison to last year with higher profitability. Yudum also introduced a new oil brand targeting child nutrition called Yudum Kid's oil in the Turkish market containing DHA.

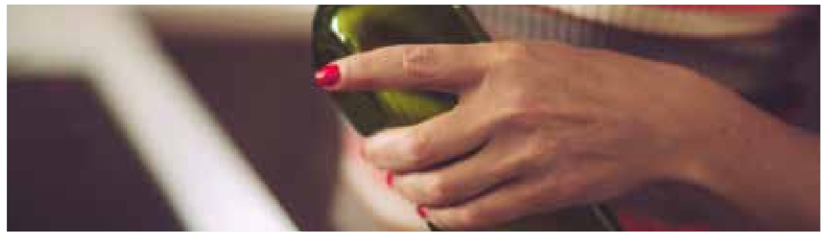
In Iran, where poor market conditions were accentuated by severe currency devaluation and price controls we still succeeded in maintaining our volume level and market share while maximizing our sales in the high tier range where the margin are the highest. We achieved a 50% share of the shortening segment in the B2B space, as well as launched Ladan Gold Olive Oil. Ladan brand is the market-leading sunflower brand in 2018 as well as ghee obtaining a share of 66% of the market.

In Algeria, despite a host of macroeconomic challenges including subsidy reforms, currency devaluation and petroleum price movements, we succeeded in establishing ourselves as the second strongest player in the edible oils market by focusing on growing our distribution capabilities, resulting in a growth in volume of 11% and operating income increase of 4% over last year.

In Morocco, we continued our balanced strategy to focus on the profitable growth of our brands Afia and Hala, reinforcing our market share as the third biggest player in the segment and improved distribution. It has resulted in overall volume increased by 5% and operating income by 34% compared to last year.

In Sudan, we witnessed continued negative impact of hyperinflation and forex sourcing issues on the business. Due to major decline in purchasing power, consumers down-tiered their buying preferences varied from economy to loose segments. Despite volume declined by 18% operating income was increased by 9% as compared to last year due to product portfolio rationalization and better costs management.

Our associate business in Iraq sold 26 thousand tons of volume achieving 21% growth over last year sale.



Performance Review: Food investments continued

Sugar
Sugar Arabia (GCC and Levant) in addition to the macroeconomic factors that have impacted the region as highlighted in Oil section an additional impact of excise taxes on high-sugar and energy drinks resulted in declining purchasing power, experiencing a 7% decrease in sales volume. However, operating income witnessed an increase of 7%.

Nevertheless, we remain a leader in Saudi Arabia with Al Osra brand having a market share of 74% of the B2C market and the largest player in the B2B market. During 2018, innovation pipeline was capitalized by launching new added value products under the Al Osra brand – including brown sugar cubes and sachets – for the domestic market as well as for export.

The Egyptian market witnessed difficult market conditions due to surplus supply in the local market and lower selling prices. Despite these factors we were able to achieve an increase sale in volumes in Alexandria Sugar business and our associate business United Sugar Egypt of 46% and 3% respectively.

Pasta
The Savola pasta business in Egypt has continued to lead the market through its flag ship brand El Maleka cementing the number one position, despite the tough macro-economic challenges and intense competition. The foundation of this leadership position is both continuous brand innovation & process optimization. In 2018, El Maleka brand was the first Egyptian brand to launch lasagna, and this was further exacerbated by our brand Italiano, launching a full gourmet pasta line offering lasagna, cannelloni and big shells. El Maleka has also launched a low-cash outlay size, addressing the diminished consumer purchasing power. As a result, 2018 sales volume in the local market has taken an increase of 10% versus 2017.

74%
Al Osra brand market share

10%
Increase in pasta sales volume in Egypt

Bakery
Our bakery business in Iran generated total revenues of SAR 37 million with gross profit to 33% and crossing the breakeven point despite devaluation and cost increase pressure which indicated a promising future. We have achieved operating income of SAR 4.6 million during 2018 in comparison to an operating loss SAR 4.7 million in 2017. Croissant segment continues penetration across Iran selling 3 times last year quantity with Pech Pech brand equity has grown from 34% to 42% by 2018. A new Croissant line is under commissioning to meet the demand of this growing category.

A robust position for sustainable market leadership in 2019 and beyond

In the coming year, we will retain our rigorous focus on the basics of our business to ensure the continuation of our long-term value and market shares. We will continue to defend our position, whilst increasing our market share in each of our operating units with focus on big brands and channels. We will continue to bring innovative products to the market to support our offering and reflect changing consumer habits market trends and improve profitability. Intense efforts are deployed for continuous cost optimization across all the value chain.

Despite current tough market conditions, Savola Foods retains its market leading position in five countries, as well as its second place position in Algeria, and intends to continue pursuing organic growth across its international footprint. It maintains exceptional brand strength and distribution access, and our strategy going forward is to minimize the effects of economic shocks on our business, focus on the long term sustainability of our market position through products and channel diversification.

Performance Review: Food investments continued

34.52%

Savola Group percentage shareholding

1.97

Earnings per share SAR

Almarai Company

Savola Group is the largest shareholder in Almarai Company, the Middle East's leading food manufacturer and distributor, with a 34.52% stake in the company.

About Almarai

Founded in 1977, Almarai has grown to become the world's largest vertically integrated dairy company. It is a leading food group with presence in the dairy, juices, bakery, poultry and infant nutrition categories. Headquartered in Riyadh, Almarai's production and distribution footprint covers the GCC, Egypt and Jordan.

Reaching 42 million consumers, Almarai is the strongest brand in Saudi Arabia and one of the most recognized names in the Middle East. In 2018, the YouGov Brand Index once again ranked Almarai first – ahead of Apple, WhatsApp, YouTube, Google, Samsung and Emirates Airline – among the most positively perceived brands in Saudi Arabia.

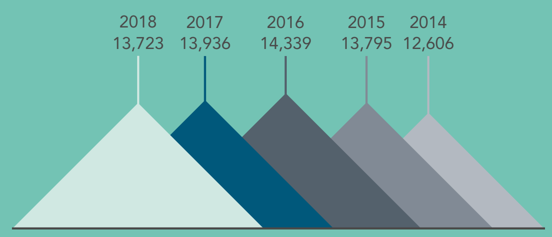
2018 financial & strategic highlights

In 2018, Almarai achieved revenues of SAR 13.72 billion for the year and gross profit of SAR 5.45 billion, compared to 2017's SAR 5.58 billion. Diluted earnings per share, based on net income attributable to shareholders, decreased from SAR 2.11 to SAR 1.95, yielding a contribution of SAR 693.5 million to Savola's net income.

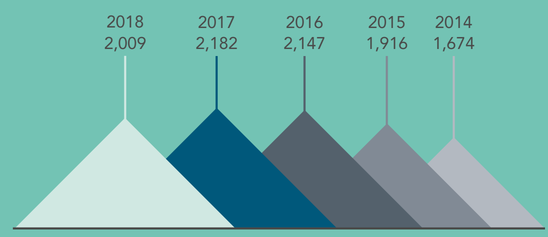
In line with players across the Kingdom, Almarai's performance in 2018 was impacted by adverse macro-economic conditions mainly driven by the introduction of VAT, a disruption in the traditional trade channel, increases in labor and energy costs, and the large reduction of the consumer base as a result of the departure of expatriates from the Kingdom.

However, 2018 was a year of a strong, profitable growth in the Poultry category, and the year in which the Infant Nutrition category achieved break-even operating profit. Almarai weathered the storm, and continued its efficiency and cost management efforts, resulting in effective control on direct costs, while diligently pursuing product innovation as a core engine of growth across all segments.

Almarai revenue (SAR million)



Almarai net income (SAR million)



Performance Review: Food investments continued

51%

Savola Group percentage shareholding

Al Kabeer Group of Companies

Savola Group purchased a controlling stake of 51% in Al Kabeer Group of Companies ("Al Kabeer"), one of the region's leading frozen food manufacturers and distributors in Q4 2018.

About Al Kabeer Group of Companies

Founded in 1974, Al Kabeer has experienced solid growth in the frozen food industry to become one of the leading players in the GCC. Al Kabeer has three manufacturing facilities in both the United Arab Emirates and the Kingdom of Saudi Arabia, with a total capacity of over 40,000 MT per year.

In addition, Al Kabeer boasts a strong and well-established in-house distribution network, servicing more than 10,000 outlets with a fleet of over 300 vehicles and nine cold stores in the region, generating sales of about SAR 577 million in 2018.

Al Kabeer, throughout three different brands, is active across a wide range of frozen foods products. The company manufactures, processes and distributes over 200 products loved by consumers across the region, including frozen processed poultry, beef, seafood, dough-based products, fruits and vegetables. It also produces popular snacks and ready-to-eat meals.

Investment Rationale

The acquisition added the Al Kabeer brand to Savola Group's portfolio of leading consumer brands and is in line with Savola's strategy to expand its investment portfolio and enter attractive, value added categories and products within the overall food sector.

Savola believes that the value-added frozen food category is growing, driven by a variety of factors including a stronger preference for convenience products, a higher number of religious pilgrims, an increase in the number of working women, an increase in the penetration of modern trade grocery format, and higher costs of expat domestic help.

There is a clear opportunity to grow this business by capitalizing on the expanding food service and catering sectors, including growth in adjacent categories such as ready-to-eat and eat-to-go, and catering for the growing population of religious pilgrims which is projected to double by 2020.

2018 highlights

During the year, Al Kabeer's management team focused on ramping up the new processing plant in King Abdullah Economic City (KAEC) in Saudi Arabia, introducing the "made in Saudi" stamp to the packaging of their product range. In addition, the Al Kabeer team managed to produce in-house the most popular "Zing" or "spicy" product during the second half of the year, instead of sourcing the product from third parties, thus improving quality and margins.

The future outlook for the category and the business is positive and attractive, primarily driven by capitalizing on the partnership with Savola Group to gain share within the Kingdom, existing facility ramp up, and new product developments and launches.

94*

Revenue (SAR Million)

*Two months revenue, full year revenue was SAR 577 Million

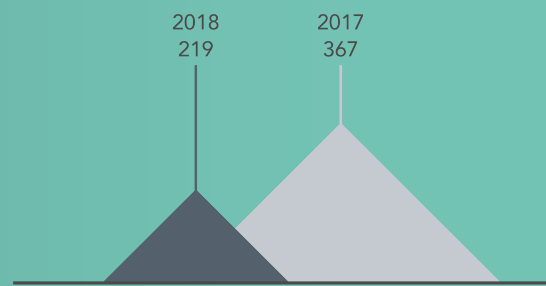
Performance Review

Retail investments

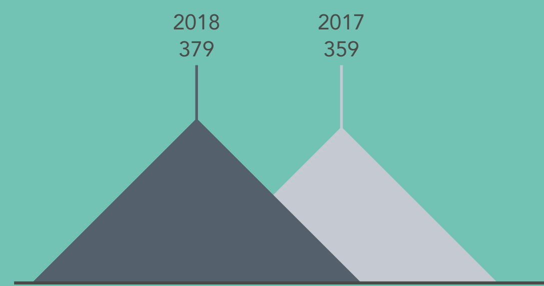
Panda, our flagship brand in the retail sector and the leader by market share, continued to focus on its turnaround progress. The past year saw the implementation of significant reforms of Panda's operations and organizational structure under its new senior management team in order to build a strong base for future profitable growth and to future-proof the brand's market position. Meanwhile, Savola's subsidiary, Herfy, remains one of the Kingdom's leading restaurant, industrial bakery and meat processing businesses, and continued to grow in 2018, recording higher sales and profits as a result of new restaurant openings during the year.

"Panda continues to pursue a transformative process of reform to streamline its operations and organizational structures in the face of highly challenging sector conditions. This process is far from complete, and the path ahead remains turbulent, but our strategy is fit for the long-term. With a new senior management team in place and a clearly defined plan of action now being implemented, we will emerge as a leaner and more focused organization fit for the consumers and market of the future."
CEO, Panda Retail Company

Total number of Panda stores



Total number of Herfy restaurants



Panda

11.1	20.8%	116
SAR Billion revenue	Gross margin	Million customers

Herfy

1.2	49%	204
SAR Billion revenue	Savola Group shareholding	SAR Million Net profit

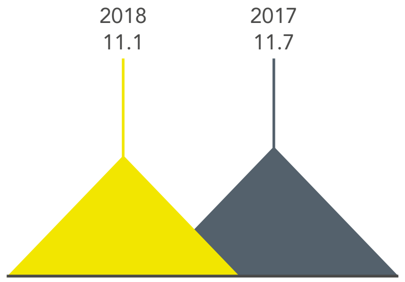
Read about **Panda** on **page 34**

Read about **Herfy** on **page 38**

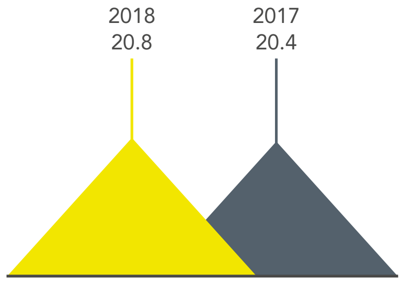
Performance Review: Retail investments continued

Panda Retail Company

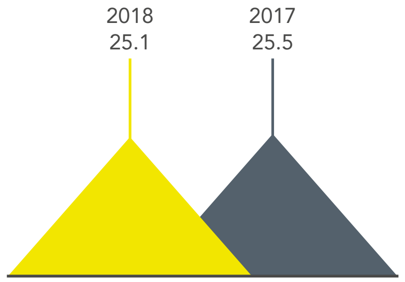
Panda revenues (SAR billion)



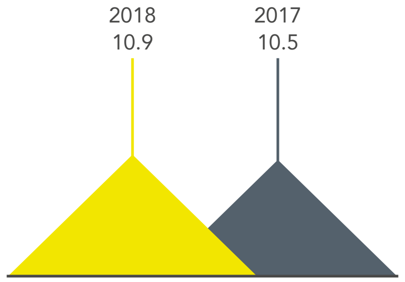
Panda gross margin (%)



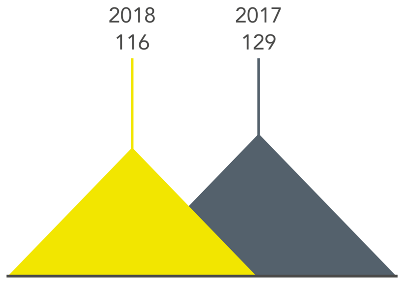
Market share modern trade (%)



Market share of total grocery retail (%)



Customer count 2018 (million)



Taking action for positive future impact during a challenging year

Panda Retail is the Middle East's largest grocery retailer, with over 116 million customer shopping through a chain of hypermarkets and supermarkets across the Kingdom. With 214 stores in more than 40 cities throughout Saudi Arabia, Panda is the leading player in the Kingdom's grocery retail sector by market share and retail space.

The Saudi grocery retail market remains challenging, whilst the implementation of VAT, unprecedented shopper price sensitivity, rising energy and utility prices, and a falling expatriate customer base have acted as major barriers to the sector's recovery.

In 2018, sales were slightly lower than in 2017 due to a decline in customer count that was only partially offset by an increase in basket size. Revenue was SAR 11.1 billion, 5% lower than in 2017, whilst gross profit stood at SAR 2.3 billion but reporting a net loss of SAR 917 million, compared to a net loss of SAR 1.02 billion in 2017. Pandati format was closed during the year, allowing the business to focus on its core super and hyper market. Panda Retail reported a net loss before exceptional items of SAR 689 million in 2018, compared to SAR 782 million in 2017, mostly driven by cost optimization initiatives. Encouragingly, the like-for-like sales drop was only 2% vs. 2017.

219
Total Panda stores 2018

5
Egypt
Total number of stores

214
KSA
Total number of stores

40+
Total number of cities served by Panda

Performance Review: Retail investments continued

Strengthening the fundamentals of our retail business

A strategy fit for the long term

Panda continues to face a highly challenging market in the Kingdom. Under its new leadership and executive team, Panda has started work on key areas for improvement. The focus of the turnaround is achieving productivity with the current footprint and designing an organization that caters to our customers' evolving needs.

The key pillars of the "new approach" are footprint, product availability, fresh and people.

Our new footprint strategy, will see changes to stores based on their geographic location and customer base, refining the positioning of Panda's offering in the hypermarket, superstore and supermarket categories. Changes to the network will include existing store conversion and rationalization.

Product availability and assortment will drive customer satisfaction, retention and loyalty by deepening the trust customers have in Panda produce and availability. This entails ongoing transformation of central replenishment procedures as well as training, warehousing, inventory planning and fleet management.

To enhance the freshness and quality standards of Panda's fresh categories, during 2018, much effort was placed on working directly with local product producers, as well as improving supply chain and storage solutions. The emphasis on freshness will continue in 2019.

A key transformation focus are our people, who have a direct impact on sales and customer satisfaction. A complete remodeling of Panda's staffing, training and personnel target-setting initiated with a view to transform the way our staff of more than 19,500 employees serve our customers.

25.1%

Panda is the leader by market share in KSA

65

Hypermarkets

A proactive commitment to reform

Together with these major pillars of transformation, benefits have been felt from improved marketing and promotion activities, including major initiatives for Ramadan, Back to School and our 40-year anniversary. Although still in decline, these combined reforms and initiatives have led to improvement in like-for-like sales from -11% in 2017 to -2% in 2018.

We must recognize that a top-to-bottom transformation initiative of this magnitude invariably takes time, though the pace of change is expected to accelerate through 2019.

The long-term outlook in Panda's home market of Saudi Arabia is expected to improve but over the coming period conditions remain difficult and changes underway will take time to bear fruit.

149

Supermarkets

Performance Review: Retail investments continued

49%

Savola Group percentage shareholding

3.2

Earnings per share SAR

Herfy Company

With a 49% holding, Savola Group is the largest shareholder in Herfy Food Services Company, one of the leading restaurant businesses in Saudi Arabia, which also operates an industrial bakery and a meat processing business.

About Herfy

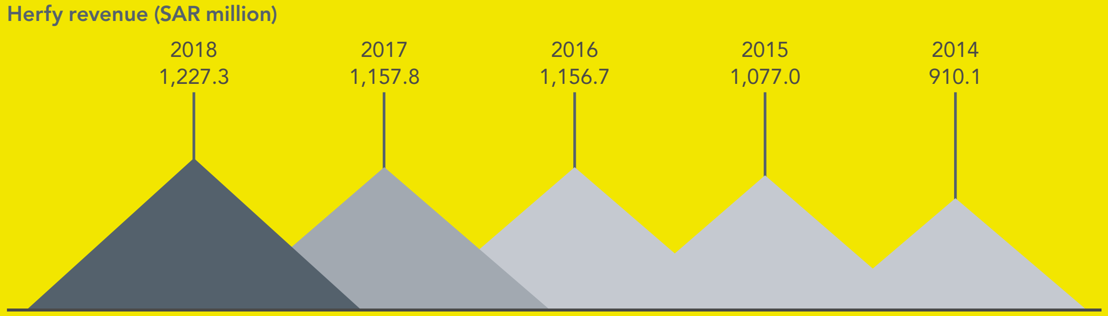
Established in 1981, Herfy Food Services Company owns and operates Saudi Arabia's leading fast food chain, "Herfy", with 368 branches in the Kingdom. The company also franchises restaurants in Kuwait and Bangladesh. In addition, it operates pastry shops and has established itself as one of the Kingdom's first fully-integrated food services companies, with its own bakery, cake, rusk and meat processing factories.

2018 financial & strategic highlights

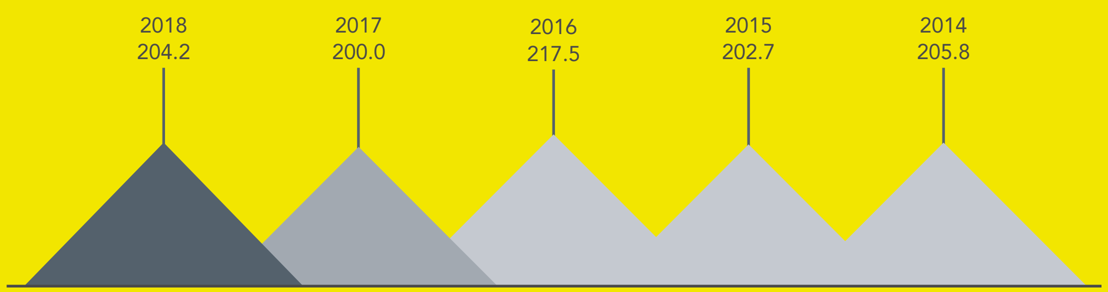
In 2018, Herfy recorded sales of SAR 1.2 billion, a 6.0% increase over 2017. Gross profit of SAR 345.1 million was 1.0% higher than the previous year, while net profit improved 2.1% to SAR 204.2 million as a result of new restaurant openings during the year. Reported earnings per share were SAR 3.2 compared with SAR 3.1 in 2017, yielding a contribution of SAR 100.1 million to Savola's net income.

The company is continuously striving to strategically optimize its footprint expansion and improve efficiencies in its restaurant management capabilities to solidify its position as the Kingdom's leading food services company.

Herfy revenue (SAR million)



Herfy net income (SAR million)



Performance Review: Our People

Our people

We continue to be inspired by the passion and commitment of our employees across the Group and our extensive international footprint.

To meet the current and future needs of our business, we remain focused on attracting, engaging and retaining the best available talent, while developing their knowledge and skills to enhance how they learn, lead and respond to challenges.

True to our reputation as one of the Kingdom's leading employers, we remain committed to ensuring the welfare of all our employees, reflected in a wide range of programs designed to enhance career development; recognize and reward outstanding staff and their achievements; and promote a positive, balanced professional environment.

"The dedication and commitment of our people are central to Savola's long-term success as a leading strategic investment holding company. By building and maintaining efficient channels of communication with our employees at every level of our Group – listening to them, engaging with them and delivering what they need to succeed – we can respond to their needs and concerns swiftly and efficiently, maintaining our reputation as an employer of choice."

Group Executive Director, Human Resources

Performance Review: Our People continued

Strengthening our organization through exceptional people

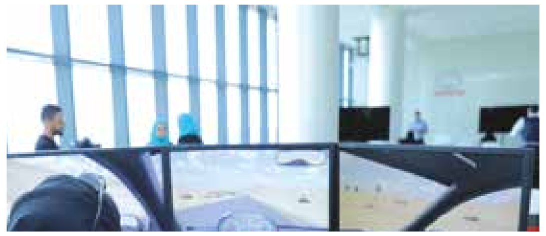
Savola Group believes that our greatest assets are the exceptional people working at all levels of our Group to ensure the long-term success of our organization.

In addition to our world-class development, appraisal and reward system, we seek to measure, benchmark and improve employee engagement through our "Tawer Program", a Group-wide employee engagement survey initially introduced in 2016.

During 2018, we conducted an employee engagement survey to gauge the involvement and participation of our people in the fulfillment of the Group's strategic objectives. The survey involved more than 23,000 respondents across Savola Group – an 84% participation rate – and revealed a 59% engagement score, representing a 6-point increase over 2016, the last time such a survey was conducted. The results were particularly positive from Savola HQ, which saw a 71% engagement rate and a 7-point increase over 2016, with a 98% participation rate.

This survey provided a critical platform for Savola's employees. It allowed the voice of our workforce to speak clearly to HR and senior management, making their wishes and concerns heard. In direct response, the Group rolled out a wide range of internal and external initiatives in 2018, designed to improve engagement and happiness of employees, and enhance synergies across our Group.

Moreover, Savola reinforces their market leading Saudization rate, we continued maintaining our Platinum Zone rating in 2018.



Enhancing workplace culture and business performance

True to our corporate values, and in particular our commitment to fairness and the welfare of our people, encapsulated by the Arabic term "birr", Savola delivers various programs for its employees that are designed to motivate and improve performance.

The focus of our various HR programs during 2018 was on improving the engagement between our organization and our employees. Based on extensive employee feedback, particularly from our Employee Engagement Survey, we have rolled out carefully tailored programs to improve communication – both formal and informal – and enhance synergies and strengthen relationships across the Group.

We launched a quarterly town hall meeting led by the Group CEO, bringing together employees and executives from all levels of our Group to listen and learn from each other. This regular get-together will keep employees up to date on important information and events, allow them to ask questions directly to senior management, and serve to reinforce the goals and values of the Group.

To ensure that all new hires feel welcome and quickly become immersed in the culture of Savola, we enhanced the onboarding process during the year. All incoming employees now enjoy lunch with the Group CEO, as well as a range of communications and materials to help them feel at home and familiarize themselves with their new workplace, departments and colleagues.

Reinforcing our commitment to strong corporate governance and business continuity, we introduced high-level succession management during the year, which includes definitions and criteria for identifying and selecting qualified and suitable candidates for key executive roles across the Group, once such a position becomes vacant.

Our International Smile Day campaign increased engagement with employees by asking them to speak about the reason behind their happiness at Savola. Using our Social Media platforms, we asked them to post under the theme 'With Savola, what makes you smile?', and the flood of positive responses helped to further develop Savola's strong employer brand in the market.

84%

More than 23,000 participants in "Tawer Program", group wide employee engagement survey

6%

Increase in "Tawer Program" engagement score compared to 2016

Nitaqat Platinum Zone

In Nitaqat program for Saudization

Our new Canteen opened its doors to all Savola Tower employees, serving more than 800 employees across the Group and a venue for employees to meet and build relationships. We partnered with KidZania in Jeddah for Kids Day to show employees' kids the wonderful world of Savola in a fun and interactive way.

We ran a FIFA World Cup 2018 competition, bringing employees together in an informal setting at Savola Tower to watch the matches and letting them work in groups to predict the results and win prizes.

Promoting diversity while deepening our social commitment

We aim to maintain our strong track-record of attracting exceptional talent to join our highly capable and motivated team. Our diversity remains one of our key strengths, and Savola is widely recognized as a market leader for its female empowerment initiatives. In 2018, we enhanced the daycare facility in Savola Tower by creating a mother's committee to drive continuous improvement, and we also joined hands in celebrating momentous days throughout the year, such as National Day, Mother's Day, etc.

In line with the Saudi government's decision to allow women to drive for the first time in the Kingdom, we organized an initiative under the name "Jahza" in cooperation with Abdul Latif Jameel (TOYOTA), Jeddah Traffic Department, and "Najm", reflecting our belief in supporting women (including male employees' families) throughout our group, and to show our support we decided to cover the costs of issuing a driving license for the first 30 female employees.

Savola Group maintained for a second year our Gold-level Mowaamah Certificate, awarded by The Ministry of Labor and Social Development to the Group for creating a disability-friendly workplace and supporting people with disabilities through dedicated facilities, recruitment and training policies under Savola's Makeen program. We take great pride in this program.

In 2018, Savola also partnered with a group of leading employers in the Kingdom, in an international initiative called "Alliance for Youth". The partnership is dedicated to helping young people enhance their skills and prepare them to enter the job market. Through workshops about the job market, support in developing their CVs, and interview coaching, the initiative prepares participants for professional life and improves their job prospects in an increasingly challenging job market.

Supporting employee health and wellness

To safeguard employee wellbeing, we ensured that healthy, high-quality food is provided for all employees at Savola Tower in our new canteen, and launched a clinic service at Savola Tower through a partnership with My Clinic. We also developed an employee wellness program, designed to increase awareness of medical conditions such as breast cancer and diabetes.

Also in 2018, we further developed our prominent social media presence to attract and engage exceptional talent to work at Savola. We also revamped our careers webpage, making it more user friendly and informative, which resulted in a significant boost in engagement with job-seekers.

As part of our learning and development activities, training programs were, conducted both locally and abroad, comprising 80% in technical subjects and 20% in soft skills. We also created new processes for aligning training with both individual employee requirements and business needs.

Savola also continues to provide its employees with a range of unique benefits, including an Employee Home Loan scheme for Saudi employees; Takaful insurance to support employees' families in the unfortunate event of death or permanent disability; and Savola's Employee Takaful Fund to assist junior staff (below manager level) to deal with financial emergencies.

Performance Review: Our People continued

Savola Foods

Serving the needs of more than 6,800 full-time employees, the Savola Foods Human Capital Division serves the interests of a capable, engaged and adaptable workforce across all geographies and product categories.

Challenging economic conditions and currency devaluations in markets across our various geographies placed increasing financial pressure on employees during 2018, resulting in an internal revaluation of packages in these locations. Staff turnover during the year was in line with expectations at less than 5%.

Specific ongoing initiatives during 2018 included our two L&D programs: the Iqtida'a executive leadership program – a bespoke 18-month executive leadership development program delivered in partnership with INSEAD Business School – and Accelerate, the company's in-house talent management and capacity building program for middle management. We also introduced an e-learning solution as part of the blended learning offered to all managers. SFC also retained key talent through the Promote Within strategy and filled the majority of leadership vacancies through internal promotion rather than external recruitment.

As for "Tawer Program", Savola Food participated in the engagement survey as part of achieving the strategic objectives of Savola Group, with a company that has more than 6,000 employees the result showed a tremendous increase with a 13% in total employee engagement compared to the results from the engagement survey that was conducted in 2016.

We continued with our high level of Saudization enabling us to maintains our Nitaqat platinum level.

SFC also initiated an entrepreneurship competition in Egypt in partnership with a number of Egyptian universities to identify top students to propose projects related to Savola business.

Panda Retail

Panda's competitive advantage is deeply rooted in the skills and commitment of its people. We believe that by investing in our staff and providing them with the tools and opportunities to allow for their continuing professional development, we can ensure the long-term success of Panda as a world-class employer and retailer.

Our people also form the basis of our program to turn around the company's fortunes in the face of an increasingly difficult market and position. Achieving change and success begins with a change in mindset, as well as with efficient communication between our staff and management. As part of Savola we also participated in "Tawer Program" engagement survey and we are pleased to report, in this context, that the results from the engagement survey that was conducted by the Group in 2018, showed a 5% increase in employee engagement over the previous survey conducted in 2016.

Attracting and training the right people is also a key priority in our strategy. We continue to build an executive team with strong and diverse backgrounds, and we have launched major recruitment campaigns to attract the best talent in Operations, Logistics/Supply chain, Commercial disciplines.

This is all within the purview of our Human Capital team, which supports the needs of a diverse and dynamic 20,337 strong workforces, comprising 19,868 full-time employees across our home market of Saudi Arabia and a further 464 in Egypt.

During 2018, the team carried out a raft of assessments of the leadership teams in each store to determine the level of performance and potential of store managers and assistant managers. The focus of the assessment program was on deploying the right people to lead stores, as well as to achieve more efficient performance with more effective staff to produce a leaner and more agile structure capable of adapting to rapid organizational change.

Panda Retail maintains an advanced Saudization rating for our workforce in the Kingdom, thanks to our proactive Saudization initiatives, which are tailored to complement the initiatives of the Ministry of Labor & Social Development (MLSD) in support of the 2030 Vision. As a result, we have steadily maintained a Green Zone in the Nitaqat System by increasing the mandatory employment ratio of Saudi nationals in our local workforce over the past few years.

During 2018, we designed a national capability-building (NCB) program to induct nationals into our leadership track, as well as to attract Saudi butchers, bakers and others to provide support functions. We are also working to nationalize the four professions: Household Appliances, Textiles, Electronics and Bakery that relate to Panda's operations out of the 12 announced by the Ministry of Labor & Social Development as priorities for Saudization. We have now met the 70% target set for these four professions.

Panda Retail retains a Gold-level Mowaamah Certificate issued by the Ministry of Labor and Social Development in recognition of our long-standing commitment to the employment of persons with disabilities. We have also received a prestigious international disability award from the Government of Brazil. In December 2018, our company stood out as one of the international organizations and the only company in the Middle East to be honored by the United Nations, New York, as a disability friendly organization. Today, we employ 283 individuals with disabilities.

mowaamah

Sustainability Review

Our sustainability

Savola Group maintains a commitment to sustainability that is unparalleled in its scope and reach within our industry in the region. The goal of building a sustainable future for our employees, shareholders, customers and the communities we serve lies at the heart of everything we do. We use our unique sustainability platform, "Savola World", to engage with our people on a range of sustainability issues. We also promote healthy living and sustainable food consumption and storage through our "Negaderha" program – which engages with the public and NGOs to reduce food waste in Saudi Arabia – and actively promote the inclusion of persons with disabilities in the workforce through our "Makeen" program, which aims to drive positive behavioral change throughout the nation and the broader region.

"For Savola, sustainability is more than a goal to pursue, it is an ethos that informs our choices as a business and as individuals on a daily basis. Each one of us has a legacy to protect – a lasting impression that we can leave on our nation and our society that changes the lives of others for the better. Whether it is our work in the community, our reduction of waste, or the respect and acceptance we can engender for those less fortunate than ourselves, we can each make a difference to the people and the world around us."

Group Executive Director, Sustainability

Sustainability Review continued

Strengthening our organization through sustainable practices

Sustainability as a foundation for our success

At Savola we take our social responsibilities seriously. Building a sustainable future for our employees, shareholders, customers and the communities we serve is a goal shared at all levels of our Group.

Through our work promoting responsible business practices within our sector, improving the inclusion of persons with disabilities in the workplace, and raising community awareness on efficient use of resources and food waste reduction, our concern for our society and environment will continue to drive us.

Savola World, our unique sustainability platform, embodies this commitment to our stakeholders and communities. Its aim is to lead the way in sustainable practices and set an example for others to emulate, not only in our industry but across the Saudi economy.

While this platform allows us to reach beyond our organization to touch the lives of people throughout the Kingdom and the region, it is our employees who are our most important ambassadors for sustainability. They continue to inspire us to uphold the commitments and goals we have set for ourselves and we, in turn, remain committed to their health, welfare and success as individuals. By providing world-class employee benefits and lifelong learning opportunities, and adhering to responsible human capital management practices, we strive to ensure that our workplace provides a positive and supportive environment in which our people may flourish.

We also remain committed to the idea of rational, sustainable consumption and our reduce–reuse–recycle policy is designed to limit waste across our operations and encourage others to do the same.

We hope that by continuing to communicate our messages on key issues for which we have an enduring passion, including promoting healthy living, sustainable food consumption and storage, and inclusion of persons with disabilities, we can drive positive behavioral change throughout the nation and the broader region, whilst also maintaining competitiveness and maximizing both efficiency and industry potential for the benefit of all.

Negaderha

The Savola Negaderha program is a food waste prevention and reduction scheme developed to face the pressing problem of food waste across Saudi Arabia. It is estimated that around 1.3 billion tons of edible food is wasted globally each year (FAO, 2016), and that the Kingdom wastes more food per capita than any other nation. By driving behavioral change both in the home and the HORECA (hotels, restaurants and cafés) sector, we aim to reverse this highly damaging trend that undermines our national food security.

To effectively realize its goals, Negaderha has collaborated with several local and international organizations – the United Nations Environment Programme (UNEP), the Waste and Resources Action Programme (WRAP) and Ita'am Food Bank. The program aims to develop a comprehensive understanding of the drivers of food waste in the Kingdom and to implement campaigns based on this understanding to achieve tangible, quantifiable reductions in waste.

Building on the data gathered during the initial stages of the program in 2017, Negaderha conducted a new social survey during 2018. The aim of the survey was to establish a statistical baseline from which to measure awareness among the community and the HORECA sector regarding food waste as a social issue and the solutions offered by Savola's Negaderha Program.

UNEP

wrap

95%

of participants are willing to initiate and maintain behavioral and purchasing habits to reduce food waste. (Negaderha Social Survey)

2,500

nearly 2,500 recipes were submitted during the Holy Month, from which nine winners were selected

60

The Negaderha portal now provides around 60 interactive leftover recipe videos

SAVOLA WORLD

SAVOLA WORLD | Negaderha

Delivered via electronic and paper questionnaires, as well as face-to-face interviews, the survey covered three major Saudi cities. 54% of the respondents believed that Negaderha is the most effective national social program to reduce food waste, while 95% were willing to initiate and maintain changes in their behavior and purchasing habits to reduce food waste.

In February 2018, Negaderha organized a conference of the Negaderha Alliance, which sought to build national strategic partnerships with Non-Governmental Organizations (NGOs) specializing in food waste management in Saudi Arabia, and to establish the basis for future initiatives to extend Negaderha's presence and activities to include all major cities across the Kingdom. Thirty representatives from Saudi NGOs attended the event, which included a workshop and discussion panels on major challenges faced by NGOs in combatting food waste in the country. Fifteen NGOs signed memoranda of understanding (MOUs) with Negaderha at the event.

As in the previous year, Negaderha launched a special digital campaign during the Holy Month of Ramadan aimed at discouraging food waste by providing creative and innovative examples of how leftovers can be reused to make new dishes. Each week, Negaderha announced a list of mystery ingredients from which to create new meals. The campaign reached more than 4 million people across the nation through its digital platforms (one million more than in 2017), and nearly 2,500 recipes were submitted during the Holy Month, from which nine winners were selected.

Negaderha also produced a leftover recipe book, which compiles the most creative submissions received from its 2017 digital competition for the best leftover recipes. The Negaderha portal now provides around 60 interactive leftover recipe videos.

The portal, which also received a significant facelift during 2018 that improved its content, aesthetics and usability, now features a portion planner tool to complement the recipes. It is designed to help people make accurate estimates of the ideal amount of food they require for a given meal, which provides the right balance of nutrition whilst avoiding undue food waste.

To complement the Negaderha online portal, 2018 also saw the initiation of a project to design and develop a Negaderha Mobile App, which will act as a portable toolkit providing quick and easy access to food waste reduction tips and related calculators.

Keen to lead by example in reducing food waste, Negaderha carried out an internal branding of its HQ canteen, featuring interactive Negaderha messaging to spread internal awareness of the program and its goals. It provided Savola employees with practical tools and tips to improve their food waste management knowledge and practices, including an interactive stand, a Food Waste Calculator tool, table-top awareness messages and on-wall visuals.

+4m

reached through Negaderha social media communication campaign

54%

of people believe that Negaderha is the most effective national social program to reduce food waste. (Negaderha Social Survey)

Sustainability Review continued

Makeen

Makeen

Savola Group is a recognized pioneer in terms of our commitment to recruiting persons with disabilities (PWDs) and promoting their participation in the broader economy. In October 2017, we were the first private company in the Kingdom to become a member of the International Labor Organization (ILO) Global Business and Disability Network. Savola is also one of the founders of the Qaderoon Business Disability Network and holds a gold category Mowaamah certificate for the advancement of PWDs.

Savola's Makeen program serves as the focal point of our commitment to the promotion of the rights of PWDs. It is the vehicle through which we deliver activities to promote awareness throughout our society, and develop policies and practices that protect PWDs from all forms of discrimination.

We believe that we have a responsibility to share our experiences and best practices in promoting the employment of PWDs to support others in their pursuit of common goals. We therefore engage throughout the year with like-minded organizations through a variety of regional and international forums. In 2018, these included the 2nd Al-Amal International Conference on Disability in Turkey, the 5th International Conference on Disability and Rehabilitation in Riyadh, and the ILO Global Business and Disability Network forum in Geneva. We also shared our experience in applying total accessibility standards with a delegation from the Dr. Soliman Fakeeh Hospital, and participated in a diversity and inclusion forum organized by BAE Systems in Riyadh.

The Makeen program delivered a series of workshops during 2018, focusing on topics including: workplace emergency and evacuation plans for PWDs; barrier-free recruitment; inclusive products and services; and inclusive communication practices. Other workshop themes during the year included a 'mentor and buddy' program for integrating PWDs into the workplace at Umm Al-Qura University and an introduction to the Mowaamah certification system.

Makeen is also producing a series of eight short infographic videos to support the objectives of the Makeen program by raising awareness of the employability of PWDs. The videos provide information on the Makeen program itself, as well as on the feasibility and business case for employing PWDs; disability best practices; the mentor and buddy system; and best practices in accommodating persons with visual, hearing, intellectual and physical disabilities.

Our progress in ensuring our workplaces are fully accessible for PWDs represents a key goal in our broader aim to transform our economy into a welcoming, inclusive, barrier-free space in which PWDs may participate and contribute.

International Labour Organization

قادرون Qaderoon
شبكة أصحاب الأعمال والإعاقة
Business Disability Network

In August 2018, our United Sugar Facility and AFIA International Facility, both in Jeddah, received Universal Accessibility Certificates from the Global Alliance on Accessible Technologies and Environments in recognition of their excellent levels of accessibility for all people, including PWDs.

Panda Retail

As part of Savola's commitment to giving back to the community, Panda Retail's ongoing 'Leave the Change' charitable initiative encourages Panda's customers to donate the small change from their purchases at retail outlets. During 2018, Panda collected a sum of SAR 3.4 million, as part of its program "Leave the Change". The amount collected will be donated to "Disabled Children's Association" and "Tarahom Association", which cares for prisoners and their families during 2019. It is worth mentioning, that Panda collected and donated around SAR 77.2 million since the program was launched in 2006.

02 Directors' Report

Disclosures, Corporate Governance and Audit Committee Report

In this section

Main Activities and Financial Disclosures

1) The Group's Main Activities:
The Group has a broad portfolio of activities. In the foods sector, this is mainly the production, marketing and distribution of edible oils, vegetable ghee, sugar, pasta, baked goods, seafood and frozen food. The retail sector operates a chain of hypermarkets, supermarkets and convenience stores. Savola also has significant investments in leading Saudi non-listed and 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, King Abdullah Economic City (Emaar), and Kinan International for Real Estate Development Co., as well as holdings in private equity funds.

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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
a) Direct subsidiaries of the Company:							
i. Operating subsidiaries:							
1.	Savola Foods Co. (SFC)	Kingdom of Saudi Arabia (KSA)	Foods	Holding company manages the investment in foods sector in KSA and overseas	100%	SAR 2,200,000,000	220,000,000
2.	Panda Retail Co. (Panda)	KSA	Retail	KSA and Egypt	97.55%	SAR 1,375,000,000	137,500,000
3.	Good Food Co. (GFC)	KSA	Foods	KSA & GCC	100%	SAR 50,000	500
4.	Al Matoun International for Real Estate Investment Holding Co.	KSA	Real Estate	KSA	80%	SAR 100,000,000	100,000
5.	Herfy Food Services Co. (Herfy)	KSA	Restaurants & Manufacturing Bakery Products	KSA and Bangladesh and some GCC countries	49%	SAR 646,800,000	64,680,000
ii. Dormant and holding subsidiaries:							
6.	Adeem Arabia Company (Adeem)	KSA	Holding Company	KSA	100%	SAR 1,000,000	10,000
7.	Al Utur Arabian Co. for Commercial Investment	KSA	Holding Company	KSA	100%	SAR 1,000,000	10,000
8.	Al Mojammat Al Mowahadah Real Estate Co.	KSA	Under Liquidation	KSA	100%	SAR 2,000,000	200,000
9.	Madarek Investment Co.	Jordan	Holding Company	Jordan	100%	JOD 1,000,000	1,000,000
10.	United Properties Development Co.	KSA	Dormant Company	KSA	70%	SAR 4,000,000	400

1) The Group's Main Activities: continued
Savola's subsidiaries, sister companies, investments, activities and country of incorporation are: continued

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
I. Savola Foods Company:							
Subsidiaries Controlled through Savola Foods Company: (% referred to SFC's direct & indirect ownership – SFC is wholly owned by Savola)							
11.	Afia International Co. (AIC)	KSA	Manufacturing of Edible Oils	KSA. Gulf. Egypt. Iran. Turkey. Jordan	95.19%	SAR 500,000,000	50,000,000
12.	Savola Industrial Investment Co. (SIIC)	KSA	Holding Company	KSA	100%	SAR 205,907,000	205,907
13.	El-Maleka for Food Industries Co.	Egypt	Manufacturing of Pasta	Egypt	100%	EGP 268,898,960	433,708
14.	El Farasha for Food Industries Co.	Egypt	Manufacturing of Pasta	Egypt	100%	EGP 20,000,000	20,000
15.	Savola Foods Emerging Markets Co. (SFEM)	British Virgin Islands (BVI)	Holding Company	BVI	95.4%	SAR 130,000,000	13,000,000
16.	Afia International Distribution and Marketing Co.	KSA	Trading and Distribution	KSA	100%	SAR 5,000,000	5,000
17.	Savola Foods for Sugar Co.	Cayman Islands	Dormant Company	Offshore Company	100%	USD 50,000	5,000
18.	Savola Foods Co. International Ltd.	United Arab Emirates (UAE)	Holding Company	UAE	100%	AED 500,000	500
19.	International Foods Industries Co. (IFI)	KSA	Manufacturing of Specialty Fats	KSA	100%	SAR 107,000,000	10,700,000
20.	Seafood International Two FZCO	UAE	Seafood Products Trading and Distribution	UAE	60%	AED 100,000	100
21.	Afia Foods Arabia Co.	KSA	Dormant Company	KSA	100%	SAR I,000,000	1,000
22.	Al Maoun International Holding Co. (Al Maoun)	KSA	Holding Company	KSA	100%	SAR 1,000,000	1,000
23.	Marasina International Real Estate Investment Co. (Marasina)	KSA	Holding Company	KSA	100%	SAR 200,000	200

Main Activities and Financial Disclosures continued

1) The Group's Main Activities: continued

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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
b) Subsidiaries controlled through Afia International Company (% referred to AIC's ownership; AIC is 95.19% owned by SFC)							
24.	Savola Behshahr Co. (SBeC)	Iran	Holding Company	Iran	90%	IRR 740,000,000,000	740,000,000
25.	Malintra Holdings Ltd.	Luxembourg	Dormant Company	Offshore Company	100%	EUR 1,250,000	1,250
26.	Savola Foods Ltd. (SFL)	BVI	Holding Company	Offshore Company	100%	USD 52,000	52,000
27.	Afia International Co. – Jordan	Jordan	Trading and Distribution	Jordan	97.4%	JOD 8,000,000	8,000,000
28.	Inveskz Inc.	BVI	Dormant Company	Offshore Company	90%	USD 138,847	138,847
29.	Afia Trading International	BVI	Dormant Company	Offshore Company	100%	USD 500,000	500,000
30.	Savola Foods International	BVI	Dormant Company	Offshore Company	100%	USD 50,000	50,000
31.	KUGU Gida Yatum Ve Ticaret A.S (KUGU)	Turkey	Holding Company	Turkey	100%	TRL 26,301,280	2,630,128
32.	Aseel Food – Holding Co.	Cayman Islands	Holding Company	Offshore Company	100%	USD 50,000	50,000
Under Savola Behshahr Company (% referred to SBeC's ownership; SBeC is 90% owned by AIC)							
33.	Behshahr Industrial Co.	Iran	Manufacturing of Edible Oils	Iran	79.9%	IRR 1,023,000,000,000	1,023,000,000
34.	Tolue Pakshe Aftab Co.	Iran	Trading and Distribution	Iran	100%	IRR 100,000,000,000	100,000,000
35.	Savola Behshahr Sugar Co.	Iran	Trading and Distribution	Iran	100%	IRR 100,000,000	100,000
36.	Notrika Golden Wheat Co.	Iran	Manufacturing of Food and Confectionery	Iran	90%	IRR 150,000,000,000	150,000,000
Under Savola Foods Limited (% referred to SFL's direct & indirect ownership; SFL is wholly owned by AIC)							
37.	Afia International Co. Egypt	Egypt	Manufacturing of Edible Oils	Egypt	99.95%	EGP 154,651,500	30,930,300
Under KUGU Gida Yatum Ve Ticaret A.S (% referred to KUGU's ownership; KUGU is wholly owned by AIC)							
38.	Savola Gida Sanayi Ve Ticaret Anonim Şirketi (Formerly Yudum Gida Sanayi ve Ticaret A.S)	Turkey	Manufacturing of Edible Oils	Turkey	100%	TRL 4,433,569	443,356,900

1) The Group's Main Activities: continued

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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
c) Subsidiaries controlled through Savola Industrial Investment Company (% referred to SIIC's ownership; SIIC is 100% owned by SFC)							
39.	United Sugar Co. (USC)	KSA	Manufacturing of Sugar	KSA and Egypt	74.48%	SAR 395,000,000	395,000
Under United Sugar Company (% referred to USC's direct & indirect ownership; USC is 74.48% by SIIC)							
40.	Alexandria Sugar Co. – Egypt (ASCE)	Egypt	Manufacturing of Sugar	Egypt	54.14% (73.14% including SFC %)	EGP 281,838,000	281,838
41.	Beet Sugar Industries	Cayman Islands	Dormant Company	Offshore Company	100%	USD 1,000	1,000
Under Alexandria Sugar Co. – Egypt (% referred to ASCE ownership; ASCE is 73.14% owned by SFC directly and indirectly)							
42.	Alexandria United Co. for Land Reclamation	Egypt	Agro Cultivation	Egypt	100%	USD 22,500,000	225,000
d) Subsidiaries controlled through Savola Foods Emerging Markets Company (% referred to SFEM's direct & indirect ownership; SFEM is 95.4% owned by SFC)							
43.	Savola Morocco Co.	Morocco	Manufacturing of Edible Oils	Morocco	100%	MAD 46,000,000	460,000
44.	Savola Edible Oils (Sudan) co.	Sudan	Manufacturing of Edible Oils	Sudan	100%	SDG 45,800,000	45,800,000
45.	Afia International Co. – Algeria	Algeria	Manufacturing of Edible Oils	Algeria	100%	DZD 3,028,071,000	3,028,071,000
e) Subsidiaries controlled through Savola Foods Company International Limited (% referred to SFCI's ownership; SFCI is wholly owned by SFC)							
46.	Modern Behtaam Royan Kaveh Co.	Iran	Food and Confectionery	Iran	100%	IRR 1,000,000	1,000

Main Activities and Financial Disclosures continued

1) The Group's Main Activities: continued

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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
f) Subsidiaries controlled through Al Maoun And Marasina (% referred to Al Maoun & Marasina's ownership – both companies are wholly owned by SFC)							
47.	Alofog Trading DMMC	UAE	Trading and Distribution	UAE	100%	AED 2,000	50
II. Subsidiaries controlled through Panda (% referred to Panda's ownership – Panda is 97.55% owned by Savola)							
48.	Giant Stores Trading Co.	KSA	Retail	KSA	100%	SAR 500,000	500
49.	Panda for Operations. Maintenance and Contracting Services	KSA	Services and Maintenance	KSA	100%	SAR 500,000	500
50.	Panda International for Retail Trading	Egypt	Retail	Egypt	100%	EGP 50,000,000	50,000,000
51.	Panda Bakeries Co.	KSA	Bakery	KSA	100%	SAR 500,000	500
Under Giant (% referred to Giant's ownership – Giant is 100% owned by Panda)							
52.	Lebanese Sweets and Bakeries	KSA	Dormant Company	KSA	95%	SAR 5,000,000	5,000
Al Kabeer Group Companies							
Subsidiaries Controlled through GFC (% referred to GFC's direct & indirect ownership – Good Food is wholly owned by Savola)							
53.	Variety Foods Factory Co.	KSA	Manufacturing of Frozen Food	KSA	51%	SAR 5,000,000	5,000
54.	Al Helal for Import and Export Co.	Bahrain	Trading and Distribution	Bahrain	51%	BHD 20,000	200
55.	Al Kabeer Holding Co.	UAE	Holding Company	UAE	51%	USD 100	100
56.	Best Foodstuff Trading Co.	UAE	Trading and Distribution	UAE	51%	AED 3,000,000	3,000
57.	Sahar Enterprises Co.	UAE	Trading and Distribution	UAE	51%	AED 181,500,000	181,500
58.	Sahar Food Industry Co.	UAE	Manufacturing of Frozen Food	UAE	51%	AED 300,000	300
59.	Al Ahsan Trading Co.	KSA	Trading and Distribution	KSA	51%	SAR 27,000,000	27,000
Subsidiaries Controlled through Al Kabeer Holding (% referred to Al Kabeer Holding direct & indirect ownership – Al Kabeer Holding is 51% owned by Good Food)							
60.	Al Sabah Foodstuff Enterprises Co.	UAE	Trading and Distribution	UAE	100%	AED 500,000	500
61.	Cascade Marine Foods Co.	UAE	Manufacturing of Frozen Food	UAE	100%	AED 750,000	100
62.	Cascade Investments Limited	UAE	Investment Co.	UAE	100%	USD 125,000	1,250

1) The Group's Main Activities: continued

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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
Subsidiaries Controlled through Cascade Investments (% referred to Cascade Investments direct & indirect ownership – Cascade Investments is 100% owned by Al Kabeer Holding)							
63.	Best Foods Co.	Oman	Food Distribution	Oman	100%	OMR 150,000	150,000
Investees:							
64.	Almarai Co.	KSA	Fresh Food Products	KSA	34.52%	SAR 10,000,000,000	1,000,000,000
65.	Kinan International for Real Estate Development Co.	KSA	Real Estate Development	KSA	29.9%	SAR 1,694,000,000	169,400,000
66.	United Sugar Co. Egypt (USCE)	Egypt	Manufacturing of Sugar	Egypt	33.82% (Savola effective ownership)	USD 156,000,000	15,600,000
67.	Al Seera Co.for Real Estate Development	KSA	Real Estate Development	KSA	40%	SAR 20,000,000	200,000
68.	Knowledge Economic City Developers Co.	KSA	Real Estate	KSA	2.07%	SAR 830,000,000	83,000,000
69.	Intaj Capital Ltd.	Republic of Tunisia (Tunisia)	Fund Management	Tunisia	49%	USD 260,000,000	260,000
70.	United Edible Oils Holding Ltd.	Cayman Islands	Holding Company	Offshore Company	51%	USD 36,351,431	36,351,431
Available for sale investments:							
Listed:							
71.	Knowledge Economic City	KSA	Real Estate Development	KSA	11.5%	SAR 339,300,000	339,300,000
72.	King Abdullah Economic City (Emaar)	KSA	Real Estate	KSA	0.87%	SAR 8,500,000,000	850,000,000
73.	Arab Phoenix Holdings Co. (Formerly; Taameer Jordan Holding Co.)	Jordan	Real Estate Development	Jordan	5%	JOD 86,840,292	86,840,292
Unlisted:							
74.	Joussor Holding Co.	KSA	Investment Funds	KSA	14.81%	SAR 600,000,000	60,000,000
75.	Swicorp Co.	KSA	Investment Funds	KSA	15%	SAR 500,000,000	50,000,000

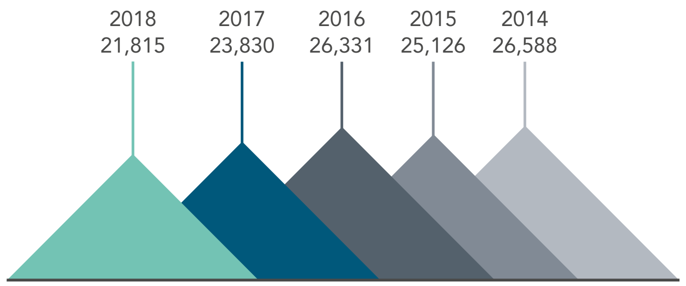
Main Activities and Financial Disclosures continued

2) Consolidated performance of the Group

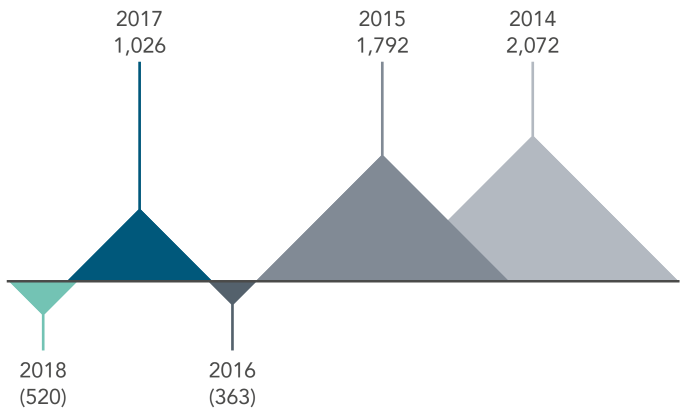
2–1) Summary of the Company's assets & liabilities and financial results for the last five years

a) Comparison of the Company's financial results (SAR million):

Revenues



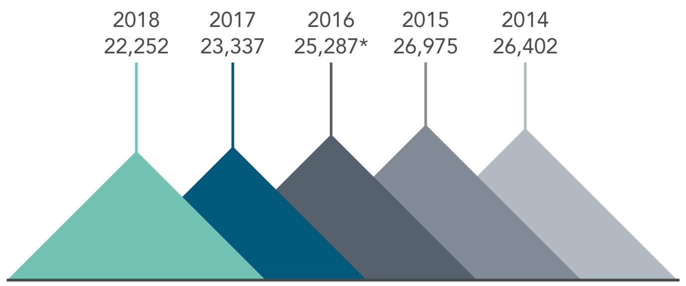
Net Profits



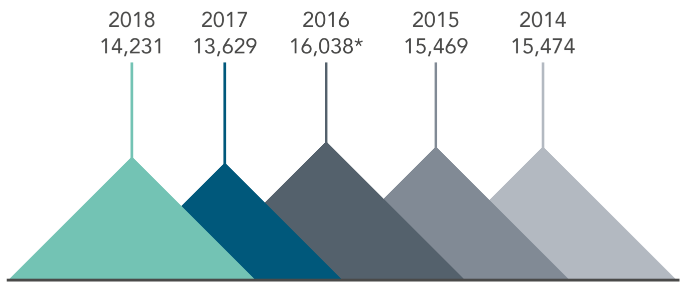
Item (SAR '000)	**2018**	2017	2016	2015	2014
Revenues	**21,814,563**	23,830,475	26,330,802	25,125,596	26,587,842
Cost of revenues	**(17,916,606)**	(19,436,360)	(21,677,838)	(20,100,206)	(21,724,122)
Gross profit	**3,897,957**	4,394,115	4,652,964	5,025,390	4,863,720
Net profit (loss)	**(520,380)**	1,025,618	(363,287)	1,791,747	2,072,319

b) Comparison of the Company's assets and liabilities (SAR million):

Assets



Liabilities



Item (SAR '000)	**2018**	2017	2016	2015	2014
Current assets	**5,875,236**	6,678,054	8,449,057	9,331,719	10,237,717
Non-current assets	**16,377,215**	16,659,276	16,838,339	17,643,635	16,163,909
Total assets	**22,252,451**	23,337,330	25,287,396	26,975,354	26,401,626
Current liabilities	**8,426,642**	8,642,368	10,406,259	9,967,229	10,161,490
Non-current liabilities	**5,803,868**	4,986,982	5,631,303	5,502,059	5,312,084
Total liabilities	**14,230,510**	13,629,350	16,037,562	15,469,288	15,473,574

* All 2016 figures are IFRS adjusted.

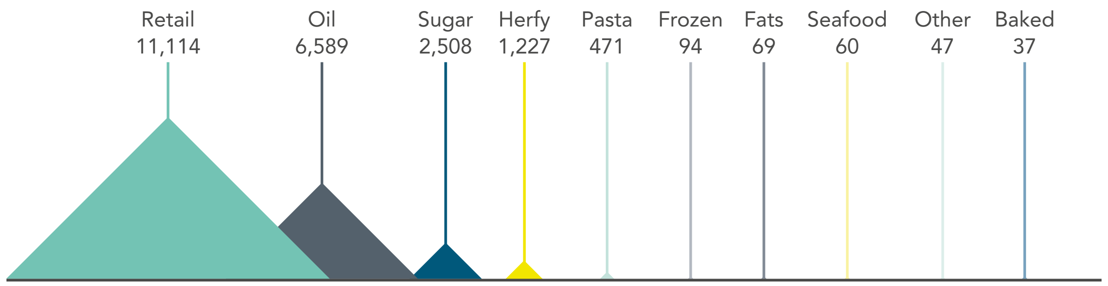
2) Consolidated performance of the Group continued

2–2) Geographical analysis of the Company's and its affiliates' revenues

Below is the Group's consolidated revenue for 2018 compared to the previous year, sector wise and activity wise (edible oils and vegetable ghee, sugar and sweeteners, pasta, seafood, retail sector and frozen food), including geographical analysis based on brands and the countries where they are available:

Business line/country	Brands	**2018 (SAR '000)**	2017 (SAR '000)
Edible oil and vegetable ghee			
KSA, GCC and Yemen	Afia, Al-Arabi, Olite, Shams, Sun Glow, Dalal	**1,917,003**	2,285,758
Egypt	Rawabi, Afia, Ganna, Slite, Helwa	**950,009**	867,281
Sudan	Al Tayeb, Sabah, Shams	**211,900**	375,157
Morocco	Afia, Hala	**358,538**	343,094
Turkey	Yudum, Sirma,Afia	**744,260**	827,538
Algeria	Afia, Oleor	**598,460**	556,538
Iran	Ladan, Aftab, Bahar, Afia	**1,808,636**	2,590,588
Total edible oil		**6,588,806**	7,845,954
Sugar and sweeteners			
KSA, GCC, and Yemen	Al Osra, Ziadah, Safaa, Nehar, Halla, Sweeva	**2,096,484**	2,730,979
Egypt	Al Osra	**412,101**	343,554
Total sugar and sweeteners		**2,508,585**	3,074,533
Total pasta products – Egypt	El Maleka, Macaronto, Italiano	**471,440**	418,445
Total seafood products – UAE	John West	**60,301**	13,292
Total baked food products – Iran	Pech pech	**37,458**	19,626
Total specialty fats and margarine – KSA	Culina, Margarina	**68,881**	12,370
Total Foods		**9,735,471**	11,384,220
Retail			
KSA	Hyper Panda, Panda Supermarket and Pandati	**11,016,334**	11,471,660
UAE	Hyper Panda	**–**	79,543
Egypt	Hyper Panda, Panda Supermarket	**97,907**	93,084
Total retail		**11,114,241**	11,644,287
Fast food and restaurant	Herfy	**1,227,270**	1,157,793
Frozen food products – KSA & GCC	Al-Kabeer, Tayebat Al Emarat, Tabarruk	**94,107**	–
Others			
Real estate – KSA		**47,035**	45,338
Total other activities		**47,035**	45,338
Gross revenues		**22,218,124**	24,231,638
Consolidated intercompany elimination		**(403,561)**	(401,163)
Total revenues		**21,814,563**	23,830,475

Breakdown of sector and main Group activity contributions to 2018 consolidated revenues



Main Activities and Financial Disclosures continued

2) Consolidated performance of the Group continued

2–3) Statement of any material differences in the operational results compared to the preceding year's results

No.	Income statement	2018 (SAR '000)	2017 (SAR '000)	Variance + or (–) (SAR '000)	Variance %
1	Revenues	**21,814,563**	23,830,475	(2,015,912)	-8.5%
2	Cost of revenues	**(17,916,606)**	(19,436,360)	1,519,754	-7.8%
3	Gross profit	**3,897,957**	4,394,115	(496,158)	-11.3%
4	Operational revenues – Other	**574,742**	752,382	(177,640)	-23.6%
5	Operational expenses – Other	**(4,195,379)**	(4,343,251)	147,872	-3.4%
6	Operational profit (loss)	**277,320**	803,246	(525,926)	-65.5%

Declaration: The Company didn't announce any financial expectations during 2018.

The reasons for the change in net profit for current year compared to last year:
The company recorded net losses for the year ended December 31, 2018 as compared to the net profit for the year ended December 31, 2017 is mainly attributed to the following:

1. Certain non-recurring gains recognized in the comparable period as follows:
   - Gain amounting to SR 694 million on disposal of 2% ownership interest in Almarai;
   - Non-recurring net positive impact for the Group of SAR 62 million from gain on disposal of leasehold rights by Panda Retail Company, of its Hyper Panda store in Dubai Festival City Mall, UAE; and
   - Non-recurring net positive impact for the Group of SAR 30 million due to recognition of dilution gain net of option cost, upon deconsolidation of United Sugar Company Egypt, considered as an associate effective March 28, 2017, after issuance of shares to the European Bank for Reconstruction and Development (EBRD).
2. During 2018, an exceptional expense amounting to SR 100.7 million in relation to a guarantee given to an associate's subsidiary has also resulted in the increase in loss for the year.
3. Lower gross profits due to lower sales and margins in food and retail sector;
4. Lower share of profit from an associate;
5. Higher share of losses from other associates mainly due to the impairment loss recorded at the associate level;
6. Higher zakat and income tax;
7. Higher net finance cost mainly due to the currency exchange losses; and
8. Operating expenses including the impairment loss were lower compared to the prior year.

2–4) Details of long and short-term loans and payment status

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, five years ago the Group issued its first tranche of Sukuk in 2013. However, some loans arranged by overseas subsidiaries are subject to structure and policies adopted in those countries, which may differ from those in Saudi Arabia.

Finance charges for Group loans (short-term and long-term borrowings) from various commercial banks and financial institutions during 2018 (at prevailing market rates) reached SAR 398.8 million compared to SAR 340.1 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:

a) Long-term loans as of December 31, 2018 (SAR '000):

No.	Borrowing company	Lender	Loan period	Date issued	Original amount	Amount paid in 2018	Balance Dec–2018	Balance Dec–2017
1	Savola	National Commercial Bank	5 years	Oct-16	500,000	**125,000**	**343,750**	468,750
		Gulf International Bank	1.5 years	Dec-17	298,205	**298,205**	**–**	298,205
		Gulf International Bank	2.08 years	Dec-18	480,000	**–**	**480,000**	–
		Samba Financial Group	7 years	Dec-18	294,000	**–**	**294,000**	–
		Bank Al Jazira	7 years	Nov-18	300,000	**–**	**300,000**	–
		Bank Al Jazira	2 years	Dec-18	300,000	**–**	**300,000**	–
		Saudi British Bank	5 years	Sep-18	750,000	**–**	**750,000**	–
		Sukuk	7 years	Jan-13	1,500,000	**–**	**1,500,000**	1,500,000
Savola Group							**3,967,750**	2,266,955

2) Consolidated performance of the Group continued

2–4) Details of long and short-term loans and payment status continued

No.	Borrowing company	Lender	Loan period	Date issued	Original amount	Amount paid in 2018	Balance Dec–2018	Balance Dec–2017
2	Panda	Banque Saudi Fransi	5 years	Mar-14	500,000	**166,666**	**166,667**	333,333
		National Commercial Bank	4 years	Jul-15	300,000	**125,000**	**100,000**	225,000
		Saudi British Bank	5 years	Dec-15	300,000	**75,000**	**150,000**	225,000
		Saudi British Bank	6 years	Dec-16	400,000	**80,000**	**320,000**	400,000
		Al Rajhi Bank	4 years	Mar-16	250,000	**83,334**	**83,333**	166,667
Panda Retail Co.							**820,000**	1,350,000
3	Afia – KSA	Saudi British Bank	5 years	Dec-14	350,000	**28,125**	**84,375**	112,500
	Kugu	Hongkong and Shanghai Banking Group	8 years	Jan-11	62,475	**15,619**	**–**	15,619
	Afia – Egypt	Emirates NBD***	5 years	Jan-16	13,656	**–**	**17,668**	17,449
			5 years	Jan-16	11,386	**17,398**	**8,774**	26,172
Afia International Co.							**110,817**	171,740
4	Savola Edible Oils Sudan	Bank of Khartoum	3 years	May-16	4,268	**1,824**	**296**	2,120
			3 years	May-16	4,371	**1,879**	**293**	2,172
			3 years	May-16	543	**270**	**–**	270
			3 years	Jul-16	280	**155**	**–**	155
Savola Foods Emerging Co.							**589**	4,717
5	El Maleka for Food Industries	National Bank of Kuwait***	3.5 years	Sep-14	17,744	**4,019**	**4,019**	8,038
			5.3 years	Dec-18	28,173	**–**	**27,471**	–
Pasta							**31,490**	8,038
6	ASC Egypt	Commercial International Bank	7 years	Mar-10	529,937	**29,362**	**130,368**	159,730
7	AUCR	National Bank of Kuwait***	4 years	Jan-18	27,473	**–**	**23,488**	–
Savola Industrial Investment Co.							**153,856**	159,730
8	IFI	Saudi British Bank	4.75 years	Nov-15	170,000	**42,500**	**74,375**	116,875
International Foods Industries Co.							**74,375**	116,875
9	Herfy	Al Rajhi Bank	4-6 years	2014-2017	499,996	**115,333**	**181,627**	296,960
		Saudi Industrial Development Fund	6 years	2013-2016	42,903	**4,939**	**27,911**	32,850
		Saudi British Bank**	3 years	Jan-18	15,600	**–**	**15,702**	–
		Riyad Bank**	3 years	Apr-18	20,000	**–**	**20,111**	–
Herfy Food Services Company							**245,351**	329,810
Total long-term loans							**5,404,228**	4,407,865

*** December 2018 loan value changed due to devaluation.
** December 2018 loan balance includes accrued interest.

Main Activities and Financial Disclosures continued

2) Consolidated performance of the Group continued

2–4) Details of long and short-term loans and payment status continued

b) Short-term loans as of December 31, 2018 (SAR '000):

No.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2018	Balance Dec-2017
1	Savola Group	Al Rajhi Bank	1 month	Dec-18	**200,000**	
Savola Group					**200,000**	110,000
2	Panda	Saudi British Bank	1 month	Dec-18	**145,000**	
Panda Retail Co.					**145,000**	615,000
3	Afia International Co.	Saudi British Bank	1 month	Dec-18	**90,000**	
		Saudi British Bank	1 month	Dec-18	**150,000**	
		National Commercial Bank	1 month	Dec-18	**250,000**	
		National Commercial Bank	1 month	Dec-18	**50,000**	
		National Commercial Bank	1 month	Dec-18	**150,000**	
		Samba Financial Group	1 month	Dec-18	**255,000**	
4	Afia Intl. Co. – Egypt	Hongkong and Shanghai Banking Corp.	1 year	Jan-18	**15,395**	
		Emirates NBD	1 year	Jan-18	**44,885**	
		National Bank of Kuwait	1 year	Jan-18	**30,893**	
		Egyptian Saudi Finance Bank (El Baraka Bank)	1 year	Jan-18	**22,042**	
		National Bank of Egypt	1 year	Jan-18	**1,348**	
		Mashreq Bank	1 year	Jan-18	**30,503**	
		First Abu Dhabi Bank	1 year	Jan-18	**48,409**	
		Ahli United Bank	1 year	Jan-18	**12,195**	
		Attijari Wafa Bank Egypt	1 year	Jan-18	**4,222**	
5	Behshahr Industrial Co.	Tejarat Bank	6-12 months	Jan-18	**18,817**	
		Bank Mellat	1 year	Oct-18	**23,600**	
		Bank Melli	1 year	Dec-18	**6,250**	
6	Savola Gida Sanayi ve Ticaret AS	European Bank for Reconstruction and Development	1 year	Oct-18	**71,358**	
		Hongkong and Shanghai Banking Corp.	1 year	Jan-18	**5,206**	
		Garanti Investment Credit	1 year	Dec-18	**2,213**	
		Halk Bank	1 year	Dec-18	**9,979**	
		Ziraat Bank	1 year	Dec-18	**10,692**	
		Finans Bank	1 year	Dec-18	**47,391**	
Afia International Co.					**1,350,398**	862,557
7	Afia Intl. Co. – Algeria	Fransabank el Djazair	3 months	Sep-18	**21,598**	
		Arab Bank Plc	1 year	Dec-18	**44,626**	
		Hongkong and Shanghai Banking Corp.	6 months	Sep-18	**47,217**	
		Societe Generale Algerie	3 months	Oct-18	**18,834**	
8	Savola Morocco Co.	Attijari Wafa Bank	6 months	Nov-18	**8,502**	
9	Savola Edible Oils (Sudan) Ltd.	Arab Sudanese Bank	10 months	Jul-18	**2,808**	
		Bank of Khartoum	6 months	May-18	**52**	
		Bank of Khartoum	9 months	Jul-18	**208**	
		Bank of Khartoum	8 months	Nov-18	**1,103**	
		Bank of Khartoum	9 months	Dec-18	**6,170**	
		Bank of Khartoum	1 year	May-18	**8,260**	
		Bank of Khartoum	1 year	May-18	**13,170**	
Savola Foods Emerging Co.					**172,548**	192,758

2) Consolidated performance of the Group continued

2–4) Details of long and short-term loans and payment status continued

No.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2018	Balance Dec-2017
10	El Maleka For food Industries Co.	Emirates NBD	1 year	Oct-18	**14,310**	
		Qatar National Bank	6 months	Oct-18	**17,731**	
11	El Farasha for food Industries Co.	Qatar National Bank	6 months	Oct-18	**8,061**	
		National Bank of Kuwait	9 months	Sep-18	**7,044**	
Pasta					**47,146**	51,719
12	United Sugar Co.	National Commercial Bank	1 month	Dec-18	**225,000**	
		National Commercial Bank	1 month	Dec-18	**60,000**	
		Samba Financial Group	1 month	Dec-18	**130,000**	
		Saudi British Bank	1 month	Dec-18	**40,000**	
13	Alexandria Sugar Co.	Commercial International Bank	1 year	Nov-18	**20,320**	
			6 months	Nov-18	**6,535**	
			4 months	Sep-18	**18,511**	
		Bank of Alexandria	1 year	Jan-18	**21,264**	
			4 months	Sep-18	**2,451**	
14	Alexandria UCLR	National Bank of Kuwait	1 year	Sep-18	**16,066**	
Savola Industrial Investment Co.					**540,147**	672,839
15	Afia Distribution Company				**–**	
Afia Distribution Company					**–**	22,000
16	Savola Foods Company				**–**	
Savola Foods Company					**–**	462,124
17	Sahar Enterprises LLC.	Dubai Islamic Bank	3-4 months	Dec-18	**32,468**	
		National Bank of Fujairah	3-4 months	Dec-18	**16,500**	
			1 month	Dec-18	**187**	
		Habib Bank Limited	3-4 months	Dec-18	**8,790**	
		Union Bank Limited	3-4 months	Dec-18	**7,117**	
			1 month	Dec-18	**22**	
		Habib Bank AG Zurich	3-4 months	Dec-18	**6,413**	
			1 month	Dec-18	**99**	
		First Abu Dhabi Bank	3-4 months	Dec-18	**6,264**	
		Standard Chartered Bank	3-4 months	Dec-18	**5,203**	
			1 month	Dec-18	**3,009**	
		Hongkong and Shanghai Banking Corp.	3-4 months	Dec-18	**4,761**	
		Saudi British Bank	4-5 months	Nov-18	**5,611**	
Good Food Co.					**96,444**	–
Total short-term borrowing					**2,551,683**	2,988,997

Main Activities and Financial Disclosures continued

2) Consolidated performance of the Group continued

2–5) Summary of payments made to the government (in SAR '000)

No.	Item (payments)	2018 Paid	2018 Due until the end of the financial period but not paid	Description	Reasons/Justifications
1.	Customs duties	174,124	54,914	–	According to the requirements of the laws and applicable regulations
2.	Zakat	10,713	12,252	–	
3.	Income tax and withholding tax	53,821	11,704	Withholding tax	
4.	GOSI (for KSA) and social insurance (for outside KSA)	155,914	40,241	Employees' GOSI and social insurance	
5.	Visas and passport office fees	52,541	11,243	Iqama renewal, exit and re-entry visas	
6.	Labor office fees	128,811	336	Work permits	
7.	Other duties and government levies	24,637	10,766	License fees, fines and penalties and other fees	

3) Potential risks

3–1) Overview

a) Risk Management

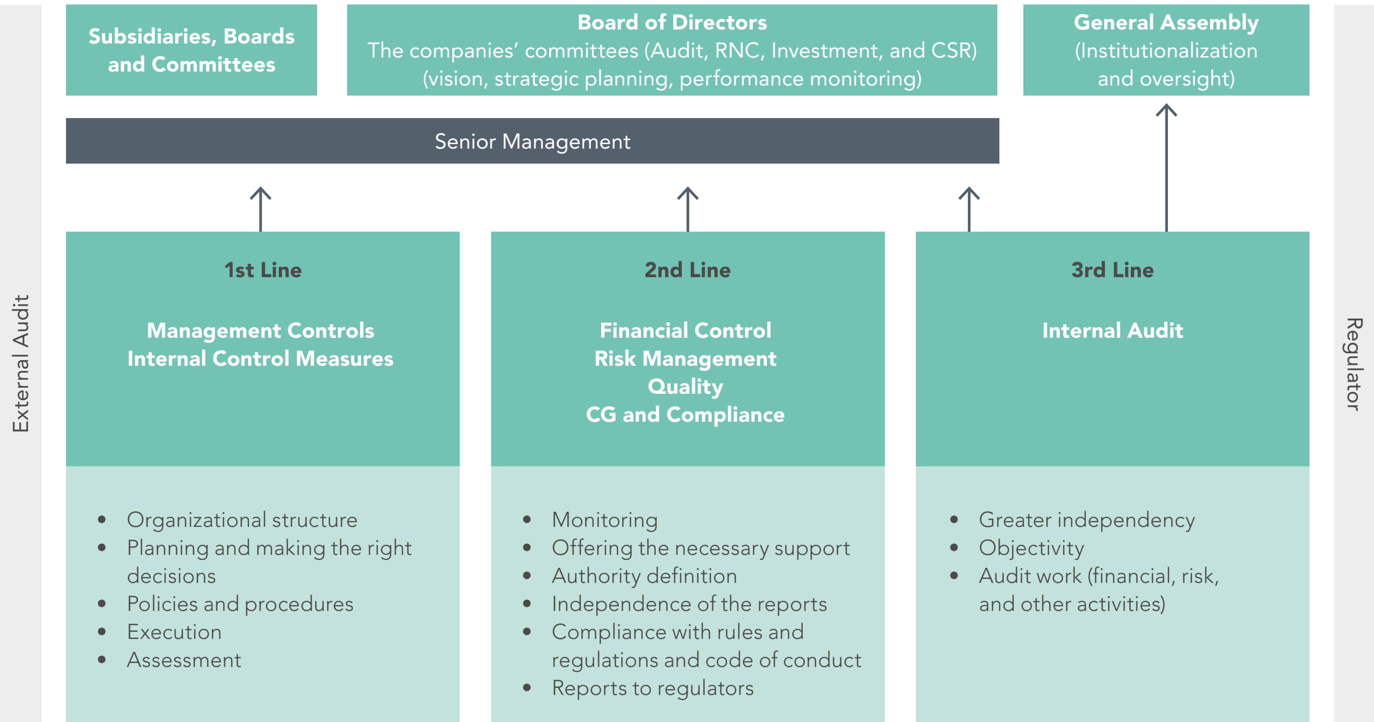
Strengthening our risk management culture and capabilities

Savola seeks to protect its stakeholders, reputation and the value of its assets, and is committed to continually developing its risk management culture by way of its risk governance framework and by continual team development.

Savola operates a three lines of defense model to ensure accountability across the Group for governance, monitoring, reporting and management of risks and the control environment.

Each of the three lines of defense plays a distinct role within Savola's wider governance framework. The Board and senior management are the primary stakeholders served by the three lines of defense model, and they are the parties best positioned to help ensure that the three lines of defense are reflected in Savola's risk management and internal control processes.

3 Lines of Defense



3) Potential risks continued

3–1) Overview continued

Savola has developed – in line with the market best practices – an integrated Enterprise Risk Management (ERM) framework to support the success of the business and achievement of its strategic goals through a collaborative risk management environment that proactively identifies, monitors and mitigates risks.

The ERM program is designed to ensure that the outcomes of risk-taking activities are consistent with Savola's strategies and risk appetite. It is designed to deliver quality, relevant and actionable information in order to:

- Optimize the cost of managing business risks
- Enable informed and conscious risk management choices on an enterprise-wide basis
- Improve overall business performance.

In line with the continuous efforts to strengthen risk management culture and capabilities, Savola has:

- Established a dedicated risk management function
- Developed a risk management framework & governance policy, approved by the Board of Directors
- Launched WAEI risk guide program as part of promoting its risk management culture
- Conducted multiple risk awareness sessions across the Group and its subsidiaries
- Identified risk champions across the Group to enhance risk management accountability.

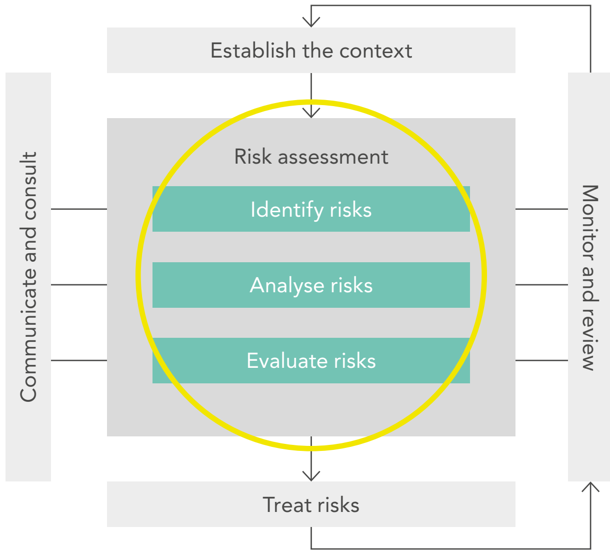
Moreover, a Governance, Risk and Compliance system is being implemented across Savola Group to effectively enhance the participation of the Board and the executive management team in the risk management process to ensure a unified vision of the risks faced by the Group.

Enterprise Risk Management framework

Enterprise Risk Management is a process that is applied strategically across the Group and is designed to identify potential risks and manage these risks within the Group's risk appetite in order to enhance the outcome of the Group's business objectives.

Savola's ERM framework incorporates leading risk management standards and practices. The framework has been developed in line with current leading ERM practices and ISO 31000. In developing the ERM framework, the focus was to design a process that addresses Savola's business needs while remaining simple and pragmatic.

Savola ERM framework outlines the series of activities that Savola will use in identifying, assessing and managing its risks.



Main Activities and Financial Disclosures continued

3) Potential risks continued

3–1) Overview continued

b) Savola's ERM framework

Risk is being managed through a common set of processes at Savola, which enable the flow of risk information to the person with the authority and responsibility for making decisions pertaining to the activity associated with the risk. By establishing a common language and set of tools, Savola's risk management process can be replicated at any level within the Group.

An effective ERM process requires consistent assessment, mitigation, monitoring and reporting of risks across the full breadth of the enterprise. The entire process will be aligned with annual budgeting and strategic planning processes. Each function will be required to present the results of the risk management exercise on a regular basis as part of their commitment to the management of Savola's risks.

The risk management function comprises a dedicated team leading the risk management activities across the Group, as well as assigned risk champions who implement risk management activities within respective business units/functions.

Promoting Risk Management Culture – WAEI

In its continuing efforts to promote a risk management culture, enhance corporate excellence and bolster internal controls, Savola has launched WAEI, which is a:

- Modern method to share the knowledge of already identified and known business-related risks
- Initiative to reflect, explore and identify those risks that Savola may not fully be aware of or understand today
- Program that brings together people and expertise from across the Group to assess potential risks that Savola may face in the future
- Opportunity to review how Savola is currently managing risks and to reflect on the best and most cost-efficient ways of managing risks on a sustainable basis
- Framework that guides Savola on how to raise, share, inform and report risks to appropriate levels.

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 the 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 Committee, 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. The company has established a dedicated. Risk Management department at holding level and it major subsidiary i.e SFC and Panda.

3–2) Financial instruments and risk management

a) Financial risk management

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

3) Potential risks continued

3–2) Financial instruments and risk management continued

b) Risk management framework

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 market risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the Audit Committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

c–1) Interest rate risk:

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows.

The Group's interest rate risks arise mainly from its borrowings and short-term deposits, which are at floating rate of interest and are subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

c–2) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. The Group operates internationally and is exposed to foreign exchange risk. The Group's investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between foreign currencies against Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. Such fluctuations are recorded as a separate component of equity in the accompanying consolidated financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. In addition, interest on borrowings is denominated in the currency of the borrowings. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

d) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because Group holds investment in certain listed equities which are classified on the statement of financial position as FVOCI (2017: AFS) investments. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Such investments are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. In addition, United Sugar Company uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

Main Activities and Financial Disclosures continued

3) Potential risks continued

3–2) Financial instruments and risk management continued

e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers. The management also regularly monitors the credit exposure towards the customers whereby the customers are grouped according to their credit characteristics, payment history, whether they are an individual or a legal entity, whether they are a wholesale/retail or manufacturers, their geographic location, existence of any financial/economic difficulties including the default risk associated with the industry and country in which they operate and accordingly records impairment loss against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored. In order to cater the credit risk from debtors, the Group has also entered into insurance arrangements in certain geographies.

f) Liquidity risk

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

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, the Group has maintained credit lines with various commercial banks in order to meet its liquidity requirements.

g) Fair value of assets and liabilities

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. For further details, the same item can be reviewed in the clarification notes accompanying the Company's financial statements for 2018.

h) Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the consolidated statement of financial position plus net debt.

Internal Control, Governance & Compliance, Risk and HR Team:

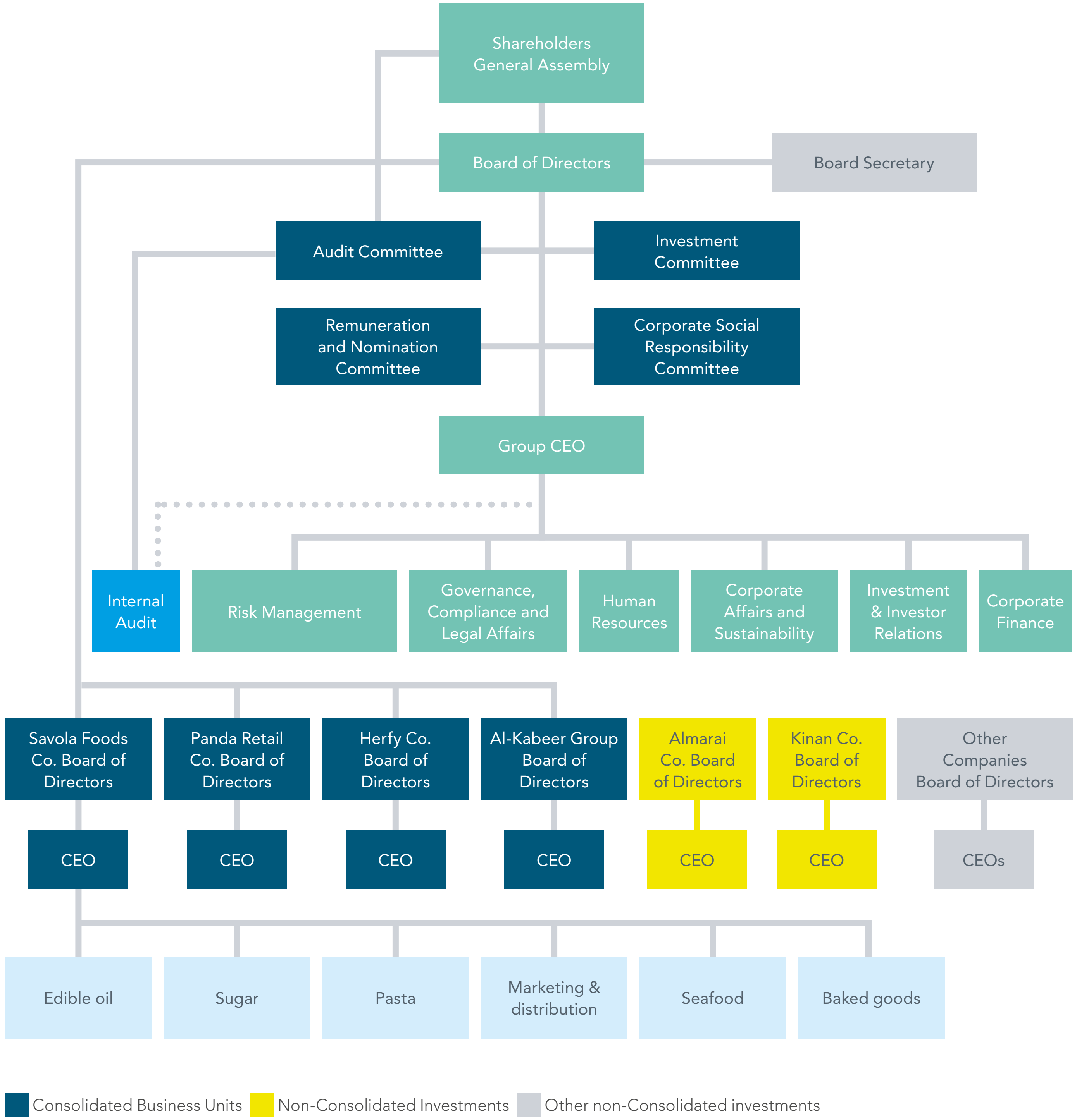
As part of the organizational structure, following is a summary of the internal control, human resources, compliance, and risk team CVs, whereas a summary of the Board and Committee members and the Executive team CVs – as per the structure – were detailed in different sections of this report:

	Mr. Aly Assem Barakat	Mr. Morhaf M. Alsamman	Mr. Elnour Ali Saad	Mr. Bader Gashlan
Current positions:	Group Chief Audit Officer.	Executive Director, Human Resources.	Executive Director, Corporate Governance, Compliance and Legal Affairs.	Executive Director, Risk Management. (joined June 2018)
Previous positions:	Senior Manager at Abu Dhabi Accountability Authority. Manager at KPMG. Manager at Ernst & Young.	Joined Savola in March 2016 as the Head of Talent Acquisition. Prior to joining Savola, he worked in different local and multinational companies, including Emaar Economic City, NCB and Cristal Global.	Since joining Savola in 1999, he has held a number of positions including: • Executive Director, CG and Compliance, Savola Group • Director, CG and Board Affairs, Savola and its subsidiaries • Senior Manager of Companies and Board affairs.	Senior Manager, Enterprise Risk Management at Alawwal Bank. Senior Manager, Risk Strategy at SABB. Manager, Risk Analytics at National Commercial Bank.
Qualifications:	Bachelor's degree in Commerce, University of Helwan-1991 (major Accounting), Egypt. Licensed Certified Public Accountant-USA 2000 and Chartered Global Management Accountant-2012 Association of International and Professional Accountants.	A certified Professional in Human Resources – Internationalism (PHRi) from the HR Certification Institute. Master's degree in Business Information Technology from DePaul University in Chicago.	Master of Laws (LLM), University of Cumbria, UK. BA & MBA, Sudan University of Science and Technology (SUST). Certified CG and Board and committees Secretary.	Master of Science, Engineering Management, Ohio State University, USA. Bachelor of Science, Industrial Engineering, King Abdul Aziz University, KSA.
Experience:	Extensive experience over 25 years in internal and external audit, governance, risk management, compliance and financial affairs.	Over 11 years of experience in the field of HR Management, mainly: • HR business partnership • Staffing & recruitment • Organization development • Performance management • Training & development • Saudization programs • HR policy & procedure.	More than 18 years of extensive experience in corporate governance, compliance, corporate, legal, board of directors' affairs, investor relations and shareholders' matters and corporate communication. Has practical experience in CMA regulation and companies law.	Wide experience (over 10 years) in Risk Management, mainly: • Enterprise Risk Management • Risk Strategy • Stress Testing • Key Risk Indicators • Risk policy & procedure • Dealing with regulators such as SAMA.

Governance Report and Related Disclosures

Corporate Governance Report and major relevant disclosures

a) Group organizational structure



Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification

b-1) Summary of the role and responsibilities 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 detailed role of the Board which has been articulated in the bylaws and Corporate Governance Manual, which are available on the Company's website (www.savola.com).

b-2) Composition of the Board and members classification:

The Company's bylaws has set the number of members of the Board of Directors to be 11 members, which is in line with the Companies Law and Corporate Governance Regulations issued by the CMA. The Board of Directors was elected by the General Assembly for the current session that started on July 1, 2016 and for three years which ends on June 30, 2019, and all of the members are non-executive and independent members.

Resignation of a Board Member and appointment of a new member:

During the year, Mr. Abdulaziz Ibrahim Al Issa submitted his resignation from Savola Board of Directors, Audit Committee, and Corporate Social Responsibility Committee memberships due to his appointment in a government position. His resignation was accepted by the Board of Director in its meeting held on September 6, 2018 with immediate effect. In the same meeting, the Board has appointed Mr. Mohammed I. Al Issa as an independent Board member as well as a member in both Audit Committee and CSR Committee replacing the resigned member. Mr. Mohammed I. Al Issa will complete the remaining office terms of his predecessor effective from the Board's appointment resolution date until the expiration of the current Board and Audit Committee's office terms on June 30 2019. The said resolution for both Board and the Audit Committee is not final and will be presented to the nearest General Assembly meeting for ratification.

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

b-3) Details (current and previous memberships, positions, qualifications and experience) of the persons related to organizational structure previously indicated:

a) names of the companies, whatever their legal form are, inside and outside the Kingdom, which a Board member is a member or manager of their current or previous board:

The below statement/schedule includes the names of the companies, whatever their legal form are, inside and outside the Kingdom, in which a Board member is a member or manager of their current or previous board:

No.	Board member name	Names of the companies which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (Listed/ Unlisted/ Limited liability)	Names of the companies which the member of the Board of Directors is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/limited liability)
1.	Mr. Sulaiman A. Al Muhaidib	Savola Group	Inside	Listed	Middle East Paper Co.	Inside	Listed
		Saudi British Bank	Inside	Listed	Thabat Construction Co.	Inside	Limited Liability
		Almarai Co.	Inside	Listed	Al-Oula Real Estate Development Co.	Inside	Unlisted
		National Industrialization Co.	Inside	Listed	Swicorp Joussour Co.	Inside	Unlisted
		Acwa Power International	Inside	Unlisted	United Mining Industries Co.	Inside	Unlisted
		Al Muhaidib & Sons Co.	Inside	Unlisted			
		Rafal Real Estate Development Co.	Inside	Unlisted			
		Vision Invest	Inside	Unlisted			
		Al Muhaidib Holding Co.	Inside	Limited Liability			
		International Timber Co.	Inside	Limited Liability			
		Al Muhaidib Land Transport	Inside	Limited Liability			
		Mayar Foods Co.	Inside	Limited Liability			
		Sulaiman Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Emad Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Awatef Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Maryam Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Tamader Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Haifa Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Loloah Sulaiman Almudaiheem & Partners Co.	Inside	Limited Liability			
		Essam Abdulqader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Amwal Al Ajial Trading Company	Inside	Limited Liability			
		Al Muhaideb for Development Co.	Inside	Limited Liability			

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No.	Board member name	Names of the companies which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (Listed/ Unlisted/ Limited liability)	Names of the companies which the member of the Board of Directors is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/limited liability)
2.	Mr. Bader Abdullah Al Issa	Savola Group	Inside	Listed	Savola Packaging Systems Co.	Inside	Unlisted
		Banque Saudi Fransi	Inside	Listed	Kinan International for Real Estate Development Co.	Inside	Unlisted
		Dur Hospitality	Inside	Listed	Al Aqeeq Real Estate Development Co.	Inside	Unlisted
		Almarai Co.	Inside	Listed	Sukoon International	Inside	Unlisted
		Savola Foods Co.	Inside	Unlisted	Knowledge Economic City Co.	Inside	Listed
		Panda Retail Co.	Inside	Unlisted			
		Afia International Co.	Inside	Unlisted			
		United Sugar Co.	Inside	Unlisted			
		Assila Investment Co.	Inside	Unlisted			
		Afia International Co. Egypt	Outside	Unlisted			
		United Sugar Co. Egypt	Outside	Unlisted			
		Alexandria Sugar Co. Egypt	Outside	Unlisted			
		El Maleka for Food Industries Co.	Outside	Unlisted			
		El Farasha for Food Industries Co.	Outside	Unlisted			
		Savola Gida	Outside	Unlisted			
3.	Eng. Abdullah Mohammed Nour Rehaimi	Savola Group	Inside	Listed	Knowledge Economic City Co.	Inside	Listed
		Arabian Cement Co.	Inside	Listed	Almarai Co.	Inside	Listed
		Savola Foods Co.	Inside	Unlisted	Eastern Cement Co.	Inside	Listed
					National Insurance Co.	Inside	Listed
					Panda Retail Co.	Inside	Unlisted
					Saudi Arabian Airlines	Inside	Unlisted
					Saudi Turkish Holding Co. for Investment	Inside	Unlisted
					National Commercial Bank	Inside	Unlisted
					Saudi Foundation for Developing of Entrepreneurship	Inside	Non-profit organization
					Social Development Bank (Saudi Credit & Saving Bank – formerly)	Inside	Government Institute
					Alujain Co.	Inside	Listed
					Saudi Cable Co.	Inside	Listed
					Yemen Airlines Co.	Outside	Unlisted

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No.	Board member name	Names of the companies which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (Listed/ Unlisted/ Limited liability)	Names of the companies which the member of the Board of Directors is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/limited liability)
4.	Mr. Abdulaziz Khaled Al Ghufaily	Savola Group	Inside	Listed	Herfy Food Services Co.	Inside	Listed
		Al Raghi Bank	Inside	Listed	Tabuk Agriculture Development Co.	Inside	Listed
		Panda Retail Co.	Inside	Unlisted	National Medical Care Co.	Inside	Listed
		Al Rajhi Capital	Inside	Unlisted	The Industrialization & Energy Services Co.	Inside	Unlisted
					Riyadh Hotels & Entertainment Co.	Inside	Unlisted
					Saudi Industries Development Co.	Inside	Unlisted
5.	Mr. Essam Abdulqader Al Muhaidib	Savola Group	Inside	Listed	Wathrah Real Estate Investment & Development Co.	Inside	Limited Liability
		Herfy Food Services Co.	Inside	Listed	Emaar Middle East Co.	Inside	Limited Liability
		Bawan Co.	Inside	Listed	Zohoor Alreef Trading Co.	Inside	Unlisted
		Panda Retail Co.	Inside	Unlisted	Ariz Arabian Co.	Inside	Limited Liability
		Al Muhaidib & Sons Co.	Inside	Unlisted	Al Yamamah Steel Industries Co.	Inside	Unlisted
		Masdar Building Materials Co.	Inside	Unlisted	Thabat Construction Co. Limited	Inside	Limited Liability
		Rafal Real Estate Co.	Inside	Unlisted	Middle East Paper Co. (MEPCO)	Inside	Listed
		National Housing Co.	Inside	Unlisted	Emdad Human Resources & Manpower Supply Co.	Inside	Unlisted
		Aloula for Real Estate Co.	Inside	Unlisted	Al Salam Bank Bahrain	Outside	Listed
					Nesaj Real Estate Development Co.	Inside	Limited Liability
		International Timber Co.	Inside	Limited Liability	Al Latifia Trading & Contracting Co.	Inside	Limited Liability
		Al Muhaidib Land Transport	Inside	Limited Liability	Amwal AlKhaleej for Commercial Investment Co.	Inside	Limited Liability
		Zat Al Sawary Co.	Inside	Limited Liability	Albalad Amin Co.	Inside	Unlisted
		Romansiah Co. Limited	Inside	Limited Liability			
		Tharwa City for Development & Real Estate Investment Co.	Inside	Unlisted			
		Sulaiman Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Emad Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Awatf Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Maryam Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Tamader Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

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		BlomInvest Saudi Arabia	Inside	Unlisted			
		Tanmiat Al Ahlam for Construction	Inside	Limited Liability			
		Mayar Foods Co.	Inside	Limited Liability			
		Atheel Holding Co.	Inside	Limited Liability			
		Mayar Transport & Warehousing Com.	Inside	Limited Liability			
		Taj Al Awfia Co.	Inside	Limited Liability			
		Himmah Logistics Co.	Inside	Limited Liability			
		Saudi Tharwa for Real Estate Investment & Development Co.	Inside	Limited Liability			
		Atheel Arabia For Services Co. Limited	Inside	Limited Liability			
		Amwal Al Ajyal Trading Co.	Inside	Limited Liability			
		Hayfa Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Lolwah Sulaiman Almudaiheem & Partners	Inside	Limited Liability			
		Essam Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Nestle Water Co.	Inside	Limited Liability			
		Muhail for Operation and Maintenance Co.	Inside	Limited Liability			
		Shaas for Water Services Co.	Inside	Limited Liability			
		Al Muhaidib Holding	Inside	Limited Liability			
		Saudi Tabreed Co.	Inside	Unlisted			
		Shaas for Water Services Co. Ltd.	Inside	Limited Liability			
		Al Manhal Water Factory Company Ltd.	Inside	Limited Liability			
		Rivers Water Factory Company Ltd.	Inside	Limited Liability			
		Springs Water Factory Company Ltd.	Inside	Limited Liability			
		Naqiah Water Factory Company Ltd.	Inside	Limited Liability			
		Vision International	Inside	Limited Liability			

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No.	Board member name	Names of the companies which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (Listed/ Unlisted/ Limited liability)	Names of the companies which the member of the Board of Directors is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/limited liability)
6.	Eng. Mutaz Qusai Alazawi	Savola Group	Inside	Listed	Merrill Lynch Kingdom of Saudi Arabia	Inside	Unlisted
		Herfy Food Services Co.	Inside	Listed			
		Arabian Cement Co.	Inside	Listed			
		Riyad Bank	Inside	Listed			
		Etihad Etisalat Co. – Mobily	Inside	Listed			
		Savola Foods Co.	Inside	Unlisted			
		United Sugar Co.	Inside	Unlisted			
		Afia International Co.	Inside	Unlisted			
		Afia International Co. Egypt	Outside	Unlisted			
		United Sugar Co. Egypt	Outside	Unlisted			
		Alexandria Sugar Co. Egypt	Outside	Unlisted			
		El Maleka for Food Industries Co.	Outside	Unlisted			
		El Farasha for Food Industries Co.	Outside	Unlisted			
		Qatrana Cement Co.	Outside	Unlisted			
		Saudi Industrial Construction & Engineering Projects Ltd.	Inside	Limited Liability			
		Saudi Technology and Trade Co.	Inside	Limited Liability			
		Brokers for Development	Inside	Limited Liability			
		Ready Mix Concrete & Construction Supplies Co	Outside	Unlisted			

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No.	Board member name	Names of the companies which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (Listed/ Unlisted/ Limited liability)	Names of the companies which the member of the Board of Directors is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/limited liability)
7.	Mr. Fahad Abdullah Al Kassim	Savola Group	Inside	Listed	Abdullatif Al Issa Holding Group	Inside	Unlisted
		Bank Al Bilad	Inside	Listed	National General Automotive	Inside	Limited Liability
		Dur Hospitality	Inside	Listed	Raj Real Estate Co.	Inside	Limited Liability
		Dallah Health	Inside	Listed			
		Jarir Marketing Co.	Inside	Listed			
		Fahad Bin Abdullah Al Qassim & Sons Trading & Investment Co.	Inside	Unlisted			
		Saudi Heritage Hospitality Co.	Inside	Unlisted			
		Dr. Mohammed Rashid Al Fagih & Associates	Inside	Unlisted			
		Rakeen Najd International Co.	Inside	Unlisted			
		Naqel Company	Inside	Unlisted			
		Al Rajhi United Investment Holding Co.	Inside	Unlisted			
		Amwal Financial Consultations	Inside	Limited Liability			
		Ariz Trading Investment	Inside	Limited Liability			
		Rakeen Najd International Co.	Inside	Limited Liability			
		AlKasim Fund for Investment and Commercial Development	Inside	Limited Liability			
		Century 21 & Partner for Real Estate Appraisal Co.	Inside	Professional Company			
		Fincorp Investment Co.	Outside	Unlisted			
8.	Mr. Mohammad A. Al Fadl	Savola Group	Inside	Listed			
		Jeddah Holding Co.	Inside	Unlisted			
		Kinan International for Real Estate Development Co.	Inside	Unlisted			
9.	Mr. Mohammed I. Al Issa	Savola Group	Inside	Listed			
10.	Mr. Omar Hadir N. Al-Farisi	Savola Group	Inside	Listed	Gulf International Bank	Outside	Unlisted

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No.	Board member name	Names of the companies which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (Listed/ Unlisted/ Limited liability)	Names of the companies which the member of the Board of Directors is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/limited liability)
11.	Dr. Sami Mohsen Baroum	Savola Group	Inside	Listed	Knowledge Economic City Co.	Inside	Listed
		Arabian Cement Co.	Inside	Listed	Almarai Co.	Inside	Listed
		Jeddah International College Co.	Inside	Unlisted	Afia International Co.	Inside	Unlisted
		Arab Investment Company (Sanabel)	Inside	Unlisted	United Sugar Co.	Inside	Unlisted
		Kinan International for Real Estate Development Co.	Inside	Unlisted	Panda Retail Co.	Inside	Unlisted
					Savola Plastic Packaging Systems Co.	Inside	Unlisted
					Al Roba'aia Co. for Real Estate Development	Inside	Unlisted
					Saudi Stock Exchange Tadawul	Inside	Unlisted
					Afia International Co. Egypt	Outside	Unlisted
					Venture Capital Bank Bahrain	Outside	Unlisted

b-4) Resigned Board member:

b-4-1) Boards Memberships:

Board member name	Names of the companies which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (listed/ Unlisted/ Limited liability)	Names of the companies which the member of the Board of Directors is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/limited liability)
Mr. Abdulaziz Ibrahim Al Issa	None	None	None	Savola Group	Inside	Listed
				Saudi Transport & Investment Co. (BATIC)	Inside	Listed
				Arabian Shield Insurance Co.	Inside	Listed
				UBS Saudi Arabia	Inside	Unlisted

b-4-2) Abdulaziz Ibrahim Al Issa: Summary of CV:

Member name	Current positions	Previous positions	Qualifications	Experience
Mr. Abdulaziz Ibrahim Al Issa Membership classification: Independent	General supervisor Jeddah Historical District.	• Senior Vice President – Business Development & Strategic Planning (CEO Corporate Office), Riyad Bank (Feb. 2014-July 2014) • Regional General Manager – Central Region, Banque Saudi Fransi (2012-2013) • In addition, he has held numbers of other positions in the field of investment and sales development within the same bank from 2004 to 2012).	Bachelor's in Business Management and International Business, Menlo College, United States.	With extensive experience in banking, serving as Vice President of Business Development & Strategic Planning at Riyad Bank. He also held a number of positions at Banque Saudi Fransi.

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

b) Summary of Committee members' CVs:

Member name	Current positions	Previous positions	Qualifications	Experience
Remuneration and Nominations Committee members:				
1. Mr. Mohammad A. Al Fadl	Their current and previous positions, qualifications and experience were mentioned earlier in this report			
2. Mr. Bader Abdullah Al Issa				
3. Mr. Essam Abdulqader Al Muhaidib				
4. Eng. Abdullah Mohammed Nour Rehaimi				
5. Mr.Johan Brand	Managing Director/Owner, Johan Brand Leadership Advisory DWC-LLC (2016-present).	Senior Partner and Consultant, Egon Zehnder (1995-2016). PepsiCo, Director PCI Management Institute (1993-1995).	• MSc, Business Economics, Erasmus University Rotterdam, The Netherlands • MA, Business Law, and MA, Private Law, Erasmus University Rotterdam, The Netherlands • Certified Professional Director, Hawkamah/ Mudara Institute of Directors.	Has wide and independent experience as a leadership professional, and his focus is on making Boards and C-level leadership more effective. Advisor to Chairmen, Family Heads and CEOs.
Investment Committee members:				
1. Mr. Omar Hadir N. Al-Farisi	Their current and previous positions, qualifications and experience were mentioned earlier in this report			
2. Mr. Abdulaziz Khaled Al Ghufaily				
3. Mr. Fahad Abdullah Al Kassim				
4. Eng. Mutaz Qusai Alazawi				
5. Dr. Sami Mohsen Baroum				
Social Responsibility Committee members:				
1. Mr. Mohammed I. Al Issa	Their current and previous positions, qualifications and experience were mentioned earlier in this report			
2. Eng. Anees Ahmad Moumina				
3. Dr. Mervat Ahmed Tashkandi	Executive Director for Strategic Planning – Fakeeh.Care Group Dr. Soliman Fakeeh Hospital Jeddah, KSA	• Advisor to the Minister for Social Empowerment of Persons with Disabilities and Females – Ministry of Economic and Planning • Advisor to the Minister for Gender Diversity, Equality & Employment of Persons with Disabilities – Ministry of Labor and Social Development • Number of Academic positions in several universities.	• Doctoral Degree in Special Education and Family Counseling, University of South Africa, Pretoria – Republic of South Africa, 2000 • Masters of Arts in Special Education – Early Childhood, Teachers College, Columbia University New York – USA,1988 • Masters of Arts in Special Education – Learning Disabilities, Fairleigh Dickinson University. Teaneck – New Jersey, USA, 1986 • Bachelor, Arts in Psychology, Fairleigh Dickinson University, Teaneck – New Jersey USA, 1984.	Experiences in the following fields: • CSR • Empowerment programs for persons with disabilities • National and Corporate Strategic Planning.

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

	Member name	Current positions	Previous positions	Qualifications	Experience
4.	Mr. Ahmed Saleh Al Ramah	Senior Consultant for Social Responsibility, Aramco.	Aramco and many engineering sectors inside and outside the Kingdom.	University of Petroleum and Minerals, 1990.	Practical and professional skills in the field of social responsibility and charities. Also, he has contributed to establishing many CSR programs inside and outside the Kingdom.
5.	Mr. Mahmoud Mansour Abdul Ghaffar	CEO, Jadat Itqan Consulting.	Chief of Corporate Affairs & Board Secretary, Savola Group.	Bachelor, Industrial Safety, University of San Francisco, USA, 1985.	Corporate social responsibility, board affairs, governance, investor relations, public relations, communication, human resources and government relations.

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

b–5) Board meetings attendance record:

In order to enhance its role and responsibilities, the Board held six meetings during the year. The below schedule shows the attendance records for each meeting:

No.	Name	Meetings during 2018* 07 Feb	9 May	6 Sep	6 Nov	15 Dec	16 Dec	No. of meetings attended
1.	Mr. Sulaiman A. Al Muhaidib	√	√	√	√	√	√	6 of 6
2.	Mr. Bader Abdullah Al Issa	√	√	√	√	√	√	6 of 6
3.	Eng. Abdullah Mohammed Nour Rehaimi	×	√	√	√	√	√	5 of 6
4.	Mr. Abdulaziz Khaled Al Ghufaily	√	√	√	√	√	√	6 of 6
5.	Mr. Essam Abdulqader Al Muhaidib	√	√	√	√	√	√	6 of 6
6.	Eng. Mutaz Qusai Alazawi	√	√	√	√	√	√	6 of 6
7.	Mr. Fahad Abdullah Al Kassim	√	√	√	√	√	√	6 of 6
8.	Mr. Mohammad A. Al Fadl	√	√	√	√	√	√	6 of 6
9.	Mr. Mohammed I. Al Issa	N/A (Appointed as of 6 September 2018)			√	√	√	3 of 3
10.	Mr. Omar Hadir N. Al-Farisi	√	√	√	√	√	√	6 of 6
11.	Dr. Sami Mohsen Baroum	×	×	×	×	×	×	–
–	Mr. Tarik M. Ismail (Board Secretary)	√	√	√	√	√	√	6 of 6
Board member resigned during 2018:								
–	Mr. Abdulaziz I. Al Issa	√	√	N/A Resigned as of 6 September 2018				2 of 2

The last meeting of the General Assembly was held in May 27, 2018 and the attendance records above reflects the attendance of the Board members during the full year before and after the General Assembly.

Notes:

* The financial results for Q2 2018 were approved by BOD by circulation based on the Audit committee recommendation in its meeting held on 5 August 2018.

b–6) Board members attendance record for the General Assembly meeting:

One meeting of the General Assembly of Shareholders was held during the last fiscal year. The following is a list of the members of the Board of Directors present during the meeting:

No.	Board Member	AGM No. 40 27 May 2018	No. of meetings attended
1.	Mr. Sulaiman A. Al Muhaidib	√	1 of 1
2.	Mr. Bader Abdullah Al Issa	√	1 of 1
3.	Eng. Abdullah Mohammed Nour Rehaimi	√	1 of 1
4.	Mr. Abdulaziz Khaled Al Ghufaily	√	1 of 1
5.	Mr. Essam Abdulqader Al Muhaidib	√	1 of 1
6.	Mr. Fahad Abdullah Al Kassim	√	1 of 1
7.	Mr. Mohammad A. Al Fadl	√	1 of 1
8.	Eng. Mutaz Qusai Alazawi	√	1 of 1
9.	Mr. Omar Hadir N. Al-Farisi	x	–
10.	Mr. Abdulaziz I. Al Issa*	√	1 of 1
11.	Dr. Sami Mohsen Baroum	x	–

* resigned on 6 September 2018.

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

c) Board Committees:

c–1) Remuneration and Nomination Committee:

- Meetings and role of the Committee:

The Remuneration and Nomination Committee (RNC) consists of five members who are independent and non-executive Board members with experience in the field of the Committee's mandates. The Committee held four meetings during 2018 following up its responsibilities in the field of remuneration and nominations. A summary of the main responsibilities of the Committee, statement of its membership and attendance during the year follows:

- Summary of Committee role and duties and main responsibilities:

The Committee shall assume responsibilities related to two areas, namely remuneration and nomination, and will update the Board regularly about its activities. The Committee duties and responsibilities includes:

a) With regards to remuneration:
Prepare a clear remuneration policy for Board members, its Committees and the executive management and clarify the relationship between the paid remuneration and the adopted remuneration policy, and highlight any material deviation from that policy. In addition, review the remuneration policy periodically and assess its effectiveness in achieving its objectives.

b) With regards to nomination:
Recommend clear policies and standards for Board membership, executive management and Savola's representatives in its subsidiaries and associates, review the requirements suitable for membership of the Board and executive management annually and assess the performance of the Board in terms of strengths and weaknesses and recommend necessary solutions in the best interests of the Company. Ensure on an annual basis the independence of independent directors and the absence of any conflicts of interest if a board member also acts as a member of the board of another company.

For more details about role and responsibilities of the Committee, please refer to the Committee Charter on Savola's website (www.savola.com).

- Statement of attendance for Committee meetings held during 2018:

No.	Name	Meetings during 2018 16 Jan	7 Feb	9 May	6 Sep	Total
1.	Mr. Mohammad A. Al Fadl (Chairman) (Independent Savola Board member)	√	√	√	√	4 of 4
2.	Mr. Bader Abdullah Al Issa (Non-executive Savola Board member)	√	√	√	√	4 of 4
3.	Eng. Abdullah Mohammed Nour Rehaimi (Non-executive Savola Board member)	√	×	√	√	3 of 4
4.	Mr. Essam Abdulqader Al Muhaidib (Non-executive Savola Board member)	√	√	√	√	4 of 4
5.	Mr. Johan Brand (Independent external member)	√	√	√	√	4 of 4
–	Mr. Morhaf M. Alsamman (Committee Secretary appointed as of 9 May 2018)	N/A	N/A	√	√	2 of 2

c–2) Investment Committee:

- Meetings and role of the Committee:

The Investment Committee consists of five members, most of whom are non-executives and independents. The Committee held (6) meetings during 2018 to enhance the role of the Board in following and implementing the 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 2018:

- Summary of Committee role and duties and main responsibilities:

Review and recommend to the Board for its approval an overall capital allocation framework and implementation model for the Company's investment activities, which take into account relevant factors such as return on invested capital targets and benchmarks, allocation guidelines and limits, risks limits and strategic objectives. As well as review and recommend to the Board for its approval investment opportunities, acquisitions, joint ventures or divestitures all in accordance with the Company's existing delegation of authority matrices. In addition to review the balance sheet impact of specific proposed transactions including funding requirements and impact on the Company's liquidity and debt ratios as part of determining whether to recommend them to the Board for approval.

For more details about role and responsibilities of the Committee, please refer to the Committee Charter on Savola's website (www.savola.com).

Corporate Governance Report and major relevant disclosures continued

c) Board Committees: continued

- Statement of Member Attendance for Committees Meetings that held during 2018:

No.	Name	Meetings during 2018 7 Feb	16 Apr	8 May	6 Sep	6 Nov	26 Dec	Total
1.	Mr. Omar Hadir N. Al-Farisi (Chairman) (Independent Savola Board member)	√	√	√	√	√	√	6 of 6
2.	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive Savola Board member)	√	√	√	√	√	√	6 of 6
3.	Mr. Fahad Abdullah Al-Kassim (Independent Savola Board member)	√	√	√	√	√	×	5 of 6
4.	Eng. Mutaz Qusai Alazawi (Non-executive Savola Board member)	√	√	√	√	√	√	6 of 6
5.	Dr. Sami Mohsen Baroum (Independent Savola Board member)	×	×	×	×	×	×	–
–	Mr. Elnour Ali Saad (Committee Secretary appointed as of 16 April 2018)	N/A	√	√	√	√	√	5 of 5

c–3) Corporate Social Responsibility Committee:

- Meetings and role of the Committee:

The Corporate Social Responsibility (CSR) Committee consists of five members, each one of them has relevant experience (one executive and independents). In fulfilling its roles and responsibilities, the Committee held (3) meetings in 2018 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 the year 2018:

- Summary of Committee role and duties and main responsibilities:

The committee responsibilities include promoting the CSR initiatives and programs in addition to developing and pursuing programs that contribute to deepening the sense of social responsibility of Savola and its subsidiaries and developing criteria's and standards for monitoring implementation. Particularly, the committee duties and responsibilities includes the following:

1. Developing CSR strategy and achieving sustainable social impact.
2. Overseeing all CSR activities and issues including and/or activities including health and safety, environmental issues and employees' rights.
3. Activating the role of Savola in adopting policies, initiatives and CSR programs toward its contributors, importers, customers, the environment and the whole community in order to support and enhance Savola's reputation.
4. Establishing indicators that link Savola's performance with its social initiatives.

For more details about role and responsibilities of the Committee, please refer to the Committee Charter on Savola's website (www.savola.com).

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

c) Board Committees: continued

- **Statement of Member Attendance for Committees Meetings that held during 2018:**

No.	Name	Meetings during 2018: 6 Feb	8 May	5 Nov	Total
1.	Mr. Mohammed I. Al Issa (Chairman) (Independent Savola Board member) Appointed as of 6 September 2018	N/A		√	1 of 1
2.	Eng. Anees Ahmad Moumina (Group CEO) Appointed as of 1 April 2018	N/A	√	√	2 of 2
3.	Dr. Mervat Ahmed Tashkandi (External member)	√	×	√	2 of 3
4.	Mr. Ahmed Saleh A. Al Rammah (External member)	√	√	√	3 of 3
5.	Mr. Mahmoud Mansour Abdulghaffar (External member)	×	×	×	–
–	Mr. Tarik M. Ismail (Committee Secretary)	√	√	√	3 of 3
Members resigned during 2018:					
–	Mr. Abdulaziz I. Al Issa (Ex-Chairman) (Independent Savola Board member) Resigned as of 6 September 2018	√	√	N/A	2 of 2
–	Eng. Rayan Mohammad Fayez (Ex-Group CEO) (Executive – resigned from the committee on 8 Feb. 2018)	√	N/A		1 of 1

d) Board of Directors and Committee Assessment

Savola has been conducting Board effectiveness reviews since 2009 aiming to identify the strengths and weaknesses of the Board and Committees, with a view to propose solutions in the best interest of the company. In line with this practice, Savola engaged Governance Compass, an external and independent consulting firm which is a non-related party to the Group. Governance Compass is a qualified consulting firm specialized in Board effectiveness and leadership. The assessment performed by Governance Compass covered the performance of the Board, Directors, Committees and board and Committees meetings throughout 2018.

The assessment was made under the RNC supervision. The mechanisms, methodology and criteria for the assessment were presented to the Board for alignment before execution. This included interviews with all Board and Committee members in addition to a comprehensive questionnaire, which was carried out and completed by all members. Areas included in the questionnaire and interviews covered the duties and responsibilities of the Board and Committees in line with their fiduciary obligations. In addition, the assessment included the effectiveness of the Board and Committees meetings such as members' participation and interaction in the discussions during the meetings to reach informed decisions that enhance the company performance and ability to achieve its objectives. The assessments results were shared with Board and an action plan has been developed to address the recommendations.

e) Remuneration of the Board, Committee members and executive management

e–1) General standards for remuneration:

The shareholders' AGM held on 2 November 2017 approved the remuneration policy of the Board of Directors, Committees and Executive Management. This policy regulates the remuneration of the Board of Directors, Committees and the Executive Management of Savola Group to meet the provisions of paragraph (1) of Article (61) of the CMA Corporate Governance Regulation.

Corporate Governance Report and major relevant disclosures continued

e) Remuneration of the Board, Committee members and executive management continued

The Remuneration and Nomination Committee (RNC) responsibilities include recommending to the Board the remuneration of the Board, its Committees and the executive management in accordance with the approved criteria, as follows:

1. Be proportionate to Savola's activities and the required skills for its management.
2. The variable part of the remuneration shall be linked to the long-term performance.
3. Remuneration shall be consistent with the strategy, objectives, the magnitude, nature and level of risks faced by Savola.
4. Benchmarking shall be used to take into consideration the remuneration practices of other companies. The disadvantages of such comparisons that might lead to unjustifiable increases in remuneration and compensation shall be avoided.
5. Shall be prepared in coordination with the RNC with respect to new appointments.
6. Remuneration shall be based on job level, duties and responsibilities, educational qualifications, practical experience, skills and level of performance.
7. Be fair and proportionate to the Board or Committee members' activities carried out and responsibilities borne by the Board or Committee members, in addition to the objectives set out by the Board to be achieved during the financial year.
8. Take into consideration the sector in which Savola operates, its size and experience of its Board members.
9. Be reasonably sufficient to attract and retain highly-qualified and experienced board members.
10. The remuneration of different Board members may vary depending on the Board member's experience, expertise, duties he/she undertakes and independence and number of Board meetings he/she attended in addition to other considerations.
11. The remuneration shall be suspended if it has been determined that such remuneration was based on inaccurate information provided by a member of the Board or the executive management.
12. If the Company developed a program to grant some of its shares to Board members, executive management and employees; whether it's a new issue or shares purchased by the Company, the RNC shall supervise this program in light of the Company's bylaws and the relevant CMA laws and regulations.

e–2) Summary of the remuneration policy of the Board and Committees:

- The remuneration of Savola Board members may consist of: a specified sum; an attendance fee; allowance; other in-kind benefits; a certain percentage of the net profits; or a combination of two or more of these benefits. In no event, shall the remuneration of a Board member exceed the limit stated in the Companies Law and CMA regulations. The remuneration of the various Board members may vary in light of the policy recommended by the RNC and approved by the GA. The policy stipulated that the annual remuneration of the Board member shall be SAR 200,000 and an attendance fee of SAR 5,000 for the session, as well as the other expenses related to the Board activity.
- The remuneration of independent Board members shall not be a percentage of the profits that are realized by Savola, nor shall it be based directly or indirectly on Savola's profitability.
- The Board shall determine and approve its Committee's remuneration – excluding the Audit Committee remuneration, attendance fees and other benefits based on the RNC recommendation.
- Committee member remuneration shall consist of an annual remuneration of SAR 100,000 and attendance fees of SAR 5,000 for the session, in line with the approved policy.
- Audit Committee members' remuneration shall be determined by the General Assembly based on the Board's recommendation as per the regulations, which was approved to be SAR 150,000 and attendance fees of SAR 5,000 for the session, in line with the approved policy.
- The remuneration policy of the Board and Committees shall be reviewed from time to time by the RNC, provided that any recommended changes are presented by the board to the General Assembly in the next meeting for approval.

e–3) Summary of the remuneration policy of the executive management:

The RNC shall review and approve the salary scale and the incentive scheme for all employees and executive management, on a regular basis, based on the management recommendations and the executive management remuneration includes:

- Basic salary (to be paid on a monthly basis at the end of each Gregorian month).
- Allowances that include, but are not limited to, housing, transportation, children education/schools fees and phone allowances.
- Medical insurance benefits for all employees and executive management and eligible family members.
- Life insurance policy (including events of partial or permanent disability and natural or unnatural death).
- Annual bonus based on KPIs/SMART associated with individual annual appraisal evaluation.
- Short-term incentive plans linked with extraordinary/exceptional performance and long-term incentive plans such as stock option programs (whenever it exists).
- Other benefits included, but are not limited to, annual leave, annual air tickets, executive airport services and end of service benefits according to labor law and HR policies adopted by the Company.
- Executive management team's compensation plans, programs and general guidelines shall be approved by the RNC.
- The CEO implements the remuneration policy for all employees and executive management in light of the plans, programs and general guidelines approved by the RNC.

For more details about the remuneration policy for Board, Committees and the Executive Management of Savola Group, please refer to the polices on Savola's website (www.savola.com).

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

e) Remuneration of the Board, Committee members and executive management continued

j–4) Remuneration of the Board Members (SAR)

No.	Member name	Title	Fixed remunerations: Specific amount	Allowance for attending Board meetings	Total allowance for attending Committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member	Total	Variable remunerations: Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total	End of service award	Aggregate Amount	Expenses allowance
First: Independent Directors:																		
1.	Mr. Mohammad A. Al Fadl	Member	200,000	30,000	20,000	–	–	–	250,000	–	–	–	–	–	–	–	250,000	–
2.	Mr. Fahad Abdullah Al Kassim	Member	200,000	30,000	55,000	–	–	–	285,000	–	–	–	–	–	–	–	285,000	39,915
3.	Mr. Omar Hadir N. Al-Farisi	Member	200,000	30,000	30,000	–	–	–	260,000	–	–	–	–	–	–	–	260,000	107,629
4.	Mr. Mohammed I. Al Issa**	Member	63,888	15,000	10,000	–	–	–	88,888	–	–	–	–	–	–	–	88,888	13,870
5.	Dr. Sami Mohsen Baroum	Member	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Second: Non-Executive Directors:																		
6.	Mr. Sulaiman Al Muhaidib (Not a member in any committee)	Chairman	200,000	30,000	NA	–	–	–	230,000	–	–	–	–	–	–	–	230,000	27,175
7.	Mr. Bader Abdullah Al Issa	Vice Chairman	200,000	30,000	20,000	–	–	–	250,000	–	–	–	–	–	–	–	250,000	32,610
8.	Eng. Abdullah Mohammed Nour Rehaimi*	Member	200,000	25,000	15,000	–	–	–	240,000	–	–	–	–	–	–	–	240,000	–
9.	Mr. Abdulaziz Khaled Al Ghufaily	Member	200,000	30,000	60,000	–	–	–	290,000	–	–	–	–	–	–	–	290,000	39,915
10.	Mr. Essam Abdulqader Al Muhaidib	Member	200,000	30,000	20,000	–	–	–	250,000	–	–	–	–	–	–	–	250,000	39,216
11.	Eng. Mutaz Qusai Alazawi	Member	200,000	30,000	30,000	–	–	–	260,000	–	–	–	–	–	–	–	260,000	33,301
Third: Independent Director resigned during 2018:																		
–	Mr. Abdulaziz I. Al Issa	Member	136,112	10,000	30,000	–	–	–	176,112	–	–	–	–	–	–	–	176,112	18,481
Total			**2,000,000**			**–**	**–**	**–**	**2,580,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,580,000**	**352,112**

Note:

* Abdullah Mohammed Nour Rehaimi, also received an amount of SAR 1,02 million as a compensation for his executive role as acting CEO of the Group for the period from 8/2/2018 to 31/3/2018.

** appointed as of 6 September 2018.

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

e) Remuneration of the Board, Committee members and executive management continued

j–5) Remuneration Of Committees Members (SAR)

No.	Committee/Member Name	Title	Fixed remuneration (excluding the allowance for attending Board meetings)	Allowance for attending meetings	Total	Expenses allowance
Audit Committee Members:						
1.	Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)	Chairman	150,000	30,000	180,000	7,305
2.	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	Member	150,000	30,000	180,000	7,305
3.	Mr. Mohammed I. Al Issa (Independent, Savola Board member)	Member	47,917	5,000	52,917	–
4.	Dr. Abdul Raouf Banaja (Independent, external member)	Member	150,000	30,000	180,000	–
5.	Dr. Ammr Khalid Kurdi (Independent, external member)	Member	133,334	25,000	158,334	15,203
Member Resigned during 2018:						
–	Mr. Abdulaziz I. Al Issa (Independent, Savola Board member)	Member	102,083	20,000	122,083	4,870
Total			**733,334**	**140,000**	**873,334**	**34,683**
Remuneration & Nomination Committee Members:						
1.	Mr. Mohammad A. Al Fadl (Independent, Savola Board member)	Chairman	100,000	20,000	120,000	–
2.	Mr. Bader Abdullah Al Issa (Non-executive, Savola Board member)	Member	100,000	20,000	120,000	–
3.	Eng. Abdullah Mohammed Nour Rehaimi (Non-executive, Savola Board member)	Member	85,278	15,000	100,278	–
4.	Mr. Essam Abdulqader Al Muhaidib (Non-executive, Savola Board member)	Member	100,000	20,000	120,000	–
5.	Mr. Johan Brand (Independent, external member)	Member	100,000	20,000	120,000	21,771
Total			**485,278**	**95,000**	**580,278**	**21,771**
Investment Committee Members:						
1.	Mr. Omar Hadir N. Al-Farsi (Independent, Savola Board member)	Chairman	100,000	30,000	130,000	–
2.	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	–
3.	Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)	Member	100,000	25,000	125,000	–
4.	Eng. Mutaz Qusai Alazawi (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	–
5.	Dr. Sami Mohsen Baroum (Independent, Savola Board member)	Member	–	–	–	–
Total			**400,000**	**115,000**	**515,000**	**–**

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

e) Remuneration of the Board, Committee members and executive management continued

No.	Committee/Member Name	Title	Fixed remuneration (excluding the allowance for attending Board meetings)	Allowance for attending meetings	Total	Expenses allowance
CSR Committee Members:						
1.	Mr. Mohammed I. Al Issa (Independent, Savola Board member)	Chairman	31,945	5,000	36,945	–
2.	Eng. Anees Ahmad Moumina (Executive appointed as of 1 April 2018)	Member	N/A	10,000	10,000	
3.	Dr. Mervat Ahmed Tashkandi (Independent external member)	Member	100,000	10,000	110,000	–
4.	Mr. Ahmed Saleh Alrammah Independent external member	Member	100,000	15,000	115,000	10,608
5.	Mahmoud Mansour Abdul Ghaffar (External member)	Member	N/A	–	–	–
Board member resigned during 2018						
–	Mr. Abdulaziz I. Al Issa resigned from the committee on 6 September 2018	EX-Chairman	68,055	10,000	78,055	–
–	Eng. Rayan Mohammad Fayez (Executive – resigned from the committee on 8 February 2018)	EX-Member	N/A	5,000	5,000	–
Total			**300,000**	**55,000**	**355,000**	**10,608**

e–6) Senior executives' compensation:

Compensation and benefits paid to (6) senior executives including the CEO and CFO of the Group during 2018 were:

No.	Description	Senior executives' (6 in total) compensation including the CEO and the CFO (SAR '000)
Fixed remuneration		
–	Salaries	14,275
–	Allowances (including housing, transportation, health insurance, education allowance, etc.)	5,050
–	In-kind benefits	508
Total of fixed remuneration		**19,833**
–	Periodic remuneration	–
–	Profits	–
–	Short-term incentive plans (including performance-related bonus for 2018)	9,235
–	Long-term incentive plans	–
–	Granted shares (insert the value)	–
Total of variable remuneration		**9,235**
–	End of service award	1,138
–	Total remuneration for Board executives, if any	147
Grand total		**30,353**

e–7) The relation between the paid remuneration and the adopted remuneration policy:

Based on the remuneration policy of the Board of Directors and its Committees and executive management, mentioned earlier in this report, and in light of the remuneration paid for the Board, its Committees, and the executive management and what is proposed for the Board, it shows Savola conforming with the approved policy without any material deviation from it.

Corporate Governance Report and major relevant disclosures continued

f) Description of any interest of the Board members, senior executives and their relatives

f–1) Description of any interest of the Board members and their relatives in shares or debt instruments of the Company:

	Board members and their relatives:	Beginning of the year		End of the year			
No.	Names of members whom the interest, contractual securities or rights issue belongs to	Shares	Debt instruments	Shares	Debt instruments	Net change	Percentage of change
First: Board members:							
1.	Mr. Sulaiman A. Al Muhaidib	1,000	–	1,000	–	0	0%
2.	Eng. Abdullah Mohammed Nour Rehaimi	4,000	–	4,000	–	0	0%
3.	Mr. Bader Abdullah Al Issa	1,025	–	1,025	–	0	0%
4.	Mr. Abdulaziz Khaled Al Ghufaily	1,000	–	1,000	–	0	0%
5.	Mr. Essam Abdulqader Al Muhaidib	2,500	–	2,500	–	0	0%
6.	Eng. Mutaz Qusai Alazawi	1,000	–	1,000	–	0	0%
7.	Mr. Mohammad A. Al Fadl	6,304	–	6,304	–	0	0%
8.	Mr. Fahad Abdullah Al Kassim	2,000	–	2,000	–	0	0%
9.	Mr. Omar Hadir N. Al-Farisi	1,000	–	1,000	–	0	0%
10.	Mr. Mohammed I. Al Issa	0	–	1,000	–	0	100%
11.	Dr. Sami Mohsen Baroum	1,000	–	1,000	–	0	0%
Second: Board members' relatives:							
12.	Mr. Mohammad A. Al Fadl's wife	144	–	144	–	0	0%
13.	Dr. Sami Mohsen Baroum's children	774	–	774	–	0	0%
Third: Board members resigned during 2018							
–	Mr. Abdulaziz I. Al Issa (Board member resigned)	6,000	–	6,000	–	0	0%

f–2) Description of any interest of the senior executives and their relatives in shares or debt instruments of the Company:

	Senior Executives and their relatives:	Beginning of the year		End of the year			
No.	Names of Executives whom the interest, contractual securities or rights issue belongs to	Shares	Debt instruments	Shares	Debt instruments	Net change	Percentage of change
First: Senior Executives:							
1.	Eng. Anees Ahmad Moumina	0	–	0	–	0	0%
2.	Mr. Sameh M. Hassan (SFC CEO)	0	–	0	–	0	0%
3.	Mr. Bander Talaat Hamooh (Panda Retail Co. CEO)	26	–	26	–	0	0%
4.	Ms. Huda Al Lawati (Chief Investment Officer)	0	–	0	–	0	0%
5.	Mr. Nouman Farrukh Muhammad Abdussalam (Chief Financial Officer)	0	–	0	–	0	0%
6.	Mr. Tarik M. Ismail (Executive Director – Corporate Affairs, Sustainability & Board Secretary)	10	–	10	–	0	0%
Second: Senior Executives resigned during 2018*							
–	Eng. Bader Hamid Al Aujan (Ex-CEO – SFC)	21,000	–	21,000	–	0	0%
Third: Senior executives' relatives: N/A							

Note:
* Eng. Rayan Mohammed Fayez Group Ex-CEO owned 45,000 of the company's share in the beginning of the year and until the date of his resignation on 8 February 2018.

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

f) Description of any interest of the Board members, senior executives and their relatives continued

f–3) Description of any interest of Board members and their relatives in shares or debt instruments in Herfy Food Services Co. (a listed subsidiary of Savola Group):

No.	Names of Executives whom the interest, contractual securities or rights issue belongs to	Beginning of the year Shares	Beginning of the year Debt instruments	End of the year Shares	End of the year Debt instruments	Net change	Percentage of change
First: Board members:							
1.	Mr. Essam Abdulqader Al Muhaidib	1,960	–	1,960	–	0	0%
2.	Eng. Mutaz Qusai Alazawi	1,400	–	1,400	–	0	0%
3.	Mr. Abdulaziz Khaled Al Ghufaily	4,200	–	4,200	–	0	0%
Second: Board members relatives: N/A							
Third: executive management:							
1.	Eng. Anees Ahmad Moumina	64	–	64	–	0	0%
Forth: executive management relatives: N/A							

g) The major Board resolutions and important events during 2018, which some of them announced through Tadawul or were published in the Company website:

No	Date	Announcement
1.	09/01/2018	The launch of Savola (Integrity Hotline) to report non-compliant practices (whistleblowing)
2.	31/01/2018	Approving the appointment of Group Chief Executive Officer
3.	08/02/2018	Approve the recommendation of dividends distribution to the Shareholders for the year 2017
4.	11/02/2018	Approving the appointment of a member in Savola Audit Committee.
5.	11/02/2018	Approve the interim financial results for the period ended on 31-12-2017 (12 months)
6.	26/03/2018	Approve the annual financial results for the year ended on 31-12-2017
7.	25/04/2018	Approving the invitation of the AGM and its agenda
8.	06/05/2018	The Purchase of 51% of Al Kabeer Group of Companies for SAR 565.5 million
9.	09/05/2018	Approve the interim financial results for the quarter ending on March 31, 2018 (three months)
10.	22/05/2018	The Commencement of the Electronic Voting for Savola Shareholder on the Agenda items for the Ordinary General Assembly Meeting (No. 40)
11.	28/05/2018	The results of the Ordinary General Assembly Meeting (No. 40)
12.	06/08/2018	Approve the interim financial results for the period ended on 30-06-2018 (six months)
13.	06/09/2018	Approve the resignation of a Member of the Board of Directors and the Audit Committee and the appointment of a new Member
14.	04/11/2018	Update on the purchase of 51% of Al Kabeer Group of Companies for SAR 565.5 Million
15.	06/11/2018	Approve the interim financial results for the period ended on 30-09-2018 (nine months)
16.	18/12/2018	Update on the purchase of 51% of Al Kabeer Group of Companies for SAR 565.5 Million, and the regulatory formalities and procedures are now completed

h) Shareholders rights and investor relations

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 2018, 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 shareholders and investor community in line with relevant regulations and best international practices adopted by the Group in corporate governance and transparency. These are:

Corporate Governance Report and major relevant disclosures continued

h) Shareholders rights and investor relations continued

h–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.

h–2) Enable shareholders and investors to access 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 and responds to their enquiries.

h–3) Procedure to inform the Board members of the shareholders' suggestions and notes on the Company and its performance:

Keeping the Board members informed of the shareholders' proposals and comments on the Company and its performance through the following procedures:

1. Presenting the shareholders' proposals and comments (if any) to the Board members at the nearest meeting or any other effective means of communication to achieve the purpose on an ongoing basis.
2. Organizing continuous meetings with investors (Investor Relation Programs) and briefing the Board on the substantive proposals they make.
3. The Board members are attending the General Assembly meetings where shareholders raise their suggestions to the Board during the meeting and the Board responds to these suggestions during the meeting.

In addition, the Chairman of the Board discusses the shareholders' suggestions (if any) and the performance without the presence of any of the executives (whenever deemed necessary).

h–4) Savola Group equity profile as of December 31, 2018:

No.	Detail	Value in SAR/Number of shares
1.	Company authorized capital	SAR 5,339,806,840
2.	Issued shares (all Company's shares are ordinary shares)*	533,980,684
3.	Floated issued shares (by Tadawul records)**	397,580,750
4.	Paid-up capital	SAR 5,339,806,840
5.	Nominal value per share	SAR 10
6.	Paid-up value per share	SAR 10

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 1, 2019.

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

h) Shareholders rights and investor relations continued

h–5) Dates of key events for shareholders and investors:

In accordance with international best practice in corporate governance, Savola shares the dates of key anticipated events during 2019:

No.	Dates	Key events for 2019
1	March 17	Audit Committee meeting regarding the audited financial results for 2018
2	March 17-18	The annual financial results for 2018 will be approved by Board of Directors
3	March 18-19	Date of publishing the Annual financial results of year 2018 on Tadawul and then Savola website
4	March 19-31	Date of publishing the Savola Group Annual Report for 2018
5	May 8	Audit Committee meeting to recommend to the Board approval of the financial results for the first quarter of 2019
6	May 8	Board of Directors' meeting regarding the financial results for the first quarter of 2019 which will be announced in the light of the Board's decision during the prescribed period
7	May 8	Hold the Annual General meeting (AGM) which will be announced as per regulation and it will include the election for the to the Board of Directors for the next office term and amendment of the company by-laws (proposed date subject to the approval of the official authorities)
8	During August	Audit Committee meeting to recommend to the Board approval of the financial results for the second quarter of 2019
9	During August	Date of publishing the financial results for the second quarter of 2019 on Tadawul once approved by the Board based on the recommendation of the Audit Committee
10	During November	Audit Committee meeting to recommend to the Board approval of the financial results for the third quarter of 2019
11	During November	Board of Directors' meeting regarding the financial results for the third quarter of 2019 which will be announced in the light of the Board's decision during the prescribed period
12	During December	Annual workshop for the Board of Directors to review the strategic and business plan for the Group and its subsidiaries and to approve the budget for 2020

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

h–6) The dividends distribution policy:

a) The policy:

As per Article (45) of the Company bylaws the Company's annual net profits shall be distributed as follows:

1. 10% of the net profits shall be set aside to form a statutory reserve. However, the ordinary general assembly may discontinue such procedures when the reserve totals 30% of the paid-up capital.
2. The ordinary general assembly may decide to allocate other reserves, in the amount that serves the Company's interests or ensures distribution of stable profits as much as possible to shareholders. The said assembly may, as well, deduct from the net profits such amounts as are required for the setting-up of or providing aid to social institutions for the Company's employees.
3. The remaining profits shall be distributed to shareholders pursuant to a recommendation of the Board of Directors as required by the regulations in this regard, taking into account the provisions of Article (46) of the Bylaws which states that:
   - shareholder shall be entitled to his share of dividends as per the general assembly resolution issued in this regard in the recommendation of the Board of Directors. The resolution shall specify the maturity date, and the distribution date. The entitlement of profits shall be to the shareholders who registered in the shareholders' records at the end of the maturity date.
   - The Company may, under its Bylaws, distribute interim dividends (quarterly or biannual) to its shareholders after fulfilling the statutory requirements.
4. As part of the dividends policy, the Group used to distribute 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 the above policy and and in view of the losses recorded by the Group during the year 2018, the Group will not distribute dividends for the fiscal year 2018 to its shareholders.

Corporate Governance Report and major relevant disclosures continued

h) Shareholders rights and investor relations continued

h–7) Major shareholders list:

Below are shareholders owning 5% or more of the total shares of the Group, and movements during 2018:

Description of any interest in a class of voting shares held by persons (other than the Company's Directors, senior executives and their relatives) who have notified the Company of their holdings, together with any change to such interests during the last fiscal year

No.	Name	Nationality	Shares at the beginning of 2018	Ownership at the beginning of 2018	Shares at the end of 2018	% at the end of 2018	Shares change	Percentage change
1.	Assila Investment Co.	Saudi company	60,000,000	11.24%	60,000,000	11.24%	0	0%
2.	General Organization for Social Insurance (GOSI)	Saudi government institution	45,795,992	10.26%	45,795,992	10.26%	0	0%
3.	Abdulkadir Al-Muhaidib & Sons Co.	Saudi company	43,919,108	8.22%	43,966,110	8.23%	47,002	0.01%
4.	Mr. Abdullah M.A. Al Rabiah	Saudi	43,892,500	8.22%	43,892,500	8.22%	0	0%
5.	Al-Muhaidib Holding Co.	Saudi company	33,980,684	6.36%	33,980,684	6.36%	0	0%

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 2018 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 on December 31 2018.

h–8) Numbers of Company's requests of shareholders records, dates and reasons thereof:

No.	Date of request	Reason	No. of requests
1.	May 27, 2018	To determine the eligibility for attending the Assembly General Meeting (No. 40) and dividends for the year 2017	1
2.	Weekly (End of each week) From (1/1/2018 to 31/12/2018)	To review the changes in share ownership for investor relations purposes and to update the transparency screen which is being published on the company's website	50
Total			**51**

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

i) Transactions with related parties that took place during 2018, some of these transaction were pre-approved by the Group's AGM during its meeting dated 27 May 2018 and the rest will be ratified in the upcoming AGM meeting as per laws and regulation in this regard:

i–1) Information relating to any business or contract to which the Company is a party and in which a Board member, a senior executive or any person related to any of them is or was of interest:

1) Transactions and contracts with a direct or indirect interest between the Company and Abdulkader Al Muhaidib & Sons Co. and their subsidiaries or any person related to any of them:

a. Savola and Al Muhaidib:
Business or contract in which Abdulkader Al Muhaidib & Sons Co. and its subsidiaries or any person related to any of them has direct or indirect interest, the total amount of the transactions is SAR 633.79 million.

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2018	The conditions of the transaction or contract	The duration of the transaction or contract	Name of the Board member/ Senior executive or any person related to any one of them
1.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Mayar Foods Co.	SAR 136.95 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including product quality, payment method, pricing, delivery, delay penalties, etc.).	Annually	Mr. Sulaiman A. Al Muhaidib who is also the Chairman of Savola Group, in addition to, Mr. Essam Abdulqader Al Muhaidib who is the Managing Director of Abdulkader Al Muhaidib & Sons Co. as well as a board member in the Savola Group. Business and commercial contracts between Abdulkader Al Muhaidib & Sons Co. and its subsidiaries are executed with some of Savola subsidiaries in the Food and Retail Sectors. Also, Abdulkader Al Muhaidib & Sons Co. owns 8.23% of Savola shares.
2.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Del Monte Saudi Arabia.	SAR 85.31 million			
3.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Nestle Saudi Arabia Ltd.	SAR 368.92 million			
4.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Manhal Water Factory Co. Ltd.	SAR 12.88 million			
5.	Leasing spaces by Panda Retail Co. (a subsidiary of Savola) from Abdulkader Al Muhaidib & Sons Co.	SAR 6.78 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.).		
6.	Leasing spaces to sell its products along with trading foods products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Almehbaj Alshamiyah Trading Co.	SAR 19.80 million			
7.	Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Del Monte Saudi Arabia.	SAR 3.15 million			
Total		SAR 633.79 million			

Corporate Governance Report and major relevant disclosures continued

i) Transactions with related parties that took place during 2018, some of these transaction were pre-approved by the Group's AGM during its meeting dated 27 May 2018 and the rest will be ratified in the upcoming AGM meeting as per laws and regulation in this regards: continued

2) Transactions and contracts with a direct or indirect interest between the Company and Almarai Co.:

b. Savola and Almarai Co:
Business or contract in which Almarai Co. and its subsidiaries, or any person related to any of them, has a direct or indirect interest, the total amount of the transactions is SAR 827.74 million.

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2018	The conditions of the transaction or contract	The duration of the transaction or contract	Name of the Board member/ senior executive or any person related to any one of them
8.	Purchasing consumer foods goods by Panda Retail Co. (a subsidiary of Savola) from Almarai Co. and its subsidiaries.	SAR 737.23 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including product quality, payment method, pricing, delivery, delay penalties, etc.	Annually	Almarai, a listed company in which Savola Group owns 34.52%. Three of Savola Directors are members of Almarai's Board (Mr. Sulaiman A. Al Muhaidib, Mr. Bader Abdullah Al Issa) as well as Eng. Anees Ahmad Moumina Group CEO.
9.	Selling sugar by United Sugar Company (a subsidiary of Savola Foods Co.) to Almarai Co. and its subsidiaries.	SAR 75.01 million			
10.	Selling Specialty Fats products by International Company for Food Industries(a subsidiary of Savola Foods Co.) to Almarai Co.	SAR 10.78 million			
11.	Selling edible oil products by Afia International (a subsidiary of Savola Foods Co.) to Al Marai Co.	SAR 4.72 million			
Total		SAR 827.74 million			

3) Transactions and contracts with a direct or indirect interest between the Company and Herfy Food Services Co.:

c. Savola and Herfy Co:
Business or contract in which Herfy Food Services Co. and its subsidiaries or any person related to any of them has direct or indirect interest, the total amount of the transactions is SAR 37.66 million.

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2018	The conditions of the transaction or contract	The duration of the transaction or contract	Name of the Board member/ senior executive or any person related to any one of them
12.	Leasing shops and retail purchases of food products by Panda Retail Co. (a subsidiary of Savola) to/from Herfy Food Services Co.	SAR 31.39 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.).	Annually	Herfy Food Services Co, a listed company, in which Savola Group owns 49% (directly and indirectly); Savola has four representatives on Herfy's Board: Mr. Essam Abdulqader Al Muhaidib, who is the chairman of Herfy Board, and Eng. Mutaz Qusai Alazawi whom is also Board members of Savola Group, as well as Eng. Anees Ahmad Moumina Group CEO. Also Mr. Abdulaziz Khaled Al Ghufaily was a member of Herfy Board till 30/04/2018.
13.	Selling edible oil products by Afia International (a subsidiary of Savola Foods Co.) to Herfy Food Services Co.	SAR 1.77 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including product quality, payment method, pricing, delivery, delay penalties, etc.).		
14.	Selling sugar by United Sugar Company (a subsidiary of Savola Food Co.) to Herfy Food Services Co.	SAR 2.20 million			
15.	The sale of Specialty Fats products by the International Company for Food Industries Co. (a subsidiary of Savola Foods Co.) to Herfy Food Services Co.	SAR 2.30 million		Annually	
Total		SAR 37.66 million			

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

i) Transactions with related parties that took place during 2018, some of these transaction were pre-approved by the Group's AGM during its meeting dated 27 May 2018 and the rest will be ratified in the upcoming AGM meeting as per laws and regulation in this regard: continued

4) Transactions and contracts with a direct or indirect interest between the Company and Kinan International for Real Estate Development Co.:

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2018*	The conditions of the transaction or contract	The duration of the transaction or contract	Name of the Board member/ senior executive or any person related to any one of them
d. Savola and Kinan International for Real Estate Development Co: Business or contract in which Kinan International for Real Estate Development Co. and its subsidiaries or any person related to any of them has direct or indirect interest, the total amount of the transactions is SAR 32.4 million.					
16.	Leasing of shops by Panda Retail Co. (a subsidiary of Savola) from Kinan International for Real Estate Development Co.	SAR 32.4 million	In the ordinary course of business and general commercial terms worked without any preferential treatment including renewal, payment methods, maintenance, insurance, etc.	Annually	Kinan International for Real Estate Development Co, of which Savola Group owns 29.99%, Savola has three members on Kinan's Board of Directors: Mr. Mohammad A. Al Fadl and Dr. Sami Mohsen Baroum, both of whom are also Board members of Savola Group, as well as Eng. Anees Ahmad Moumina Group CEO.
Total		SAR 32.4 million			

* The transactions and contracts which are expected to be made between Savola Group and its subsidiaries and in which a Board member has an interest (whether direct or indirect) are subject to the approval of the AGM.

j) A description of any transaction between the Company and any related party

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:

	Related party	Relationship	Transaction	Duration	Value/Amount
1.	Certain shareholders of USC	Shareholders of a subsidiary	Trade	During 2018	SAR 179,54 million
2.	Certain shareholders of AIC	Shareholders of a subsidiary	Trade	During 2018	SAR 59,94 million
3.	Intaj – Savola investments	Associate	Non-trade	During 2018	SAR 5.72 million
4.	Arabian Centers Company – Al Hokair	Affiliate	Non-trade	During 2018	SAR 43.90 million
5.	Seafood International One FZCO – SFC	Associate	Trade	During 2018	SAR 20.80 million
6.	Khairat AlSharq for General Trade and Manufacturing Foodstuff Company (formerly: Bonus Foods Co.) – SFC	Associate	Non-trade	During 2018	SAR 1.66 million
7.	USCE – SFC	Associate	Trade	During 2018	SAR 20.63 million

Corporate Governance Report and major relevant disclosures continued

k) What has/has not been implemented of the CG regulations, CG procedure and effectiveness, and initiatives

k–1) Board Declaration according to CMA Regulations for 2018:

As per the CG regulations requirement for the Company to make a declaration regarding non-applicable or non-existing matters, the Board undertakes the following:

No.	Declaration/Confirmation
1.	The external auditors' report for the year 2018 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.
2.	The Company's books and records comply with the accounting standards issued by SOCPA.
3.	There was no recommendation by the Board of Directors to replace the external auditors (KPMG), appointed for the fiscal year of 2018 to audit the Group's financials and they were not replaced during the year.
4.	The external auditors did not provide consultancy services to the Group during 2018 and did not receive any fees in this regard.
5.	The Board of Directors did not receive any request from the external auditor to convene a General Assembly.
6.	The Company 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.
7.	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.
8.	The Company has avoided taking any action that might hamper the use of shareholders' voting rights.
9.	The Company 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.
10.	The Company confirms that it does not apply any programs for granting stock options or part of the dividends to the employees, or any pension programs, and there are no special funds for these programs. And the Company is committed to declaring this whenever applicable after obtaining the required approvals from the concerned authorities.
11.	The Chairman of the Board did not receive a written request to call for an unscheduled meeting from any two or more of the Board members during 2018.
12.	The Board of Directors did not waive any of the Company's debts during the year.
13.	There is no interest, contractual documents and subscription rights that belong to the members of the Board of Directors and their relatives in the shares or debt instruments of the subsidiaries except as mentioned in this report in (f–3) regarding the ownership of some of them in Herfy Food Services Co.
14.	There is no interest, contractual documents and subscription rights of senior executives and their relatives in the shares or debt instruments of subsidiaries. Note: The Company has disclosed the conflict of interest for Board Members and Senior Executives and their relatives.
15.	There are no treasury shares held by the Company for any purpose and according to disclosure is required of details of treasury shares used by the Company.
16.	There are no debt instruments issued to Savola Group and its subsidiaries except as detailed in this report item (2–4) (the details of long and short-term loans).
17.	There is no class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company during the fiscal year.
18.	There are no conversion or subscription rights under any convertible debt instruments, contractually-based securities, warrants or similar rights issued or granted by the Company.
19.	There is no redemption, purchase or cancellation by the Company of any redeemable debt instruments and the value of such securities outstanding, whether listed securities purchased by the Company and those purchased by its affiliates.
20.	There are no interests in any class of voting shares for anyone (except to the Board members and senior executives and their relatives) who have notified the Company with these interests, and any changes in these rights during the last fiscal year.
21.	A description of waiving any salary or compensation by an arrangement or agreement with: A Director: (applicable): Mr. Sulaiman A. Al Muhaidib (the Chairman of the Board of Directors), has waived his annual Board remuneration, attendance allowance, expenses allowance for the fiscal year 2018 and donated his total remuneration of SAR 257,175 to support the Group's Employee Takaful Fund. A senior executive of the Group: (not applicable).
22.	There is no arrangement or agreement under which a shareholder of the issuer has waived any rights to dividends.

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

k) What has/has not been implemented of the CG regulations, CG procedure and effectiveness, and initiatives continued

No.	Declaration/Confirmation
23.	The Board confirms that: A) The Company's accounting records were properly prepared. B) Savola Group's internal control systems and procedures were properly developed and effectively executed. C) There are no doubts about the Group's ability to continue its business activities.
24.	There was no recommendation by the Audit Committee that conflicted with the Board of Directors' decisions. The Board did not reject any recommendations regarding the appointment of the Company's external auditor, its dismissal, the determination of its fees, the performance evaluation or the appointment of the internal auditor during the year.
25.	The Company confirms that during January 2013 it has issued Sukuk to a number of investors amounting to SAR 1.5 billion as the first issue of the total Sukuk value equal to the Company's capital up to SAR 5 billion will be announced in stages. This was previously approved by the AGM in its meeting held on December 5, 2012.

k–2) Procedure set by the Group to monitor the effectiveness of Savola's CG Code:

- The Group has a Corporate Governance (CG) Manual which was developed and approved for the first time in 2004, and has been updated in line with the CG regulations issued by the CMA and international best practice in CG and transparency. In 2018, following the issuance of the Corporate Governance Regulations in February 2017 and the amendment issued in 2018, the Company has reviewed and updated its CG framework and policies during 2017-2018 and were approved by the competent administrative bodies, whether the Board of Directors or the General Assembly (where applicable).
- The Board of Directors and the executive management monitor the Corporate Governance requirements. In addition, the Compliance Officer has a support team at Group-level to monitor CG code implementation and compliance, ensure proper implementation of the Board's resolution regarding CG and submit regular reports to the Board. The Group Board and CEO supervise the overall implementation and development of the governance code in general.
- The Group appoints from time to time CG Experts Firms in order to enhance its CG practices to meet regional and international best practices in this field.
- The Group shares its CG experience with local, regional and international rating agencies and institutions with the objective to identify its strengths and weaknesses and accordingly develop a plan for improvement.
- The Group has disclosed its CG framework and all policies in this respect on its website (www.savola.com).

k–3) What provisions have/have not been implemented of the Corporate Governance Regulations, with justifications:

The Company applies all the provisions of the Corporate Governance Regulations issued by the CMA, except for the following:

No.	Article/ Clause No.	The Article/Clause	Reasons for non-compliance
1.	Article 20, Item (10)	**Issues Affecting Independence:** "If he/she served for more than nine years, consecutive or inconsecutive, as a Board member of the Company."	Mr. Mohammad A. Al Fadl, has served in the Savola Group for more than 9 years as a member of the Savola Group Board, He was elected by the AGM for the term office, which started on July 1 2016 (before the issuance of the amended Corporate Governance Regulation in February 2017). In addition, he has extensive experience of more than 30 years in the field of Business Management and his membership in the Board satisfies the required diversity.
2.	Article 32, Item (b)	**The Board Meetings:** "The Board shall convene no less than four meetings per year, and no less than one meeting every three months."	The Board held six meetings during the year. However, the Board did not conduct any meeting in the period from May 9 to September 6 2018, which exceeded the "three month" period indicated in said article, as no meetings were scheduled during that period due to non-availability of the majority of members because of summer vacation and holidays, thus the financial results for the second quarter 2018 were approved by circulation based on the recommendation of the Audit Committee during its meeting on 5 August 2018.

Corporate Governance Report and major relevant disclosures continued

k) What has/has not been implemented of the CG regulations, CG procedure and effectiveness, and initiatives continued

No.	Article/ Clause No.	The Article/Clause	Reasons for non-compliance
3.	Article 70	**Composition of the Risk Management Committee:** "The Company's Board shall, by resolution therefrom, form a committee to be named the (Risk Management Committee). The Chairman and majority of its members shall be Non-Executive Directors. The members of that Committee shall possess an adequate level of knowledge in risk management and finance."	The Board postponed the formation of Risk Management Committee (RMC) till the infrastructure of risk management department is completed, currently risk management is being monitored by the Board and Executive Management. In addition, the Company is using an external entity to support carrying out the role of the Risk Management. During 2018 as part of the Group's efforts in this rea a Risk Officer has been appointed to establish the department and develop the risk policy, activities and procedures. In this respect, the Board approved the Risk Management policy. The RMC will be formed by the Board after completion of the infrastructure of risk management department and whenever is deem necessary.
4.	Article 71	Competencies of the Risk Management Committee.	The RMC has not been formed due to the above mentioned reasons in No. 3.
5.	Article 72	Meetings of the Risk Management Committee. "The Risk Management Committee shall convene periodically at least once every six months and as may be necessary."	The RMC has not been formed due to the above mentioned reasons in No. 3.
6.	Article 85, Item (2)	**Employee Incentives:** "Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such programs."	The Company's Bylaws were amended to enable the Company to establish a scheme of granting its shares to employees. The RNC is still studying the Long-Term Incentive Program "LTIP" in coordination with a specialized expert. Once the program is ready, the company will obtain the necessary approvals as per regulations.
7.	Article 87	**Social Responsibility:** "The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community."	Savola has a clear policy and strategy in the field of CSR, which has already been approved by its Board of Directors. The Group has been very keen to implement such a strategy for many years. Moreover, CSR activities and initiatives are being disclosed in the annual Directors 'report as well as the Company's website. In addition, there is a CSR Committee affiliated from the Board, mainly to oversee and follow-up CSR projects and activities, beside the presence of a dedicated team and department to implement these programs and initiatives. However, the Board will present this subject to the shareholder's general assembly whenever it deems necessary.
8.	Article 95	**Formation of a Corporate Governance Committee:** "If the Board forms a Corporate Governance Committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such Committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually."	The Corporate Governance requirements are overseen and monitored by the Board of Directors and the top executive management, in addition, there is a CG and Compliance Department with qualified team members at the Group-level to monitor CG code implementation and compliance, ensure proper implementation of the Board's resolutions issued regarding CG and submit regular reports to the Board. In addition, the Board and CEO supervise the overall implementation and development of the governance code. However, the Board will form the CG Committee whenever it deems necessary.

Audit Committee Report

Savola Group Audit Committee Report for the year ended December 31, 2018

Introduction

The Audit Committee of Savola Group was formed and its charter was adopted by a resolution issued from the general assembly of shareholders according to the requirements of Articles (101) and (104) of the Companies Law. In line with article (104) of the 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 twenty-one 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 pleased to share with you Savola Group Audit Committee Report for the year 2018, prepared in line with the requirements of the Companies Law, the Regulations and Rules of the Capital Market Authority and the Committee's charter, and will be glad to answer any questions in this regard after reciting the summary of the report during General Assembly Meeting.

1– Appointment

Savola Group Audit Committee was appointed at the ordinary general assembly meeting no. (38), held on July 26, 2016 beginning from July 1, 2016 and ends on June 30, 2019, and the charter was approved describing its functions, responsibilities and guidelines, as well as remuneration of selected members. In 2017 the Audit Committee charter was amended as per the new CG regulation issued by CMA in February 2017 and was approved by the Ordinary General Assembly Meeting held on November 2, 2017. In addition, the Board appointed Dr. Ammr Khaled Kurdi based on the Remuneration Nomination Committee recommendation (as an independent member from outside the Board) effective from February 11, 2018 until the end of the current office term of the Audit Committee, which ends on June 30, 2019. The appointment of Dr. Kurdi came in the vacant seat after the resignation of Mr. Khaled Mohammed Alsolae from the Audit Committee on October 29, 2017 due to his appointment as a member of the Board of the Capital Market Authority (CMA). Dr. Kurdi's appointment was approved by the Ordinary General Assembly Meeting held on 27 May 2018. Further, the Board appointed Mr. Mohamed Ibrahim Al Issa based on the Remuneration Nomination Committee recommendation (as an independent member) effective from September 6, 2018 in the vacant seat after resignation of Mr. Abdulaziz Ibrahim Al Issa from the Audit Committee on 6 September 2018 due to his appointment in a government position. However, Mr. Mohamed Al Issa appointment is not final until presented to the nearest General Shareholders Assembly Meeting for approval as per the regulations.

2– Meetings

In line with its charter, the Audit Committee will convene periodically based on chairman invitation, at least four times per year, and as may be necessary, and majority attendance of members constitute a quorum whether in person or by proxy. The Committee held six meetings during 2018 and the quorum for each meeting was reached.

3– Savola Group Operating Model

The organizational structure "Operating model" adopted by the Group as a strategic investment holding company reflects the independence of the operational aspects of the Group's subsidiaries.

Accordingly, all interaction between the Group's Audit Committee on one hand and its subsidiaries' Audit Committees on the other hand are governed by the Group's representation membership in the Audit Committees of the subsidiaries.

4– Audit Committee members' qualifications

The qualifications of the Audit Committee members who are also members of the Savola Group Board of Directors have been described earlier in the Director's Report and the qualifications of Audit Committee members who are not member of Board of Directors are as follows:

No. Member name	Current positions	Previous positions	Qualifications	Experience
Audit Committee members:				
1. Mr. Fahad Abdullah Al Kassim	Current and previous positions, qualifications and experience were mentioned earlier in the Director's Report.			
2. Mr. Abdulaziz Khaled Al Ghufaily				
3. Mr. Mohammed Ibrahim Al Issa				
4. Dr. Abdul Raouf Banaja	Holds number of membership in boards and committees such as Audit Committee member in Penda Retail Co. and other Joint Stock Companies.	Advisor to the Deputy Governor, the Saudi Arabian Monetary Agency (SAMA). Economic Advisor, Ministry of Finance.	PhD in Economics, University of California, Santa Barbara, United States, 1981.	Assumed several positions in a number of local and regional banks.
5. Dr. Ammr Khaled Kurdi	Chief Financial Officer at Saudi Arabian Amiantit Company.	Chief Audit Executive at King Fahd University of Petroleum & Minerals	Bachelor's degree in Accounting from King Fahd University of Petroleum and Minerals in 2001, Master's degree in Accounting from the University of Arizona, United States, 2004, Ph.D. in Accounting University of North Texas, United States, 2010. Certified Management Accountant (CMA), and member of Global Board of Directors for the Institute of Management Accountants, United States.	Has extensive experience in a number of areas, including Accounting, Auditing, Financial Management, Corporate Governance, and Risk Management. In addition, he is Audit Committee member in other Joint Stock Companies.
Resigned Member during the year:				
– Mr. Abdulaziz Ibrahim Al Issa	Current and previous positions, qualifications and experience were mentioned earlier in the Director's Report.			

5– Audit Committee attendance:

The members of the Audit Committee attendance for the meetings of the Committee held during the year 2018 are listed below.

No. Name	Meetings during 2018: 7 Feb	15 Mar	9 May	28 Jun	5 Aug	6 Nov	Total
1. Mr. Fahad Abdullah Al Kassim (Chairman) (Independent Savola Board member)	√	√	√	√	√	√	6 of 6
2. Mr. Abdulaziz Khaled Al Ghufaily (Non-executive Savola Board member)	√	√	√	√	√	√	6 of 6
3. Mr. Mohammed I. Al Issa* (Independent Savola Board member)	None Applicable (N/A)					√	1 of 1
4. Dr. Abdul Raouf Banaja (Independent external member)	√	√	√	√	√	√	6 of 6
5. Dr. Ammr Khaled Kurdi** (Independent external member)	N/A	√	√	√	√	√	5 of 5
– Mr. Aly Assem Barakat (Committee Secretary appointed as of 9 May 2018)	N/A		√	√	√	√	4 of 4
Member resigned during the year:							
– Mr. Abdulaziz Ibrahim Al Issa* (Independent Savola Board member)	√	√	√	√	×	NA	4 of 5

Note:

* Mr. Mohammed Ibrahim Al Issa was appointed as member in the Audit Committee of Savola Group (as an independent Savola Board member) effective 6 September 2018 until the end of the current office term of the Audit Committee, which ends on June 30, 2019. The appointment of Mr. Mohammed Al Issa comes in the vacant seat after the resignation of Mr. Abdulaziz Ibrahim Al Issa from the Audit Committee as at 6 September 2018 due to his appointment in a government position.

** Dr. Ammr Khaled Kurdi was appointed as member in the Audit Committee of the Savola Group (as an independent member from outside the Board) effective 11 February 2018 until the end of the current office term of the Audit Committee, which ends on June 30, 2019. The appointment of Dr. Kurdi comes in the vacant seat after the resignation of Mr. Khaled Mohammed Alsolae from the Audit Committee on October 29, 2017 after being appointed as a member of the Board of the Capital Market Authority.

Audit Committee Report continued

Savola Group Audit Committee Report for the year ended December 31, 2018 continued

6– Audit Committee remuneration for 2018 (Saudi Riyals):

No.	Name	Title	Fixed remuneration (except for the allowance for attending meetings)	Allowance for attending meetings	Total	Other expenses
1.	Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)	Chairman	150,000	30,000	180,000	7,305
2.	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	Member	150,000	30,000	180,000	7,305
3.	Mr. Mohammed Ibrahim Al Issa (Independent, Savola Board member)	Member	47,917	5,000	52,917	–
4.	Dr. Abdul Raouf Banaja (Independent, external member)	Member	150,000	30,000	180,000	–
5.	Dr. Ammr Khaled Kurdi (Independent external member)	Member	133,334	25,000	158,334	15,203
Member resigned during the year:						
–	Mr. Abdulaziz Ibrahim Al Issa (Independent, Savola Board member)	Member	102,083	20,000	122,083	4,870
Total			**733,334**	**140,000**	**873,334**	**34,683**

7– Summary of Audit Committee duties, responsibilities and achievements executed in 2018

a– Financial reporting

- Review and recommend to the Group's Board of Directors the approval of the preliminary quarterly results and year-end consolidated financial statements focusing particularly on the reliability of the information disclosed therein, changes in accounting policy, significant and unusual events, reasonableness of accounting estimates for significant issues, as well as compliance with accounting standards and other legal requirements.

b– Internal audit

- Review and approve the Group's internal audit department charter, plan and outputs and ensure whether the function has the necessary authority and resources to carry out its work while maintaining its independence.
- Review and assess Savola Group internal audit reports and monitor the tracking and follow-up of implementation process determining whether or not appropriate actions are taken in respect of the internal audit recommendations therein.

c– External audit

- Review the process of appointing the external auditors for 2018, including sending invitations for three external auditors and ensure their independence in line with Ministry of Commerce and Investment regulations, reviewing analysis of quotations received. As a result, the Audit Committee recommended to the Board of Directors the appointment of KPMG Al Fozan & Partners to be the Group's external auditors for the 2018 fiscal year, with a fee of SAR 725,000 to review and audit Savola Group consolidated quarterly and annual financial statements. KPMG's appointment was approved by the Ordinary General Assembly Meeting held on 27 May 2018.
- Review the external auditors service delivery plan, scope of work, the results of the audits, the relevant audit reports and management letter together with management responses or comments to the audit findings.
- Review and ensure that appropriate assistance was given by the Group's executive management team to the external auditors and that no difficulties were encountered during the course of the audit, including any restrictions on the scope of activities or access to required information.

Savola Group Audit Committee Report for the year ended December 31, 2018 continued

7– Summary of Audit Committee duties, responsibilities and achievements executed in 2018 continued

d– Related party transactions

Review the results of external auditors limited review of Savola related party transactions for 2018 included in the related party transactions report prepared by the chairman of Board of Directors in relation to the related party transactions executed by the company during the year and provide any recommendation to the Board based on the results, if any.

e– Savola Integrity Hotline

Oversee the Group's wide whistleblowing reporting facility "Integrity Hotline" which captures and records matters raised by any stakeholders, including the executive management team, senior managers and employees (permanent, temporary and part-time), shareholders, trainers, clients, individuals, agency staff, consultants, suppliers and vendors. These matters are communicated to the management and regular procedures for follow-up are adopted.

8– The annual review of the effectiveness of internal control producers and its results at the Group:

The executive management of the Group and its subsidiaries certifies on an annual basis their responsibility for establishing and maintaining internal control procedures designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. The reasonable assurance provided by the signed internal control certifications is supported by the results of a questionnaire completed by all heads of functions across the Group & subsidiaries designed in line with the Internal Control–Integrated Framework published by Committee of Sponsoring Organization (COSO) of the tradeway commission. The signed internal control certificates for 2018 were handed over and filed with the Group's legal counsel.

The internal audit department at the Group and its subsidiaries execute the annual audit plan approved by the Audit Committee at the Group & its subsidiaries to evaluate the existing condition of internal control procedures focusing on the assessment of the control environment, organization's structure, risks, policies and procedures, segregation of duties and information systems. A random sample of activities within the planned audit area is selected with the objective of testing the effectiveness and efficiency of internal control procedures design and operation. All internal control recommendations resulting from the execution of annual audit plans are communicated to concerned management parties and followed-up by internal audit departments at the Group and its subsidiaries to support maintaining effective internal control procedures.

The Group's external auditors conducted their audit in accordance with international auditing standards adopted in Saudi Arabia which require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. This resulted in providing an unqualified opinion on the Group's consolidated financial statements as at December 31, 2018.

Based on the results of the above mentioned procedures, the Group's Audit Committee believes that reasonable assurance was provided regarding the effectiveness of internal control procedures.

However, we emphasize that due to the geographical spread of the Group's operations locally and regionally we cannot conclude exclusively on the comprehensiveness of the internal control procedures, as these procedures in substance, rely on selecting random samples as above mentioned.

Accordingly, the Audit Committees at the Group and its subsidiaries efforts are focused continuously to develop and improve the effectiveness and efficiency of the internal control procedures review mechanism in place across the Group and its subsidiaries.

This report was prepared by the Audit Committee during the year 2018 in line with the regulatory requirements and the charter of the Committee and will be submitted to the general assembly of shareholders when the Board of Directors issue its invitation. The meeting will be held during the first half of 2019 (according to the dates approved by the regulatory authorities). The Committee is glad to answer all inquiries and questions of the shareholders – as stated in this report – during the General Assembly meeting of shareholders, and ALLAH is the guardian of success.

03 Financial Statements

In this section

Independent Auditors' Report
To the Shareholders of Savola Group Company

Opinion
We have audited the consolidated financial statements of Savola Group Company ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill and items of property, plant and equipment
Refer Note 3(a)(ii) for the accounting policy relating to goodwill, Note 3(e) for the accounting policy relating to property, plant and equipment, Note 3(j) for the accounting policy relating to impairment, Note 6 for the property, plant and equipment disclosure, Note 7 for the goodwill disclosure and Note 35 for the impairment loss disclosure.

Key audit matter	How the matter was addressed in our audit
As at December 31, 2018, the carrying value of goodwill amounted to SR 906 million (2017: SR 514 million). Further, as at December 31, 2018, the carrying value of property, plant and equipment amounted to SR 6,755 million (2017: SR 7,562 million). Impairment loss recognised during the year amounted to SR 200 million (2017: SR 222 million). Goodwill is subject to a mandatory annual impairment test and the property, plant and equipment is subject to impairment testing where there are internal or external indicators of impairment. The Group review the carrying amounts of Goodwill and identified items of property, plant and equipment to determine whether their carrying values exceed the recoverable amounts, which is the higher of value in use or the fair value less costs to sell. For the purpose of the Group's impairment assessment, management has used the value in use model, to determine the recoverable amount, under which the future cash flows relating to each Cash Generating Unit (CGU) were discounted and compared to their respective carrying amounts. Value in use model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates. There is uncertainty in estimating the recoverable amount of non-financial assets which principally arises from the inputs used in both forecasting and discounting future cash flows. A combination of the significance of the asset balances and the inherent uncertainty in the assumptions supporting the valuations of non-financial assets, means that an assessment of their carrying value is one of the key judgmental areas. We considered valuation of non-financial assets including goodwill as a key audit matter due to the significant judgment and key assumptions involved in the impairment assessment process.	We performed the following audit procedures in relation to non-financial assets impairment: • Assessed the design and implementation, and tested the effectiveness of the Group's controls around impairment assessment; • Engaged our internal valuations specialist to assess the key assumptions used in the value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates; • Compared key assumptions against industry benchmarks, applied our understanding of the future prospects of the business from internal and external sources, and compared forecasts to historical experience; • Performed a sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the respective CGUs; • Checked the accuracy and completeness of the information produced by management, which was used as the basis of the impairment assessment; and • Considered the adequacy of the Group's related disclosures in terms of applicable accounting standards.

Valuation of equity-accounted investees
Refer Note 3(a)(iii) for the accounting policy relating to equity-accounted investees and Note 9 for the related disclosures:

Key audit matter	How the matter was addressed in our audit
As at December 31, 2018, the carrying value of equity-accounted investees amounted to SR 8,301 million (2017: SR 7,964 million). Equity accounted investments are accounted for using the equity method, which is established in accordance with the requirements of International Financial Reporting Standards (IFRS). This has been identified as an area of risk and attention; given the significance of the amounts involved, the complexities attached to the determination of carrying values at reporting dates, trade and capital transactions with investees and judgment involved in determination of possible impairment loss.	We performed the following audit procedures in relation to valuation of equity-accounted investees: • Assessed the appropriateness of the Group's accounting policies for measurement of equity accounted investments in line with the requirements of International Financial Reporting Standards (IFRS); • Assessed the design and implementation, and tested the operating effectiveness of the Group's control around recognition and subsequent measurement of Equity accounted investees including the impairment assessment process; • Verified components of equity accounted investments from underlying details and supporting documentation; • Evaluated the process by which the Group's cash flow forecasts for the equity-accounted investees (where there are indicators of impairment) were developed; • Engaged our internal valuations specialist to assess the key assumptions used in the value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates and performed a sensitivity analysis on these key assumptions; • Tested the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; and • Considered the adequacy of the Group's equity-accounted investees' disclosures in terms of applicable accounting standards.

Valuation of Inventories
Refer Note 3(h) for the accounting policy on inventories and Note 11 for the inventories disclosure.

Key audit matter	How the matter was addressed in our audit
As at December 31, 2018, the Group's inventories balance was SR 2,631 million (2017: SR 3,190 million) net of allowance for slow moving inventories of SR 98 million (2017: SR 87 million). Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Group, where necessary, for obsolete and slow moving inventories. Management determines the level of obsolescence of inventories by considering the nature, ageing profile, their expiry dates and sales expectations using historic trends and other qualitative factors. At each reporting date, the cost of inventories is reduced where inventories are forecasted to be sold at below cost. The Group also deals in commodity hedging contracts for its raw sugar inventory. The management accounts for these contracts using the mark-to-market method and reviews the valuation and hedge effectiveness at each reporting period by obtaining broker quotes. We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment. Further, the commodity hedging involves the use of complex valuation methods and significant assumptions such as applicable exchange and over-the-counter quotations, parity differences, price volatility, counterparty performance and credit risks.	We performed the following audit procedures in relation to valuation of inventories: • Assessed the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant accounting standards; • Assessed the design and implementation, and tested the operating effectiveness of the Group's control around recognition and subsequent measurement of inventories including the monitoring of the allowance for slow moving items; • Evaluated the appropriateness of the Group's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual losses; and current and future expectations with respect to sales; • Involving our internal IT specialist to test the integrity of the inventories' ageing report used by the management in its determination of the allowance for slow moving inventories; • Attended periodical physical count of inventories on selected locations to identify expired, lost or slow-moving items; • Tested the net realisable value of finished goods inventories by considering actual sales post year-end and the assumptions used by the management to check whether inventories are valued at the lower of cost and net realisable value; • Tested management's control over the establishment of the hedging relationship, monitoring hedge effectiveness and appropriateness of assumptions used in developing mark to market values of derivatives at the reporting date including the exchange-quoted prices and other direct and indirectly observable inputs; • Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

Independent Auditors' Report
To the Shareholders of Savola Group Company continued

Key Audit Matters continued

Revenue recognition

Refer Note 3(m) for the accounting policy relating to revenue recognition, Note 4A for the impact of the adoption of the new accounting standard (IFRS 15) and Note 30 for the relevant disclosures.

Key audit matter	How the matter was addressed in our audit
During the year ended December 31, 2018, the Group recognized total revenue of SR 21,815 million (2017: SR 23,830 million). Almost all of the Group's sales arrangements are considered straightforward, being on a point-in-time basis of recognition and requiring little judgment to be exercised. However, in certain cases the Group recognizes revenue through sales to related parties and certain components provide right of return to customers; which increase the level of judgment in revenue recognition at the year end. Further, the Group adopted IFRS 15 "Revenue from contracts with customers" with effect from January 1, 2018 and this new standard supersedes the requirements of IAS 18 "Revenue". Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with the separation of different performance obligations that may exist within a given contract. Management also assessed the additional disclosures required to be made by the new standard in the consolidated financial statements. Revenue recognition is considered a key audit matter in view of the risk that management may override controls to intentionally misstate revenue transactions in order to achieve financials targets, either through adjusting estimates at the period end or recording fictitious transactions in the business. Further, the application of IFRS 15 requires judgment by management and the use of significant assumptions.	We performed the following procedures in relation to revenue recognition and implementation of IFRS 15: • Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards; • Assessed the design and implementation, and tested the effectiveness of the Group's controls, including anti-fraud controls, over the recognition of revenue as per the Group's policy; • Evaluated key contractual arrangements including rebates and returns arrangements by considering relevant documentation and agreements with the customers; • Inspected a sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period; • Developed an expectation of the current year revenue based on trend analysis information, taking into account sales volume, average prices and our understanding of each market segment. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing; • Tested topside journal entries posted to the revenue journal in order to identify unusual or irregular items; • Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Group; • Gained an understanding of management's approach to the implementation of any changes to the accounting policy on adoption of IFRS 15; • Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard; and • Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

Implementation of IFRS 9 "Financial instruments"

Refer to Note 4B for the impact of the adoption of the new accounting standard (IFRS 9) and Note 3(b), 3(j) for the accounting policy, Note 10 and Note 37 for the relevant disclosures in the accompanying consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group adopted IFRS 9 "Financial Instruments" with effect from January 1, 2018 and this new standard supersedes the requirements of IAS 39 "Financial instruments – recognition and measurement". IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Management has determined that the most significant impact of the new standard on the Group's financial statements relates to the calculation of the allowance for the impairment of trade receivables and designation and classification of Group's investments at fair value through other comprehensive income (FVOCI) and investments at fair value through profit and loss (FVTPL). As at December 31, 2018, the carrying value of Group's investments at FVOCI and investment at FVTPL amount to SR 324 million (2017: SR 472 million and SR 31 million (2017: Nil) respectively. Further, as at December 31, 2018, the carrying value of trade receivables amounted to SR 1,074 million (2017: SR 971 million) and the allowance for impairment of trade receivables amounted to SR 105 million (2017: SR 80 million). The Group assesses at each reporting date whether the financial assets carried at amortised cost are credit-impaired. The Group's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade receivables collections experience. We considered this a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.	We performed the following procedures in relation to the implementation of IFRS 9: • Reviewed management's assessment of the impact of IFRS 9 in terms of the classification and measurement of its financial assets and liabilities, and understood the approach taken towards implementation. We specifically considered the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment and designation and classification of Group's investments at fair value through other comprehensive income (FVOCI) and investments at fair value through profit and loss (FVTPL); • Compared the ECL model to the requirements of the standard and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested the arithmetical accuracy of the model; • Tested key assumptions, such as those used to calculate the likelihood of default and the subsequent loss on default by comparing to historical data. We also considered the incorporation of forward looking factors (predominantly economic) to reflect the impact of future events on excepted credit losses; • Involved our internal accounting subject matter specialists to review the methodology and assumptions used in the ECL model; and • We also reviewed the adequacy of the relevant disclosures in the Group's consolidated financial statements.

Independent Auditors' Report
To the Shareholders of Savola Group Company continued

Other Information
Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal controls 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Savola Group Company ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No: 382

Jeddah, Rajab 12, 1440H
Corresponding to March 19, 2019

Consolidated Statement of Financial Position
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	**6,754,793**	7,561,675
Goodwill	7	**905,556**	514,321
Investment property	8	**33,178**	30,613
Investment in equity accounted investees	9	**8,300,864**	7,964,066
Investments	10	**355,092**	471,507
Long term receivables		**7,443**	78,558
Derivative	13	**2,496**	10,240
Deferred tax asset	22	**17,793**	28,296
Total non-current assets		**16,377,215**	16,659,276
Current assets			
Inventories	11	**2,630,764**	3,189,847
Trade receivables	12	**1,073,572**	970,618
Prepayments and other receivables	13	**1,269,327**	1,219,472
Cash and cash equivalents	14	**901,573**	1,298,117
Total current assets		**5,875,236**	6,678,054
TOTAL ASSETS		**22,252,451**	23,337,330
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	**5,339,807**	5,339,807
Share premium		**342,974**	342,974
Statutory reserve	17	**1,774,085**	1,774,085
General reserve		**4,000**	4,000
Fair value reserve	18	**(198,084)**	(108,649)
Effect of transactions with non-controlling interests without change in control		**(187,979)**	(161,598)
Foreign currency translation reserve		**(1,744,616)**	(1,260,509)
Retained earnings		**1,797,256**	2,898,756
Equity attributable to equity holders of the Company		**7,127,443**	8,828,866
Non-controlling interests	19	**894,498**	879,114
TOTAL EQUITY		**8,021,941**	9,707,980
LIABILITIES			
Non-current liabilities			
Loans and borrowings	20	**4,265,996**	3,529,434
Employee benefits	21	**719,542**	663,732
Deferred tax liability	22	**91,195**	66,568
Long-term payables		**207,268**	210,436
Long term lease rentals		**232,020**	258,755
Derivative	13	**197,131**	159,979
Provision against asset restoration		**90,716**	98,078
Total non-current liabilities		**5,803,868**	4,986,982
Current liabilities			
Loans and borrowings	20	**3,689,915**	3,867,428
Trade payables	23	**2,391,028**	2,535,465
Current maturity of lease rentals		**63,658**	11,289
Accrued and other liabilities	24	**2,282,041**	2,228,186
Total current liabilities		**8,426,642**	8,642,368
TOTAL LIABILITIES		**14,230,510**	13,629,350
TOTAL LIABILITIES AND EQUITY		**22,252,451**	23,337,330

The notes on pages from 118 to 168 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income
For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	Year ended December 31 2018	2017
Continuing operations:			
Revenues	30	**21,814,563**	23,830,475
Cost of revenues	31	**(17,916,606)**	(19,436,360)
Gross profit		**3,897,957**	4,394,115
Share of results in investment in equity-accounted investees, net of zakat and tax and dividend income	9&10	**574,742**	752,382
Administrative expenses	32	**(793,640)**	(751,429)
Selling and distribution expenses	33	**(3,202,189)**	(3,369,798)
Impairment loss	35	**(199,550)**	(222,024)
Results from operating activities		**277,320**	803,246
Finance income		**70,463**	137,631
Finance cost		**(606,512)**	(526,525)
Net finance cost	36	**(536,049)**	(388,894)
Other expenses	26	**(100,735)**	–
Gain on disposal of investment	9&10	**3,269**	693,943
Gain on disposal of leasehold rights		**–**	68,144
(Loss)/profit before zakat and income tax		**(356,195)**	1,176,439
Zakat and income tax expense	25	**(102,074)**	(71,925)
(Loss)/profit from continuing operations		**(458,269)**	1,104,514
Discontinued operation:			
Gain from discontinued operation, net of tax	15	**–**	15,605
Net (loss)/profit for the year		**(458,269)**	1,120,119
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit liability	21	**(14,143)**	(13,746)
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**(575,942)**	(434,384)
Investment in equity accounted investees – share of Other Comprehensive Income	18	**27,094**	57,018
Cash flow hedges – effective portion of changes in fair value	18	**6,021**	(7,707)
Investments – net change in fair value	18	**(122,550)**	(140,914)
Other comprehensive loss, net of tax		**(679,520)**	(539,733)
Total comprehensive (loss)/income for the year		**(1,137,789)**	580,386
(Loss)/profit for the year attributable to:			
Owners of the Company		**(520,380)**	1,025,618
Non-controlling interests		**62,111**	94,501
(Loss)/profit for the year		**(458,269)**	1,120,119
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(1,106,915)**	567,469
Non-controlling interests		**(30,874)**	12,917
Total comprehensive (loss)/income for the year		**(1,137,789)**	580,386
(Loss)/earnings per share attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	27	**(0.97)**	1.92
(Loss)/earnings per share – Continuing operations attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	27	**(0.97)**	1.88

The notes on pages from 118 to 168 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended December 31, 2018
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Shareholders of the Parent Company										
	Share capital	Share premium	Statutory reserve	General reserve	Fair value reserve	Effect of transactions with non-controlling interests without change in control	Foreign Currency translation reserve	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2017	5,339,807	342,974	1,774,085	4,000	(32,023)	(171,375)	(926,287)	1,885,843	8,217,024	1,032,810	9,249,834
Total comprehensive income for the year											
Net profit for the year	–	–	–	–	–	–	–	1,025,618	1,025,618	94,501	1,120,119
Other comprehensive loss	–	–	–	–	(85,558)	–	(362,086)	(10,505)	(458,149)	(81,584)	(539,733)
Total comprehensive income/loss	–	–	–	–	(85,558)	–	(362,086)	1,015,113	567,469	12,917	580,386
Transactions with owners of the Company											
Dividends	–	–	–	–	–	–	–	–	–	(112,448)	(112,448)
Transaction with non-controlling interest without change in control	–	–	–	–	–	9,777	–	–	9,777	–	9,777
Other changes/movements											
Deconsolidation of USCE (Note 15)	–	–	–	–	–	–	27,864	–	27,864	(34,913)	(7,049)
Directors' remuneration	–	–	–	–	–	–	–	(2,200)	(2,200)	–	(2,200)
Other changes in non-controlling interest	–	–	–	–	8,932	–	–	–	8,932	(19,252)	(10,320)
Balance at December 31, 2017	5,339,807	342,974	1,774,085	4,000	(108,649)	(161,598)	(1,260,509)	2,898,756	8,828,866	879,114	9,707,980
Balance at January 1, 2018 – as previously reported	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(108,649)**	**(161,598)**	**(1,260,509)**	**2,898,756**	**8,828,866**	**879,114**	**9,707,980**
Adjustment from adoption of IFRS 9 (Note 4)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(34,146)**	**(34,146)**	**(6,184)**	**(40,330)**
Balance at January 1, 2018 – restated	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(108,649)**	**(161,598)**	**(1,260,509)**	**2,864,610**	**8,794,720**	**872,930**	**9,667,650**
Total comprehensive income/(loss) for the year											
Net (loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(520,380)**	**(520,380)**	**62,111**	**(458,269)**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(89,435)**	**–**	**(484,107)**	**(12,993)**	**(586,535)**	**(92,985)**	**(679,520)**
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(89,435)**	**–**	**(484,107)**	**(533,373)**	**(1,106,915)**	**(30,874)**	**(1,137,789)**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(533,981)**	**(533,981)**	**(113,750)**	**(647,731)**
Other changes/movements											
Transaction with non-controlling interest without change in control	**–**	**–**	**–**	**–**	**–**	**(15,825)**	**–**	**–**	**(15,825)**	**15,825**	**–**
Acquisition of subsidiary with NCI (Note 1 & 5)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**150,367**	**150,367**
Other changes	**–**	**–**	**–**	**–**	**–**	**(10,556)**	**–**	**–**	**(10,556)**	**–**	**(10,556)**
Balance at December 31, 2018	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(198,084)**	**(187,979)**	**(1,744,616)**	**1,797,256**	**7,127,443**	**894,498**	**8,021,941**

The notes on pages from 118 to 168 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities			
Net (loss)/profit for the year		**(458,269)**	1,120,119
Adjustments for:			
Depreciation	6&8	**762,138**	805,292
Net finance cost	36	**536,049**	388,894
Share of results in investment in equity accounted investees, net of zakat and tax and dividend income	9	**(574,742)**	(752,382)
Gain on sale of discontinued operation	15	**–**	(30,482)
Gain on disposal of investment	10	**(3,269)**	(693,943)
Impairment loss	35	**199,550**	222,024
Provision against financial guarantee	26	**100,735**	–
Gain on disposal of leasehold rights		**–**	(68,144)
(Gain)/loss on sale of property, plant and equipment		**(7,301)**	26,579
Provision for employee benefits	21	**108,685**	104,656
Zakat and income tax expense	25	**102,074**	71,925
		765,650	1,194,538
Changes in:			
Inventories		**240,264**	49,747
Trade receivables		**(275,732)**	225,289
Prepayments and other receivables		**(121,981)**	17,772
Trade payables		**48,485**	22,292
Accrued and other liabilities		**438,356**	70,564
Cash generated from operating activities		**1,095,042**	1,580,202
Finance cost paid		**(440,027)**	(335,636)
Zakat and income tax paid		**(59,622)**	(42,843)
Employee benefits paid	21	**(76,185)**	(56,386)
Net cash from operating activities		**519,208**	1,145,337
Cash flows from investing activities			
Acquisition of property, plant and equipment	6&8	**(394,425)**	(672,839)
Proceeds from sale of property, plant and equipment		**36,249**	35,058
Proceeds from disposal of leasehold rights		**–**	80,800
Acquisition of investment	9	**–**	(70,781)
Acquisition of subsidiary, net of cash acquired	5	**(558,102)**	–
Proceeds from sale of investment	9&10	**28,022**	1,120,000
Capital distribution from equity accounted investee	9	**5,716**	16,076
Net change in long term receivable		**–**	(67,807)
Net change in FVTPL investments	10	**(30,888)**	–
Net change in deferred tax asset		**10,503**	876
Dividends received	9&10	**258,914**	273,499
Net cash (used in)/from investing activities		**(644,011)**	714,882
Cash flows from financing activities			
Net change in loans and borrowings – current		**(65,829)**	(726,092)
Net change in loans and borrowings – non-current		**740,351**	(939,162)
Dividends paid		**(526,364)**	(7,911)
Net change in deferred tax liability		**25,215**	8,789
Dividend paid to non-controlling interests		**(113,750)**	(112,448)
Net cash from/(used in) financing activities		**59,623**	(1,776,824)
Net change in cash and cash equivalents		**(65,180)**	83,395
Effect of movement in exchange rates on cash and cash equivalents		**(320,818)**	(190,086)
Cash and cash equivalents at beginning of the year		**1,298,117**	1,404,808
Adjustment from adoption of IFRS 9	4	**(10,546)**	–
Cash and cash equivalents	14	**901,573**	1,298,117
Supplemental schedule of non-cash financial information:			
Fair value reserve		**(89,435)**	(76,626)
Foreign currency translation reserve		**(575,942)**	(434,384)
Effect of transaction with non-controlling interest without change in control		**(26,381)**	9,777
Actuarial reserve	21	**(14,143)**	(13,746)
Directors' remuneration		**–**	(2,200)

The notes on pages from 118 to 168 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018
(Expressed in thousands of Saudi Riyal 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 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, 2018, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

(I) Direct subsidiaries of the Company

i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2018	Ownership interest (%) December 31, 2017
Savola Foods Company ("SFC")	Saudi Arabia	Foods	**100**	100
Panda Retail Company ("Panda")*	Saudi Arabia	Retail	**97.55**	91
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	**80**	80
Herfy Food Services Company ("Herfy")	Saudi Arabia	Restaurant & manufacturing bakery products	**49**	49
Giant Stores Trading Company ("Giant")**	Saudi Arabia	Retail	**–**	10

* During the period ended June 30, 2018, the shareholders of Panda resolved in the Extraordinary General Meeting to absorb the accumulated losses by SR 625 million and to increase the capital by SR 1 billion in order to finance the future operations of the company. The Parent Company financed the entire SR 1 billion resulting in the increase in its direct ownership interest in Panda.

** Group holds controlling equity ownership interest in Giant through indirect shareholding of Panda. During December 2017, the Company entered into a Shares Sale/Purchase Agreement with Panda to transfer its 10% ownership interest in Giant at carrying value. As at the year end, the legal formalities of the transfer have been completed. Accordingly, the related adjustments have been recorded in these consolidated financial statements.

1. General information continued

(I) Direct subsidiaries of the Company continued

ii) Dormant and Holding subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2018	Ownership interest (%) December 31, 2017
Adeem Arabia Company (Adeem)*	Saudi Arabia	Holding company	**100**	100
Al Utur Arabian Company for Commercial Investment	Saudi Arabia	Holding company	**100**	100
Al Mojammat Al Mowahadah Real Estate Company (under liquidation)	Saudi Arabia	Holding company	**100**	100
Madarek Investment Company	Jordan	Holding company	**100**	100
United Properties Development Company	Saudi Arabia	Dormant company	**100**	100
Good Food Company ("GFC")**	Saudi Arabia	Holding company	**100**	–
Savola Industrial Investment Company ("SIIC") ***	Saudi Arabia	Holding company	**–**	5

* During 2017, the Company acquired remaining 20% ownership interest in Adeem for a consideration amounting to SR 52.29 million resulting in the increase in Group's ownership interest to 100%. The transaction resulted into an acquisition without change in control and the resulting gain amounting to SR 9.77 million was recorded in equity under "Effect of transactions with non-controlling interests without change in control".

** During the year, in accordance with the terms and conditions of the Share Purchase Agreement, Savola agreed to acquire 51% ownership interest of Al Kabeer Group of companies (see Note 1(iv)) for a cash consideration of SR 571 million. The transaction has been effected through the Group's 100% owned subsidiary, Good Food Company, a company incorporated in the Kingdom of Saudi Arabia. The payment of consideration along with the related formalities were completed on October 31, 2018.

*** Group holds controlling equity ownership interest in SIIC through indirect shareholding of SFC. Further, during 2017, the Company entered into a Shares Sale/Purchase Agreement with SFC to transfer its 5% ownership in SIIC at carrying value. As at the year end, the legal formalities of the transfer have been completed. Accordingly, the related adjustments have been recorded in these consolidated financial statements.

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1. General information continued

(II) Savola Foods Company

The Parent Company has a 100% (December 31, 2017: 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 5,1429H (July 8, 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	Ownership interest (%) December 31, 2018	December 31, 2017
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oils	**95.19**	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	Holding company	**100**	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	British Virgin Islands (BVI)	Holding company	**95.43**	95.43
Afia International Distribution and Marketing Company	Saudi Arabia	Trading and distribution	**99**	99
Savola Foods for Sugar Company	Cayman Islands	Holding company	**95**	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	**100**	100
International Foods Industries Company ("IFI")*	Saudi Arabia	Manufacturing of specialty fats	**100**	75
Seafood International Two FZCO	UAE	Seafood products trading and distribution	**60**	60
Afia Foods Arabia	Saudi Arabia	Dormant company	**100**	100
Al Maoun International Holding Company ("Al Maoun")	Saudi Arabia	Holding company	**100**	100
Marasina International Real Estate Investment ("Marasina")	Saudi Arabia	Holding company	**100**	100

* During 2017, SFC decided to inject additional capital of SR 77 million in its subsidiary, IFI. The related legal formalities were completed during the period ended June 30, 2018. Consequently, SFC's ownership in IFI increased from 75% to 93%.

In April 2018, SFC entered into a Share Sales and Purchase Agreement with the other shareholder of IFI for the purchase of 750,000 shares in IFI, representing 7% of the share capital, at a purchase price of SR 7.5 million. The related legal formalities for the transfer of shares were completed during the third quarter of 2018. Consequently, SFC's ownership in IFI increased to 100%.

1. General information continued

(II) Savola Foods Company continued

a) Subsidiaries controlled through Afia International Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2018	December 31, 2017
Savola Behshahr Company ("SBeC")	Iran	Holding company	**90**	90
Malintra Holdings	Luxembourg	Dormant 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	Dormant 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
Aseel Food – Hold Co.	Cayman Islands	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**	99.95
KUGU				
Savola Gida Sanayi Ve Ticaret Anonim Sirketi	Turkey	Manufacturing of edible oils	**100**	100

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1. General information continued

(II) Savola Foods Company continued

b) Subsidiaries controlled through Savola Industrial Investment Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2018	Ownership interest (%) December 31, 2017
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of sugar	**74.48**	74.48
USC				
Alexandria Sugar Company, Egypt ("ASCE")*	Egypt	Manufacturing of sugar	**62.13**	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	**100**	100
ASCE				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	**100**	100

c) Subsidiaries controlled through Savola Foods Emerging Markets Company:

Savola Morocco Company	Morocco	Manufacturing of edible oils	**100**	100
Savola Edible Oils (Sudan)	Sudan	Manufacturing of edible oils	**100**	100
Afia International Company – Algeria	Algeria	Manufacturing of edible oils	**100**	100

d) Subsidiary controlled through Savola Foods Company International:

Modern Behtaam Royan Kaveh Company	Iran	Food and confectionery	**100**	100

e) Subsidiary controlled through Al Maoun and Marasina

Alofog Trading DMMC	UAE	Trading and distribution	**100**	100

* The effective ownership interest in ASCE is 68% (December 31, 2017: 68%).

(III) Panda Retail Company

The Parent Company has a 97.55% (December 31, 2017: 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 hypermarkets, supermarkets, and convenience stores.

Subsidiaries controlled through Panda:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2018	Ownership interest (%) December 31, 2017
Giant Stores Trading Company	Saudi Arabia	Retail	**100**	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	Liquidated	**–**	100
Panda Bakeries Company	Saudi Arabia	Bakery	**100**	100
Giant				
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	**95**	95

* Panda, through its subsidiary, entered into an agreement with Dubai Festival City Real Estate Development Company LLC to sell all its assets at April 15, 2017 including leasehold rights, inventories and fixed assets of its Hyper Panda store ("Store") in Dubai Festival City Mall, UAE for a total consideration of AED 80 million. The disposal resulted in a gain of SR 68.1 million during the year ended December 31, 2017.

1. General information continued

(III) Panda Retail Company continued

During September 2017, the shareholders of Panda resolved in the Extraordinary General Assembly Meeting, the reduction of its accumulated losses amounting to SR 824.79 million as at June 30, 2017 against the reduction in the share capital, share premium and statutory reserve amounting to SR 452.84 million, SR 191.60 million and SR 180.35 million respectively.

On January 16, 2019, the shareholders of Panda resolved in the Extraordinary General Assembly Meeting, to decrease the share capital of the Company by SR 695 million to absorb its accumulated losses followed by capital injection of SR 800 million by the shareholders. The capital injection was solely contributed by Savola Group Company, thereby, increasing the ownership of the Group in Panda to 98.87%.

(IV) Good Food Company

The Parent Company has a 100% ownership interest in Good Food Company ("GFC"), which was incorporated as a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration number 4030603674 issued in Jeddah on Rabi-ul-Thani 21, 1439H (January 8, 2018).

GFC through its direct and indirect subsidiaries is principally engaged in the processing, wholesale, retail and distribution of frozen food and seafood in the local and overseas markets.

Subsidiaries controlled through GFC (collectively referred to as "Al Kabeer Group of companies"):

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2018	Ownership interest (%) December 31, 2017
Variety Food Factory Company	Saudi Arabia	Manufacturing of frozen food	**51**	–
Al Ahsan Trading Company	Saudi Arabia	Trading and distribution	**51**	–
Al Helal Imports and Exports Company	Bahrain	Trading and distribution	**51**	–
Sahar Enterprises Company	UAE	Trading and distribution	**51**	–
Sahar Food Industry Company	UAE	Manufacturing of frozen food	**51**	–
Al Kabeer Holding Limited	UAE	Holding Company	**51**	–
Best Foodstuff Trading Company	UAE	Trading and distribution	**51**	–

Subsidiaries controlled through Al Kabeer Holding Limited:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2018	Ownership interest (%) December 31, 2017
Cascade Investments Limited (CIL)	UAE	Investment company	**100**	–
Cascade Marine Foods Company	UAE	Manufacturing frozen food	**100**	–
Al Sabah Foodstuff Enterprises Company	UAE	Trading and distribution	**100**	–
CIL				
Best Foods Company	Oman	Trading and distribution	**100**	–

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (IFRS). This is the first set of the Group's financial statements in which IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" have been applied and the resultant changes to the significant accounting policies are described in Note 4.

i) Accounting convention/Basis of Measurement

These consolidated financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for investments classified as fair value through OCI/available for sale, firm commitments and inventory under fair value hedging relationship, derivative financial instruments and employee benefits which are recognised at the present value of future obligation using the Projected Unit Credit Method. Certain comparative amounts have been reclassified to conform to the current year's presentation.

Notes to the Consolidated Financial Statements
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2. Basis of preparation

a) Statement of compliance continued

ii) Functional and presentation currency

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

b) Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the 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 estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements, is included in the following notes:

(i) Note 3*(a)(i)* – whether the Group exercises control over an investee
(ii) Note 3*(a)(iii)* – Classification of equity accounted investees
(iii) Note 3*(b)(iv)* – application of hedge accounting
(iv) Note 3*(q)* – lease classification
(v) Note 3*(m)* – revenue recognition: whether revenue is recognised over time or at a point in time.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements, are described below:

i) Impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering the past recovery rates (see note 3j).

ii) Provision for inventory obsolescence

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

iii) Useful lives of property, plant and equipment

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

iv) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For 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 Cash Generating Units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an 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, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

2. Basis of preparation continued

b) Critical accounting estimates and judgments continued

iv) Impairment of non-financial assets continued

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment loss is recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

v) Employee benefits – defined benefit obligation

Certain actuarial assumptions have been adopted as disclosed in note 21 to these financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

vi) Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

vii) Other assumptions

Information about other assumptions and estimation uncertainties is included in the following notes:

i) Note *3(h)* – allowance for inventory losses
ii) Note *3(b) & 37* – measurement of fair values
iii) Note *3(j)* – impairment in financial and non-financial assets
iv) Note *3(l)* – measurement of defined benefit obligations
v) Note *3(k)* – provision against assets restoration.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Business combinations

Business combinations (except for entities under common control) are accounted for using the acquisition 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, 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. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions from entities under common control

Business combinations including entities or businesses 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.

Notes to the Consolidated Financial Statements
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3. Significant accounting policies continued

a) Business combinations continued

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are consolidated in the financial statements from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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".

(ii) Goodwill

Goodwill represents the difference between the cost of businesses acquired and the Group'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 loss on goodwill is 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.

(iii) Interests in equity accounted investees

The Group's interests in equity accounted investees comprise of interests in associates and joint ventures.

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. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method (equity accounted investees), 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 profit or loss and its share in post-acquisition movements in reserves is recognized in the Group's Other Comprehensive Income (OCI).

When the Group's share of losses exceeds its interest in an equity accounted investee, the investment 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.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the underlying assets/liabilities to the extent of the Group's interest in the investee.

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising on equity accounted investees are recognized in the profit or loss.

(iv) 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.

Changes in Group's interest in a subsidiary as a result of 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/received and the relevant share acquired/disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals/acquisition of non-controlling interests are also recorded in equity.

3. Significant accounting policies continued

b) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant finance component) or finance liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Initial measurement: Policy applicable from January 01, 2018

On initial measurement, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument; FVOCI – equity instrument or fair value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to initial measurement unless the Group changes the business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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3. Significant accounting policies continued

b) Financial instruments continued

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018
The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL – These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost – These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment loss, if any.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI – These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018
The Group classified its financial assets into one of the following categories:
- loans and receivables;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018.

Financial assets at FVTPL – Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. However, for derivatives designated as hedging instruments.

Held-to-maturity financial assets – Measured at amortised cost using the effective interest method.

Loans and receivables – Measured at amortised cost using the effective interest method.

Available-for-sale financial assets – Measured at fair value and changes therein, other than impairment loss, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

3. Significant accounting policies continued

b) Financial instruments continued

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its inventory price risk, firm commitments and interest rate risk exposures. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range as per risk management policy. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Cash flow hedge
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability i.e. interest rate swaps or a highly probable forecast transaction that could affect profit or loss, 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 profit or loss within "Finance income or Finance cost".

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 profit or loss within 'Cost of revenues'.

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 revenues for inventory.

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 profit or loss. 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 profit or loss within "Finance income or Finance cost".

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, 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 profit or loss within "cost of revenue". The gain or loss relating to the ineffective portion is recognized in the profit or loss within "Finance income or Finance cost". Changes in the fair value of the hedge futures are recognized in the consolidated statement of profit or loss within 'Cost of revenue'.

Other non-trading derivatives
When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in the consolidated statement of profit or loss within "Finance income or Finance cost".

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018
The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, the derivatives which are classified as FVTPL were disclosed as held for trading in comparative period.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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.

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3. Significant accounting policies continued

c) Segment reporting

An operating segment is a component:

i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
ii) the results of its operations are continuously analyzed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and
iii) for which financial information is discretely available.

Segment results that are reported to the chief operating decision maker and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

d) Foreign currency translations

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of equity instruments classified as FVOCI (2017: AFS), a financial liability designated as a hedge of the net investment in a foreign operation (see below), or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, with the exception of economies under hyper-inflation, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Saudi Riyals at exchange rates at the dates of the transactions.

Foreign currency differences arising on foreign operations are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

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 profit or loss and other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the foreign currency translation reserve.

(iii) 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 statement of financial position, 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 statements of financial position and profit or loss are translated at the closing rate.

3. Significant accounting policies continued

e) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized, on net basis, in statement of profit or loss and other comprehensive income.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of individual items of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives of assets is as follow:

	Years
Buildings	12.5 – 50
Leasehold improvements	3 – 33
Plant and equipment	3 – 30
Furniture and office equipment	3 – 16
Vehicles	4 – 10

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For impairment assessment of property, plant and equipment, please refer to policy on impairment of non-financial assets note 3 "j".

f) Intangible assets

Intangible assets, other than goodwill, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment loss.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since it most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost less accumulated depreciation and accumulated impairment loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost subsequently.

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3. Significant accounting policies continued

h) Inventories
Inventories are measured at the lower of cost and net realizable 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.

Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Further, inventory may also include gain and losses transferred from marked to market of firm commitment due to fair value hedge accounting and fair valuation impact of inventory price risk being hedged under fair value hedge.

Net realizable value comprises estimated selling price in the ordinary course of business, less any additional production costs for completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

i) Assets and liabilities classified as held for sale
Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment loss on initial classification as held for sale and subsequent gains or loss on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

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:
- represents a major business line or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major business line or geographical area of operations; or
- 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 a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period; whereas, the statement of financial position for the comparative period is not restated.

j) Impairment
i. Financial assets
Policy applicable from 1 January 2018
Financial instruments and contract assets
The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances for trade receivables and other financial assets that are measured at an amount equal to lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Policy applicable before 1 January 2018
An assessment is made at each reporting 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 profit or loss.

3. Significant accounting policies continued

j) Impairment continued
Objective evidence that financial assets (excluding equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment loss on available-for-sale (AFS) investment securities is recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of a financial asset increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

ii. Non-financial assets
The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (the "cash-generating unit, or CGU"). Impairment exists when the carrying value of an asset or CGU exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment loss is recognized in profit or loss. Impairment loss recognized in respect of CGUs is allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

k) Provisions
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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Group records provision for decommissioning costs of manufacturing facility and restoration of leasehold improvements. Such costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a rate that reflects the current market assessments of the time value of money and risks specific to the related liability. The unwinding of the discount is expensed as incurred and recognized in the profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

l) Employees' end of service benefits
Defined benefit plan
The Group's obligation under employees' end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method. Measurements of the defined benefit liability, which comprise actuarial gains and losses are recognized immediately in other comprehensive income. The Group determines the net interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in personnel expenses in profit or loss.

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3. Significant accounting policies continued

l) Employees' end of service benefits continued

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

m) Revenues

Policy applicable before 1 January 2018

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. Lease incentives granted are recognized as an integral part of the total rental income, 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.

Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

Policy applicable from 1 January 2018

IFRS 15: "Revenue from contracts with customers" supersedes IAS 11: "Construction Contracts", IAS 18: "Revenue" and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to the contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies are disclosed below:

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

The Group leases out various shops situated within its supermarkets and hypermarkets under operating lease agreements. The Group also leases out floor space within its stores to suppliers for various activities such as gondolas, events and till points. Rental income is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

3. Significant accounting policies continued

m) Revenues continued

Promotional income

Promotional income is comprised of income earned from promotion of various products by vendors within the Group's stores such as chiller displays and in promotional leaflets and flyers. Promotional income is recognized over time as the services are provided.

Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue is recognised at a point in time at which amount of commission is earned by the Group.

n) 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 the consolidated statement of profit or loss and other comprehensive 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 statement of financial position. 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 zakat and income taxes in their respective countries of domicile. Such zakat and income taxes are charged to profit or loss under zakat and income tax expense.

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.

Current and deferred tax assets and liabilities are offset only if certain criteria are met.

o) Finance income and finance cost

Finance income comprises gains on the hedging instruments that are recognized in consolidated statement of profit or loss and other comprehensive income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in consolidated statement of profit or loss and other comprehensive income on the date that the Group's right to receive payment is established.

Finance costs comprise of financial charges on borrowings including sukuks and unwinding of the discount on provisions and losses on hedging instruments that are recognized in consolidated statement of profit or loss and other comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit or loss and other comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis within finance cost.

p) Dividends

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

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

q) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are recognized in statement of profit or loss and other comprehensive 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.

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4. Changes in significant accounting policies

The Group has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards or amendments are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for certain hedging requirements and separately presenting impairment loss on trade receivables and contract assets.

a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting 'IFRS 15 Revenue from Contracts with Customers' on the recognition of Revenue of the Group (for detailed revenue policy refer note 3 m).

b) IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group has not adopted the IFRS 9 – Hedge accounting with respect to its transactions under hedge relationships and accordingly hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement have been complied with.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to related comparative information of IFRS 9.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

The following explains the original and new classification and measurement categories under IAS 39 and under IFRS 9 respectively of the Group's significant financial assets as at 1 January 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 December 31, 2017	New carrying amount under IFRS 9 January 1, 2018
Financial Assets				
Trade receivables	Loans and Receivables	Amortised Cost	970,618	952,854
Cash and bank balances	Loans and Receivables	Amortised Cost	1,298,117	1,287,571
Prepayments and other receivables	Loans and Receivables	Amortised Cost	1,219,472	1,207,452
Available for sale investments*	Available for sale	FVOCI-equity investments	446,754	446,754
Available for sale investments	Available for sale	FVTPL-equity investments	24,753	24,753
Future exchange contracts used for hedging	Fair value-hedging instrument	Fair value-hedging instrument	13,326	13,326
Other future exchange contracts	Designated as FVTPL	Designated as FVTPL	40,821	40,821
Call option	Designated as FVTPL	Designated as FVTPL	10,240	10,240
Total			4,024,101	3,983,771

* Group intends to hold these investments for the strategic purpose. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as investments at FVOCI. Unlike, IAS 39, the accumulated fair value reserves related to these investments will never be reclassified to profit or loss.

4. Changes in significant accounting policies continued

Upon adoption of IFRS 9, the Group recognised expected credit losses amounting to SR 40.33 million. Accordingly, as at January 1, 2018, the retained earnings and non-controlling interests decreased by SR 34.15 million and SR 6.18 million respectively.

	December 31, 2018		
	As reported	Adjustment under IFRS 9	Amounts without adoption of IFRS 9
Consolidated Statement of Financial Position			
Trade receivables	1,073,572	21,772	1,095,344
Prepayments and other receivables	1,269,327	5,249	1,274,576
Cash and bank balances	901,573	6,079	907,652
	3,244,472	33,100	3,277,572
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Selling and distribution expenses	(3,202,189)	(21,772)	(3,180,417)
Administrative expenses	(793,640)	(11,328)	(782,312)
	(3,995,829)	(33,100)	(3,962,729)

5. Acquisition of subsidiary

During the year, in accordance with the terms and conditions of the Share Purchase Agreement, Savola agreed to acquire 51% ownership interest of Al Kabeer Group of companies for a cash consideration of SR 571 million. The transaction has been effected through the Group's 100% owned subsidiary, Good Food Company, a company incorporated in the Kingdom of Saudi Arabia. The payment of consideration along with the related formalities were completed on October 31, 2018.

The Group is currently in the process of allocating the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. However, the Group has provisionally accounted for the transaction based on the carrying values of the identifiable assets and liabilities as of the acquisition date.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	October 31, 2018
Property, plant and equipment	119,918
Inventories	105,404
Trade receivables – net	90,612
Prepayments and other receivables	119,235
Cash and cash equivalents	12,847
Employee benefits	(41,031)
Loans and borrowings	(93,912)
Trade payables and other liabilities	(6,201)
Total identifiable net assets acquired	306,872

The fair value of GFC's property, plant and equipment have been measured provisionally. Intangible assets including distribution network and brand shall also be fair valued based on an independent valuation exercise.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Provisional goodwill arising from the acquisition has been recognised as follows:

	October 31, 2018
Consideration transferred	570,949
Less: Identifiable net assets acquired @ 51%	(156,506)
Goodwill	414,443

The Group incurred acquisition-related costs amounting to SR 6.2 million on legal fees and due diligence costs. These costs have been included in 'Administrative expenses'.

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6. Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Cost								
Balance at January 1, 2017	1,425,229	2,060,764	1,916,527	2,229,230	2,833,388	490,775	1,062,110	12,018,023
Additions	45	166,293	13,687	186,732	42,332	6,085	257,587	672,761
Disposals	(65)	(4,749)	(120,677)	(9,410)	(47,408)	(6,833)	(45,846)	(234,988)
Transfer from CWIP	6,134	70,378	29,981	188,462	247,758	13,018	(555,731)	–
Category reclassification	–	91,982	(91,982)	–	–	–	–	–
Effect of movement in exchange rate	(48,030)	(48,012)	4,644	(148,222)	(10,695)	(5,259)	(31,058)	(286,632)
Balance at December 31, 2017	1,383,313	2,336,656	1,752,180	2,446,792	3,065,375	497,786	687,062	12,169,164
Balance at January 1, 2018	**1,383,313**	**2,336,656**	**1,752,180**	**2,446,792**	**3,065,375**	**497,786**	**687,062**	**12,169,164**
Acquisition through Business combination (Note 5)	**14,000**	**163,353**	**–**	**58,448**	**9,939**	**33,925**	**6,807**	**286,472**
Additions	**20,576**	**40,645**	**1,438**	**116,155**	**28,544**	**10,837**	**169,562**	**387,757**
Disposals	**–**	**(11,523)**	**(55,279)**	**(5,533)**	**(82,487)**	**(14,835)**	**(17,125)**	**(186,782)**
Transfer from CWIP	**–**	**119,004**	**2,130**	**153,525**	**51,184**	**1,047**	**(326,890)**	**–**
Hyperinflation adjustment	**(81)**	**(2,380)**	**–**	**(12,351)**	**(931)**	**(599)**	**(181)**	**(16,523)**
Effect of movement in exchange rate	**(62,353)**	**(69,160)**	**(449)**	**(223,566)**	**(13,558)**	**(5,413)**	**(74,691)**	**(449,190)**
Balance at December 31, 2018	**1,355,455**	**2,576,595**	**1,700,020**	**2,533,470**	**3,058,066**	**522,748**	**444,544**	**12,190,898**

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Accumulated Depreciation/ Impairment								
Balance at January 1, 2017	–	(540,093)	(744,866)	(766,545)	(1,678,510)	(317,992)	(3,395)	(4,051,401)
Depreciation for the year	–	(86,939)	(129,222)	(142,657)	(391,099)	(51,654)	–	(801,571)
Disposals	–	6,071	109,648	2,652	36,221	6,103	–	160,695
Category reclassification	–	(8,653)	8,653	–	–	–	–	–
Effect of movement in exchange rate	–	16,145	1,527	53,172	4,159	9,785	–	84,788
Balance at December 31, 2017	–	(613,469)	(754,260)	(853,378)	(2,029,229)	(353,758)	(3,395)	(4,607,489)
Balance at January 1, 2018	**–**	**(613,469)**	**(754,260)**	**(853,378)**	**(2,029,229)**	**(353,758)**	**(3,395)**	**(4,607,489)**
Acquisition through Business combination (Note 5)	**–**	**(87,476)**	**–**	**(46,780)**	**(9,202)**	**(23,096)**	**–**	**(166,554)**
Depreciation for the year	**–**	**(92,256)**	**(125,822)**	**(158,914)**	**(334,368)**	**(46,675)**	**–**	**(758,035)**
Disposals	**–**	**11,523**	**55,077**	**4,751**	**71,661**	**14,131**	**–**	**157,143**
Impairment loss (Note 35)	**(69,774)**	**(29,924)**	**(99,852)**	**–**	**–**	**–**	**–**	**(199,550)**
Hyperinflation adjustment	**–**	**1,134**	**–**	**1,429**	**293**	**181**	**–**	**3,037**
Effect of movement in exchange rate	**–**	**25,831**	**176**	**96,543**	**8,809**	**3,984**	**–**	**135,343**
Balance at December 31, 2018	**(69,774)**	**(784,637)**	**(924,681)**	**(956,349)**	**(2,292,036)**	**(405,233)**	**(3,395)**	**(5,436,105)**
Carrying amounts December 31, 2017	1,383,313	1,723,187	997,920	1,593,414	1,036,146	144,028	683,667	7,561,675
Carrying amounts December 31, 2018	**1,285,681**	**1,791,958**	**775,339**	**1,577,121**	**766,030**	**117,515**	**441,149**	**6,754,793**

6. Property, plant and equipment continued

a) Construction work in progress mainly relates to upgrading and enhancing the production facilities and retail outlets of certain subsidiaries.
b) Certain property, plant and equipment of the Group overseas subsidiaries amounting to SR 237.9 million (2017: SR 233.9 million) are pledged as collateral with commercial banks (Note 20).

7. Goodwill

The carrying values of goodwill, after currency translation reserve adjustment and impairment loss adjustment (Note 1, Note 5 and Note 35), comprises the following:

	December 31, 2018	December 31, 2017
Afia International Company	**84,016**	84,016
Afia International Company, Egypt	**24,789**	25,300
Behshahr Industrial Company	**6,352**	7,025
El Farasha for Food Industries Company	**7,437**	7,589
El Maleka for Food Industries Company	**53,082**	54,178
Giant Stores Trading Company	**95,209**	95,209
Good Food Company	**414,443**	–
Herfy Foods Services Company	**25,330**	25,330
KUGU Gida Yatum Ve Ticaret A.S	**26,778**	38,997
Notrika Golden Wheat Company	**7,544**	16,101
Savola Industrial Investment Company	**145,664**	145,664
United Sugar Company	**14,912**	14,912
	905,556	514,321

The Group has reviewed the carrying amounts of goodwill to determine whether the 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.

8. Investment property

	December 31, 2018	December 31, 2017
Cost		
Balance at beginning of year	**50,844**	50,766
Additions	**6,668**	78
Balance at end of year	**57,512**	50,844
Accumulated depreciation and impairment		
Balance at beginning of year	**(20,231)**	(16,510)
Depreciation during the year	**(4,103)**	(3,721)
Balance at end of year	**(24,334)**	(20,231)
Carrying amounts	**33,178**	30,613

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9. Investment in equity accounted investees

The details of the Group's investment in equity accounted investees are as follows:

Name	Principal business sector	Country of incorporation	Ownership interest (%) 2018	Ownership interest (%) 2017	December 31, 2018	December 31, 2017
Almarai Company ("Almarai") (Note 9.1)	Fresh food products	Saudi Arabia	**34.52**	34.52	**7,404,199**	6,942,521
Kinan International for Real Estate Development Company ("Kinan")	Real Estate	Saudi Arabia	**29.9**	29.9	**408,013**	506,513
United Sugar Company, Egypt ("USCE") (Note 9.2 & 15)	Sugar Manufacturing	Egypt	**33.82**	33.82	**235,837**	246,449
Al-Seera City Company for Real Estate Development	Real Estate	Saudi Arabia	**40**	40	**147,597**	147,597
Intaj Capital Limited ("Intaj") (Note 9.4)	Fund management	Republic of Tunisia	**49**	49	**33,961**	39,677
Knowledge Economic City Developers Company	Real Estate	Saudi Arabia	**2.07**	2.07	**16,270**	16,270
United Edible Oils Holding Limited	Holding Company	Cayman Islands	**51**	51	**54,987**	65,039
					8,300,864	7,964,066

9.1 During 2017, the Group sold its 2% ownership interest in Almarai for SR 1.1 billion and realised gain amounting to SR 693.94 million.

9.2 The direct ownership interest of the Company in USCE is 10.62% (December 31, 2017: 10.62%).

Movement in the investment in equity accounted investees is as follows:

	Note	December 31, 2018	December 31, 2017
Balance at beginning of year		**7,964,066**	7,554,351
Additions		**–**	70,781
Transfer due to loss of control on investee	15	**–**	229,021
Share in net income, net		**574,742**	741,839
Fair value reserve adjustment	18	**27,094**	57,018
Disposals	9.1	**–**	(400,370)
Capital distribution from equity accounted investee		**(5,716)**	(16,076)
Dividends		**(258,914)**	(262,956)
Other adjustments		**(408)**	(9,542)
Balance at end of year		**8,300,864**	7,964,066

The following table summarizes the financial information of significant equity accounted investees included in their own financial statements. The table also reconciles the summarized financial information to the carrying amount of Group's interest in equity accounted investees:

	Almarai 2018	Almarai 2017	Kinan 2018	Kinan 2017	USCE 2018	USCE 2017
Percentage ownership interest	**34.52**	34.52	**29.9**	29.9	**33.82**	33.82
Non-current assets	**25,212,601**	25,083,073	**2,355,305**	2,853,992	**245,382**	260,405
Current assets	**7,105,819**	6,812,776	**864,795**	1,014,675	**467,599**	516,820
Non-current liabilities	**12,396,363**	11,243,500	**360,200**	973,130	**26,072**	37,510
Current liabilities	**5,406,067**	5,771,109	**760,597**	351,489	**295,146**	318,160
Net assets attributable to shareholders (100%)	**13,926,796**	14,484,373	**1,921,250**	2,249,796	**391,763**	421,555
Group's share of net assets	**4,807,530**	5,000,005	**574,454**	672,689	**132,494**	142,570
Carrying amount of interest in associate	**7,404,199**	6,942,521	**408,283**	506,513	**235,837**	246,449

9. Investment in equity accounted investees continued

	Almarai 2018	Almarai 2017	Kinan 2018	Kinan 2017	USCE 2018	USCE 2017
Percentage ownership interest	**34.52**	34.52	**29.9**	29.9	**33.82**	33.82
Revenue	**13,722,797**	13,935,532	**525,888**	596,064	**1,192,209**	1,039,519
Profit/(loss) from continuing operations attributable to shareholders (100%)	**2,008,869**	2,182,286	**(329,430)**	(73,766)	**(24,428)**	36,348
Other comprehensive income attributable to shareholders (100%)	**81,109**	74,563	**884**	380	**–**	–
Total comprehensive income/(loss) attributable to shareholders	**2,089,978**	2,256,849	**(328,546)**	(73,385)	**(24,428)**	36,348
Group's share of profit/(loss) and total comprehensive income	**720,592**	779,064	**(98,499)**	(21,942)	**(10,204)**	12,293

9.3 Group also has interest in number of individually immaterial associates. With an aggregate carrying value of SR 218.8 million (December 31, 2017: SR 228.9 million). The Company's share of results from these entities amounted to SR 10.1 million (December 31, 2017: SR 5.2 million).

9.4 During the last quarter of 2016, the investment in Intaj was classified as "held for sale" pursuant to management's decision for selling the interest in Intaj. Consequently, the investment had been reclassified and written down to its recoverable amount of SR 80.84 million as of December 31, 2016. As part of Intaj's investment portfolio dilution process, the fund manager reassessed the exit strategy and divested its significant investments. As a result of divestment, the fund manager made payment amounting to SR 41.17 million and SR 5.72 million in 2017 and 2018 respectively, representing Company's share in divestment proceeds. Consequently, the carrying value of investment in Intaj decreased to SR 33.96 million as at the period ended September 30, 2018.

During the last quarter of 2018, the Group's remaining investment in Intaj no longer meets the criteria to be classified as held for sale and accordingly the management reinstated the classification to "investments in equity accounted investees" in the consolidated statement of financial position for the current and comparative periods.

10. Investments

Investments at December 31, comprise the following:

	December 31, 2018	December 31, 2017
Investments held at fair value through other comprehensive income/(December 31, 2017: Available for sale investments) (note 10.1)	**324,204**	471,507
Investment at fair value through profit or loss (note 10.2)	**30,888**	–
	355,092	471,507

10.1 Investments held at fair value through other comprehensive income (December 31, 2017: Available for sale investments):

	Principal business sector	Country of incorporation	Ownership interest (%) December 31, 2018	Ownership interest (%) December 31, 2017	December 31, 2018	December 31, 2017
Quoted investments						
Knowledge Economic City	Real Estate	Saudi Arabia	**6.4**	6.4	**197,652**	278,667
Emaar the Economic City	Real Estate	Saudi Arabia	**0.9**	0.9	**58,878**	100,413
Arab Phoenix Holdings Company (formerly: Tameer Jordan Holding Company)	Real Estate	Kingdom of Jordan	**5**	5	**–**	–
Unquoted investments						
Swicorp Company	Investment Management	Saudi Arabia	**15**	15	**67,674**	67,674
Joussour Holding Company	Holding Company	Saudi Arabia	**14.81**	14.81	**–**	–
Dar Al Tamleek (Note 10.4)	Real Estate	Saudi Arabia	**–**	5	**–**	24,753
					324,204	471,507

10.2 This represents investment made by one of the Group's local subsidiary in commodity mutual funds. As at December 31, 2018, an unrealised gain of SR 36.3 thousand (December 31, 2017: SR Nil) has been recognised in the consolidated statement of profit or loss for the year.

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10. Investments continued

10.3 Movement in the FVOCI investments (December 31, 2017: AFS investments) is as follows:

	December 31, 2018	December 31, 2017
Balance at beginning of year	**471,507**	612,421
Reclassified to FVTPL investment (Note 10.5)	**(24,753)**	–
Fair value reserves adjustment	**(122,550)**	(140,914)
Balance at end of year	**324,204**	471,507

10.4 During the year, the Group received dividend income amounting to Nil (December 31, 2017: SR 10.54 million) from the investees.

10.5 In January 2018, the Company sold its ownership interest in Dar Al Tamleek, which was reclassified as FVTPL investment as a result of adoption of IFRS 9, for SR 28.02 million and realised a gain amounting to SR 3.27 million.

11. Inventories

	December 31, 2018	December 31, 2017
Finished products	**1,559,561**	1,706,036
Raw and packing materials	**548,243**	1,042,826
Work in process	**78,225**	96,049
Spare parts and supplies	**183,697**	185,329
Goods in transit	**359,196**	246,660
	2,728,922	3,276,900
Less: Provision for obsolescence/slow moving	**(98,158)**	(87,053)
	2,630,764	3,189,847

Inventories have been reduced by SR 141.7 million (December 31, 2017: SR 215 million) as a result of the write-down to net realizable value.

Inventories amounting to SR 25 million (December 31, 2017: SR 47 million) are pledged with foreign banks as collateral against bank borrowing facilities of certain consolidated overseas subsidiaries.

Raw materials include raw sugar having cost of SR 100.2 million (December 31, 2017: SR 85 million) which are held under a fair value hedge relationship. As at December 31, 2018, the fair value of these raw sugar amounts to SR 112.9 million (December 31, 2017: SR 97 million) (Note 13).

12. Trade receivables

	December 31, 2018	December 31, 2017
Trade receivables	**1,140,672**	1,006,781
Less: Allowance for credit losses (Note 37)	**(104,782)**	(80,238)
	1,035,890	926,543
Due from related parties (Note 28)	**45,125**	50,574
	1,081,015	977,117
Less: non-current trade receivables	**(7,443)**	(6,499)
	1,073,572	970,618

Following is the movement of Impairment loss:

	December 31, 2018	December 31, 2017
Balance at beginning of year under IAS 39	**80,238**	72,734
Adjustment on initial application of IFRS 9 (Note 4)	**17,764**	–
Balance at beginning of year under IFRS 9	**98,002**	72,734
Acquisition through Business combination (Note 5)	**659**	–
Charge for the year	**28,406**	10,225
Currency translation	**(22,285)**	(2,721)
Balance at end of year	**104,782**	80,238

13. Prepayments and other receivables

	Note	December 31, 2018	December 31, 2017
Advances to vendors		**266,305**	234,009
Other prepaid expenses		**198,544**	191,767
Receivable from government authorities	13.1	**167,980**	215,514
Prepaid rent		**134,787**	161,934
Positive fair value of derivatives	13.4	**102,317**	54,147
Custom duty refundable	13.2	**62,106**	101,317
Due from related parties	28	**89,307**	104,703
Non-trade receivable	13.3	**75,827**	–
Unclaimed dividends		**37,763**	33,898
Advances to employees		**21,116**	15,197
VAT receivable		**23,202**	–
Change in fair value of hedged item (firm commitments)		**16,219**	35,696
Others		**73,854**	71,290
		1,269,327	1,219,472

13.1 Receivable from government authorities mainly includes claims of certain foreign subsidiaries on account of value added tax, subsidies and advance taxes.

13.2 Custom duty recoverable refundable mainly represents funds with government authorities paid on import of raw material. Further, the balance is net off provision amounting to SR 33.5 million for non-recoverability of certain refunds.

13.3 This represents non-trade related balances with affiliates of subsidiaries.

13.4 Derivatives:

	December 31, 2018	December 31, 2017
Derivatives – current assets		
Future exchange contracts	**101,031**	54,147
Interest rate swaps	**1,286**	–
	102,317	54,147
Derivatives – non-current assets		
Call option available for the purchase of USCE (Note 15)	**2,496**	10,240
Derivatives – current liabilities		
Future exchange contracts	**79,644**	46,962
Interest rate swaps	**–**	4,735
	79,644	51,697
Derivatives – non-current liabilities		
Put option available for the sale of USCE (Note 15)	**197,131**	159,979

In the ordinary course of business, the Group utilizes the following derivative financial instruments for both hedging and other purposes:

(a) Forward and futures
Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardized amounts on regulated exchanges.

(b) Swaps:
Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counterparties generally exchange fixed and floating rate special commission payments in a single currency without exchanging principal. For currency swaps, fixed special commission payments and principal are exchanged in different currencies.

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13. Prepayments and other receivables continued

(c) Options
Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

As described in note 1, Savola Food Company (SFC) has entered into call and put option agreement with EBRD in relation to transaction for disposal of stake in USCE. As per the agreement, the option can be exercised as follows:
- Call option: SFC has the right to deliver a call notice to EBRD to purchase all the shares held by EBRD in USCE from the third anniversary of the subscription date and ending 6.5 years after the subscription date; and
- Put option: EBRD has the right to deliver a put notice to SFC to sell all the shares held by EBRD in USCE from 6.5 years after the subscription date and ending on the seventh anniversary of the subscription date.

13.5 Derivatives held for other purposes
Derivatives used for other purposes is for positioning, arbitrage and short term profit making purposes.

13.6 Derivatives held for hedging purposes
The Group has adopted a comprehensive system for the measurement and management of risk (see note 37 – credit risk, market risk and liquidity risk). Part of the risk management process involves managing the Group's exposure to fluctuations in inventory prices and interest rates to reduce its exposure to inventory and interest rate risks to acceptable levels as determined by the Board of Directors.

The Board of Directors have established levels of inventory risk by setting limits on counterparty and commodity futures position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. The Board of Directors has established the level of interest rate risk by setting limits on interest rate gaps for stipulated periods.

The Group uses commodity futures to hedge against inventory price risk on raw sugar and the fair value risk on the firm commitments for sale of refined sugar. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument, are documented and the transactions are accounted for as fair value hedge.

				Notional amount by term to maturity			
December 31, 2018	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years
Held as fair value hedge							
Commodity futures	**18,284**	**(29,467)**	**1,114,765**	**964,836**	**141,253**	**8,675**	**–**
Held as cash flow hedge							
Interest rate swaps	**1,286**	**–**	**750,000**	**–**	**–**	**750,000**	**–**
Held as others							
Commodity futures	**82,747**	**(50,177)**	**1,660,868**	**553,484**	**506,923**	**600,461**	**–**
Call options	**2,496**	**–**	**–**	**–**	**–**	**2,496**	**–**
Put Option	**–**	**197,131**	**–**	**–**	**–**	**–**	**197,131**
December 31, 2017							
Held as fair value hedge							
Commodity futures	18,076	(43,738)	833,633	636,553	196,043	1,037	–
Held as cash flow hedge							
Interest rate swaps	–	(4,735)	750,000	–	–	750,000	–
Held as others							
Commodity futures	51,043	(18,371)	1,530,905	923,546	482,094	125,264	–
Call options	10,240	–	–	–	–	10,240	–
Put Option	–	159,979	–	–	–	–	159,979

The table below shows a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value.

The losses on the hedging instruments for fair value hedges are SR 18.59 million (December 31, 2017: SR 8.9 million). The gains on the hedged items attributable to the hedged risk are SR 18.6 million (December 31, 2017: SR 10.7 million). Thus, the net fair value is SR 0.3 million (December 31, 2017: SR 1.8 million).

All of the Group's Commodity derivatives are entered into with the global commodity exchanges and are mainly carried out by SFC's commodity risk control function.

The Group is exposed to variability in future special commission cash flows on sukuks that carries interest at a variable rate. The Group uses interest rate swaps as hedging instruments which has been entered into with certain commercial banks in order to hedge against the special commission rate risks.

13. Prepayments and other receivables continued

13.6 Derivatives held for hedging purposes continued
Below is the schedule indicating, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

December 31, 2018	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	**26,281**	**14,962**	**–**	**–**
Cash outflows (liabilities)	**21,895**	**11,037**	**–**	**–**
December 31, 2017				
Cash inflows (assets)	21,413	41,243	–	–
Cash outflows (liabilities)	21,835	32,932	–	–

Movements in the other reserve of cash flow hedges:

	December 31, 2018	December 31, 2017
Balance at beginning of year	**(4,735)**	2,972
Gain/(loss) on changes in fair value recognized directly in equity, net	**6,021**	(7,707)
Balance at end of year	**1,286**	(4,735)

14. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash in hand	**35,163**	32,989
Cash at bank – current account	**366,190**	525,454
Short term deposits (Note 14.1)	**500,220**	739,674
	901,573	1,298,117

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

15. Discontinued operation
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").

On March 28, 2017, consequent to completion of all legal formalities; ownership of the Group in USCE was diluted after the issuance of new shares, resulting in the loss of control over USCE and accordingly, deconsolidated from the books of the Group resulting in the recognition of a net gain amounting to SR 30.48 million in the consolidated statement of profit or loss and other comprehensive income. This gain is the net of the put and call options valuing SR 99.73 million, which entitles EBRD to sell USCE shares to the shareholders at the agreed price as per the Put and Call option agreement ("the Agreement") during the period stipulated in the agreement.

Further, at reporting date, the put and call options had been re-measured at fair value using "Black Scholes" model and changes therein have been recognised under finance cost amounting to SR 37.15 million (December 31, 2017: SR 60.25 million) and SR 7.74 million (December 31, 2017: SR 10.24 million income), respectively.

The Group continues to have significant influence over the strategic, operational and financial activities of USCE and the Group's retained effective ownership interest of 33.82% in USCE is recognized as 'investment in equity accounted investees' at fair value as at the date of the transaction.

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15. Discontinued operation continued
Details of gain/(loss) from discontinued operations are as follows:

	March 28, 2017
Revenues	359,820
Expenses	(373,730)
Loss before foreign income taxes	(13,910)
Foreign income tax	(967)
Results from operating activities, net of tax	(14,877)
Gain on sale of discontinued operation, net	30,482
Gain from discontinued operation, net of tax	15,605
Gain/(loss) from discontinued operation attributable to:	
Owners of the Company	21,320
Non-controlling interests	(5,715)
	15,605
Basic and diluted earnings per share (in Saudi Riyals)	0.04

16. Share capital
At December 31, 2018, the Group's share capital of SR 5.3 billion consists of 533.981 million fully paid shares of SR 10 each (December 31, 2017, SR 5.3 billion consisting of 533.981 million fully paid shares of SR 10 each).

17. Statutory reserve
In accordance with the Company's bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. Since the Company has reached the required reserve level, therefore, no additional transfers are required to be made as at year end.

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

18. Fair value reserve
Fair value reserve includes share of reserve of associates, FVOCI investments (December 31, 2017: AFS investments) and cash flow hedge. Movement in fair value reserve is as follows:

	Note	December 31, 2018	December 31, 2017
Balance at beginning of year		**(108,649)**	(32,023)
Share in changes in other reserve of associates	9	**27,094**	57,018
Fair value adjustment from FVOCI investments	10	**(122,550)**	–
Fair value adjustment from AFS investments		**–**	(134,869)
Fair value adjustment from derivative financial instruments relating to cash flow hedge	13	**6,021**	(7,707)
Other adjustments		**–**	8,932
Balance at end of year		**(198,084)**	(108,649)

19. Non–controlling interests
The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intra group eliminations:

December 31, 2018	**SFC**	**Panda**	**Herfy**	**Matoun**	**GFC***
Non-current assets	**2,751,619**	**3,026,021**	**1,103,257**	**249,840**	**547,174**
Current assets	**4,035,923**	**1,476,315**	**339,143**	**77,313**	**293,021**
Non-current liabilities	**(584,783)**	**(1,047,484)**	**(210,876)**	**(13,391)**	**(636,719)**
Current liabilities	**(3,984,924)**	**(3,062,322)**	**(298,656)**	**(30,924)**	**(57,411)**
Net assets (100%)	**2,217,835**	**392,530**	**932,868**	**282,838**	**146,065**
Carrying amount of NCI	**226,351**	**–**	**–**	**–**	**150,367**
Revenue	**9,735,472**	**11,114,241**	**1,227,270**	**47,035**	**180,374**
Profit/(loss)	**(17,272)**	**(917,429)**	**204,169**	**13,123**	**(4,227)**
OCI	**(574,244)**	**(9,629)**	**(439)**	**–**	**(922)**
Total comprehensive income/(loss) (100%)	**(591,716)**	**(927,058)**	**203,730**	**13,123**	**(5,149)**
Profit/(loss) allocated to NCI	**(1,102)**	**–**	**–**	**–**	**167**
OCI allocated to NCI	**(86,807)**	**–**	**–**	**–**	**(452)**

December 31, 2017	SFC	Panda	Herfy	Matoun	GFC
Non-current assets	3,083,659	3,681,150	1,085,283	263,948	–
Current assets	5,210,904	1,745,147	305,394	53,068	–
Non-current liabilities	(755,961)	(1,558,261)	(254,981)	(16,615)	–
Current liabilities	(4,315,043)	(3,545,884)	(268,846)	(30,686)	–
Net assets (100%)	3,223,599	322,152	866,850	269,715	–
Carrying amount of NCI	368,932	(304)	–	–	–
Revenue	11,384,220	11,644,147	1,157,793	45,338	–
Profit/(loss)	689,840	(1,019,184)	200,042	14,252	–
OCI	(445,755)	(616)	(156)	–	–
Total comprehensive income (100%)	244,085	(1,019,800)	199,886	14,252	–
Profit/(loss) allocated to NCI	83,249	(3,083)	–	–	–
OCI allocated to NCI	(77,582)	4	–	–	–

* The Group acquired control over the operating entities within Good Food Company on October 31, 2018. Accordingly, the financial information related to Good Food Company is only for the period from October 31, 2018 to December 31, 2018 in these consolidated financial statements (Note 5).

20. Loans and borrowings
The following information reflects the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost:

	December 31, 2018	December 31, 2017
Non-current liabilities		
Secured bank loans	**98,808**	162,550
Unsecured Sukuk (Note 20.2)	**1,500,000**	1,500,000
Unsecured bank loans	**2,667,188**	1,866,884
	4,265,996	3,529,434
Current liabilities		
Current portion of secured bank loans	**167,922**	35,322
Current portion of unsecured bank loans	**970,310**	843,109
Secured bank loans	**200,250**	221,585
Unsecured bank loans	**2,294,839**	2,664,825
Bank overdrafts	**56,594**	102,587
	3,689,915	3,867,428
	7,955,911	7,396,862

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20. Loans and borrowings continued
Geographical analysis of loans and borrowings is as follows:

Location	Long term loans 2018	Long term loans 2017	Short term Loan 2018	Short term Loan 2017	Total loans & borrowing 2018	Total loans & borrowing 2017
Saudi Arabia	**5,191,852**	4,176,140	**1,745,000**	2,294,124	**6,936,852**	6,470,264
Egypt	**211,788**	211,389	**344,056**	318,268	**555,844**	529,657
Iran	**–**	–	**48,667**	100,075	**48,667**	100,075
Turkey	**–**	15,619	**146,839**	83,769	**146,839**	99,388
Sudan	**588**	4,717	**31,770**	40,323	**32,358**	45,040
Morocco	**–**	–	**8,502**	38,812	**8,502**	38,812
UAE	**–**	–	**96,444**	–	**96,444**	–
Algeria	**–**	–	**130,405**	113,626	**130,405**	113,626
	5,404,228	4,407,865	**2,551,683**	2,988,997	**7,955,911**	7,396,862

20.1 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, Iranian Riyals, US Dollars, Algerian Dinar, Turkish Lira, United Arab Emirates Dirhams and Sudanese Pounds. Secured bank loans represent borrowing which are secured by charge on assets, including property, plant and equipment and inventories of certain overseas subsidiaries and does not include borrowings which are secured by corporate guarantee. 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 covered by corporate guarantees of the Parent Company.

21. Employee benefits
General Description of the plan
The Group operates an approved unfunded employees' end of service benefits scheme/plan for its permanent employees as required by the Saudi Arabian Labour law and in accordance with the local statutory requirements of the foreign subsidiaries.

The amount recognized in the consolidated statement of financial position is determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	**719,542**	663,732

An independent actuarial exercise has been conducted as at December 31, 2017 and December 31, 2018 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labour Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

21. Employee benefits continued
Movement in net defined benefit liability
Net defined benefit liability comprises only of defined benefit plans. The movement in the defined benefit obligation during the year is as follows:

	December 31, 2018	December 31, 2017
Balance at beginning of year	**663,732**	609,251
Acquisition through Business acquisition (Note 5)	**41,031**	–
Included in profit or loss		
Current service cost	**78,589**	74,234
Interest cost	**30,096**	30,422
	108,685	104,656
Included in other comprehensive income		
Re-measurement loss:		
Actuarial loss	**14,143**	13,746
Effect of movement in exchange rates	**(31,992)**	(8,443)
Benefits paid	**(76,185)**	(56,386)
Adjustment related to transferred employees	**128**	908
Balance at end of year	**719,542**	663,732

Actuarial assumptions
The following were the principal actuarial assumptions at the reporting date:

	December 31, 2018	December 31, 2017
Discount rate	**4% – 21%**	4% – 20.25%
Future salary growth/Expected rate of salary increase	**3% – 23%**	6% – 21%
Mortality rate	**0.1% – 0.32%**	0.1% – 0.5%
Employee turnover/withdrawal rates	**3% – 19.35%**	6% – 17%
Retirement age	**60 years**	60 years

The weighted average duration of the defined benefit obligation ranges between 4.5 to 9.65 years.

Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	December 31, 2018 Increase	December 31, 2018 Decrease	December 31, 2017 Increase	December 31, 2017 Decrease
Discount rate (1% movement)	**(48,764)**	**46,555**	(47,689)	55,494
Future salary growth (1% movement)	**48,678**	**(51,365)**	56,442	(49,477)
Withdrawal rates (10% movement)	**(9,190)**	**8,679**	(6,509)	7,231
Future mortality (1 year set back/forward)	**281**	**(283)**	702	(922)

The analysis does not take account of the full distribution of cash flows expected under the plan, and only provides an approximation of the sensitivity of the assumptions considered.

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22. Deferred tax
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
Property, plant and equipment	**–**	–	**(70,840)**	(58,749)	**(70,840)**	(58,749)
Provisions	**4,091**	1,854	**(13,186)**	(1,003)	**(9,095)**	851
Other items	**6,887**	6,030	**(7,169)**	(6,816)	**(282)**	(786)
Tax carry-forwards	**6,815**	20,412	**–**	–	**6,815**	20,412
Net tax asset/(liabilities)	**17,793**	28,296	**(91,195)**	(66,568)	**(73,402)**	(38,272)

The movement in deferred tax liability-net, is as follows:

	January 1, 2018	Recognised in profit of loss	Recognised in OCI – CTR	**December 31, 2018**
Property, plant and equipment	(58,749)	(12,326)	235	**(70,840)**
Provisions	851	(9,221)	(725)	**(9,095)**
Other items	(786)	573	(69)	**(282)**
Tax carry-forwards	20,412	(13,568)	(29)	**6,815**
	(38,272)	(34,542)	(588)	**(73,402)**

	January 1, 2017	Recognised in profit or loss	Recognised in OCI – CTR	December 31, 2017
Property, plant and equipment	(49,124)	(5,959)	(3,666)	(58,749)
Provisions	(15)	777	89	851
Other items	8,345	(9,595)	464	(786)
Tax carry-forwards	13,546	6,631	235	20,412
	(27,248)	(8,146)	(2,878)	(38,272)

23. Trade payable

	Note	**December 31, 2018**	December 31, 2017
Third parties		**2,221,791**	2,328,817
Related parties	28	**169,237**	206,648
		2,391,028	2,535,465

24. Accrued and other liabilities

	Note	**December 31, 2018**	December 31, 2017
Accrued expenses		**500,391**	504,208
Employee related accrual		**236,675**	184,482
Accrued zakat and tax	25	**228,691**	253,265
Accrued utilities		**146,667**	132,887
Accrued rent	24.1	**146,272**	39,448
Marketing related accruals		**137,301**	167,648
Payable to contractors		**122,097**	174,651
Provision against financial guarantee	26.1	**100,735**	–
Payable to government authorities	24.2	**87,462**	224,820
Accrued financial charges		**81,453**	51,642
Negative fair value of derivatives	13	**79,644**	51,697
Unclaimed dividend	24.3	**60,016**	48,037
Due to related parties	28	**37,824**	10,278
VAT payable		**23,989**	–
Payable to Margarine Company	24.4	**21,962**	46,864
Change in fair value of hedged item (firm commitments)		**15,145**	15,838
Insurance related liabilities		**15,110**	16,168
Advances from customers		**9,848**	29,516
Dividend payable to non-controlling interest		**2,988**	36,116
Other liabilities		**227,771**	240,621
		2,282,041	2,228,186

24. Accrued and other liabilities continued
24.1 This includes additional accrued rent resulting from the lease cancellation of retail outlets.

24.2 Payable to government authorities represents estimated payments to be made to government authorities related to custom duties, subsidies and price differences on edible oil purchases.

24.3 Unclaimed dividends represent dividend 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. In the opinion of management the unclaimed dividend represents the amount which can be claimed during the next year. However, the amount which have not been claimed for over two years are unlikely to be paid during the next year and accordingly, classified under long term payables.

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

25. Zakat and income taxes
Zakat and taxes included in the consolidated statement of profit or loss comprises of the following:

	December 31, 2018	December 31, 2017
Current foreign income-tax charge	**49,489**	50,972
Zakat	**18,043**	12,807
	67,532	63,779
Deferred foreign income-tax charge: (Note 22)	**34,542**	8,146
	102,074	71,925

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

	December 31, 2018	December 31, 2017
Balance at beginning of year	**253,265**	282,863
Charge for the year	**67,532**	63,779
Currency translation adjustment	**(32,484)**	(23,241)
Payments/adjustment during the year	**(59,622)**	(70,136)
Balance at end of year	**228,691**	253,265

(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 assessments for the years 2001 to 2004 have been finalized. For the years 2005 to 2012, GAZT conducted a field audit on the Company's accounts and claimed additional Zakat difference of SR 85.8 million. The Company has objected the GAZT claim. The Company also filed the Zakat returns for the years 2013 to 2017.

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 10 million (December 31, 2017: SR 17.7 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 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.

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26. Contingencies and commitments

	December 31, 2018	December 31, 2017
Letters of credits	**163**	91
Bank guarantees	**247**	239
Corporate guarantee (Note 26.1)	**–**	101
Commitments to buy raw sugar	**350**	345
Commitments to sell refined sugar	**323**	694
Capital commitments	**99**	257

	Quantity in Metric tonnes	
Commitments to buy raw sugar	306,259	262,300
Commitments to sell raw sugar	323,204	360,478

26.1 Savola Group Company has issued a corporate guarantee in favour of Saudi Industrial Development Fund ("SIDF") along with certain other entities (together referred to as the "SIDF Guarantors") for the loan facility availed by Eastern Industrial Company ("EICO", "Joussour Holding Company's subsidiary" or Group's affiliate). During the year, the Company has received a call notice from SIDF to settle its share of the guarantee due to default in repayment by EICO of SIDF loan, triggered from the adverse financial performance.

Accordingly, the Company has recorded a provision amounting to SR 100.7 million as at December 31, 2018.

26.2 Also see note 20 with respect to guarantees given for certain loans and note 25 with respect to Zakat contingencies.

26.3 The Group has various operating leases for its offices, warehouses, retail outlets and production facilities. Future rental commitments under these operating leases are as follows:

	December 31, 2018	December 31, 2017
Within one year	**631,942**	760,860
Between two and five years	**2,305,617**	2,623,012
More than five years	**3,977,613**	4,726,507
Total	**6,915,172**	8,110,379

27. Earnings per share

Basic earnings per share for the year ended December 31, 2018 have been computed by dividing the net profit/(loss) and profit/(loss) from continuing operations attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding 533.981 million (December 31, 2017: 533.981 million) during such periods.

Diluted earnings per share for the year ended December 31, 2018 and December 31, 2017, have been computed by dividing the net profit/(loss) and profit/(loss) from continuing operations 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, in the absence of any convertible liability, the diluted earnings per share does not differ from the basic earnings per share.

28. Related parties

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.

Transactions with key management personnel

Key management personnel compensation

Compensation to the Group's key management personnel includes salaries, non-cash benefits, and post-employment benefits, in relation to which, the Group has recognized an expense of SR 30.35 million for the year ended December 31, 2018 (December 31, 2017: SR 25.07 million).

Board of Directors' remuneration for the year ended December 31, 2018 amounting to SR 2.2 million (December 31, 2017: SR 2.2 million) has been calculated in accordance with the Company's By-laws and is charged to the consolidated statement of profit and loss and was considered as appropriation in the prior year. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 2.73 million (December 31, 2017: SR 2.77 million) are charged to expenses and included under administrative expenses.

28. Related parties continued

Transactions with key management personnel continued

Other related party transactions

A number of companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on arm's length basis.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within agreed credit period from the date of transaction. None of the balances are secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The aggregate value of related party transactions and outstanding balances including those related to key management personnel, and entities over which they have control or significant influence are as follows:

			Amount of transactions		Closing balance	
			December 31,		December 31,	
Name	Relationship	Nature of transactions	2018	2017	2018	2017
Due from related parties – Trade receivables						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	**179,542**	308,900	**22,372**	31,054
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	**59,937**	79,755	**15,469**	9,129
Almarai	Associate	Trade	**61,145**	79,432	**3,593**	5,014
Western Bakeries Company Limited	Affiliate	Trade	**29,368**	26,391	**1,596**	1,852
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Trade	**–**	1,736	**–**	–
Others			**107**	77	**2,095**	3,525
					45,125	50,574
Due from related parties – Prepayments and other receivables						
Kinan (Note 28.1)	Associate	Non-trade	**–**	53,020	**73,015**	82,363
Arabian Centers Company	Shareholders of a subsidiary	Non-trade	**43,901**	–	**7,513**	–
Seafood International Holdco.	Joint venture	Non-trade	**–**	6,011	**6,011**	6,011
Khairat AlSharq for General Trade and Manufacturing Foodstuff Company (formerly: Bonus Foods Company)	Affiliate	Non-trade	**1,664**	1,104	**2,768**	1,104
Intaj	Associate		**5,716**	16,076	**–**	–
Seafood International One FZCO	Associate		**–**	12,761	**–**	14,907
Joussour Holding Company	Investee	Non-trade	**–**	3,750	**–**	–
Del Monte Saudi Arabia Limited	Affiliate	Non-trade	**3,150**	3,349	**–**	150
USCE	Associate	Non-trade	**–**	45,254	**–**	168
					89,307	104,703
Due from related parties – Long-term receivables						
Kinan (Note 28.1)	Associate	Non-trade	**–**	–	**–**	69,075

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28. Related parties continued

Transactions with key management personnel continued

Name	Relationship	Nature of transactions	Amount of transactions December 31, 2018	Amount of transactions December 31, 2017	Closing balance December 31, 2018	Closing balance December 31, 2017
Due to related parties – Trade payables						
Almarai	Associate	Trade	**742,548**	541,645	**83,915**	82,163
Nestle Saudi Arabia Limited	Affiliate	Trade	**368,916**	332,696	**41,115**	40,453
Mayar Food Company	Affiliate	Trade	**136,958**	234,643	**34,124**	57,080
Del Monte Saudi Arabia Limited	Affiliate	Trade	**85,312**	100,386	**4,194**	4,468
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	**8,036**	11,869	**2,584**	4,181
Al Manhal Water Factory Company Limited	Affiliate	Trade	**12,886**	23,382	**1,894**	2,587
Hail Agricultural Development Company	Affiliate	Trade	**–**	104,544	**–**	15,373
Seafood International One FZCO	Associate	Trade	**20,804**	8,325	**–**	–
USCE	Associate	Trade	**20,625**	31,646	**–**	–
Others			**14,941**	5,044	**1,411**	343
					169,237	206,648
Due to related parties – Accrued and other liabilities						
USCE	Associate	Non-trade	**74,382**	–	**20,372**	–
Kinan	Associate	Non-trade	**32,437**	43,020	**10,300**	–
Seafood International One FZCO	Associate	Non-trade	**18,175**	–	**4,027**	–
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	**6,783**	11,161	**3,125**	266
Arabian Centers Company	Shareholders of a subsidiary	Non-trade	**–**	43,901	**–**	8,221
Others			**–**	–	**–**	1,791
					37,824	10,278

28.1 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. During the year ended December 31, 2017, an agreement was signed between the parties whereby the receivable balance of SR 153.97 million was rescheduled and agreed to be settled in 2 installments amounting to SR 79.70 million and SR 74.27 million on December 1, 2018 and June 30, 2019 respectively. The receivable balances as disclosed above are reported at the present values of the installment amounts.

29. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (Chief Operating Decision Maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Food processing – includes manufacturing, sale and distribution of Edible oils, Sugar, Pasta and food products.

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

Food services – includes food products and fast food restaurants' chain operated by Herfy.

Frozen Food – includes manufacturing, wholesale and retail distribution of frozen food products operated by Good Food Company.

Investments – includes real estate activities, investments in associates, FVTPL, FVOCI/AFS and other investments.

29. Operating segments continued

The segments which do not meet any of the quantitative thresholds for determining reportable segments in 2018 and 2017, are classified as "Others/Eliminations", which mainly include the eliminations.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit net of income tax, as included in the internal management reports. Management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	Reportable Segments							
December 31, 2018	**Food Processing**	**Retail**	**Food services**	**Frozen Food**	**Investments**	**Discontinued operations**	**Others/ Eliminations**	**Total**
External revenues	**9,411,816**	**11,114,241**	**1,198,957**	**89,549**	**–**	**–**	**–**	**21,814,563**
Inter segment revenue	**323,656**	**3,354**	**28,313**	**4,557**	**47,035**	**–**	**(406,915)**	**–**
Segment Revenue	**9,735,472**	**11,117,595**	**1,227,270**	**94,106**	**47,035**	**–**	**(406,915)**	**21,814,563**
Cost of revenues	**(8,514,731)**	**(8,803,345)**	**(882,200)**	**(72,856)**	**–**	**–**	**356,526**	**(17,916,606)**
Segment net profit/(loss)	**(17,272)**	**(917,429)**	**204,170**	**(4,059)**	**277,590**	**–**	**(63,380)**	**(520,380)**
Segment assets	**6,787,542**	**4,502,327**	**1,442,400**	**909,159**	**12,562,714**	**–**	**(3,951,691)**	**22,252,451**
Segment liabilities	**4,569,707**	**4,109,721**	**508,627**	**763,094**	**4,901,214**	**–**	**(621,853)**	**14,230,510**
December 31, 2017								
External revenues	11,061,961	11,638,833	1,129,681	–	–	–	–	23,830,475
Inter segment revenue	322,260	4,191	28,112	–	45,337	–	(399,900)	–
Segment Revenue	11,384,221	11,643,024	1,157,793	–	45,337	–	(399,900)	23,830,475
Cost of revenues	(9,649,959)	(9,317,363)	(816,048)	–	–	–	347,010	(19,436,360)
Segment net profit/(loss)	591,065	(1,016,022)	199,921	–	1,249,446	15,605	(14,397)	1,025,618
Segment assets	8,294,563	5,426,297	1,390,677	–	13,039,070	–	(4,813,277)	23,337,330
Segment liabilities	5,071,004	5,104,145	523,827	–	3,841,310	–	(910,936)	13,629,350

30. Revenue

The Group generates revenue primarily from the sale of goods and rental income. Other sources of revenue include promotion and display income and commission income.

	Reportable Segments						
December 31, 2018	**Food Processing**	**Retail**	**Food services**	**Frozen Food**	**Investments**	**Others/ Eliminations**	**Total**
Products transferred at a point in time	**9,735,472**	**10,306,388**	**1,227,270**	**94,106**	**–**	**(359,880)**	**21,003,356**
Products and services transferred over time	**–**	**811,207**	**–**	**–**	**47,035**	**(47,035)**	**811,207**
Total revenue	**9,735,472**	**11,117,595**	**1,227,270**	**94,106**	**47,035**	**(406,915)**	**21,814,563**

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard, recognised at the date of initial application (i.e. January 1, 2018). Accordingly, the revenue for previous year has not been restated and is recognised under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

31. Cost of revenues

	December 31, 2018	December 31, 2017
Inventories	**16,400,186**	17,779,802
Salaries, wages and benefits	**593,404**	615,474
Overheads	**462,290**	607,499
Depreciation and amortization	**278,234**	268,991
Freight & handling	**182,492**	164,594
	17,916,606	19,436,360

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32. Administrative expenses

	December 31, 2018	December 31, 2017
Salaries, wages and benefits	**486,422**	437,022
Depreciation and amortization	**87,765**	94,853
Professional fees	**46,685**	55,314
IT related cost	**31,418**	37,451
Insurance	**19,540**	25,210
Utilities, telephone and communication cost	**15,174**	17,559
Traveling	**11,009**	11,566
Public relations and advertising	**8,338**	4,212
Rent	**8,080**	17,169
Repairs and maintenance	**7,330**	10,293
Training	**6,150**	5,387
Other	**65,729**	35,393
	793,640	751,429

33. Selling and distribution expenses

	December 31, 2018	December 31, 2017
Salaries, wages and benefits	**1,281,060**	1,308,745
Rent	**746,145**	715,536
Depreciation and amortization	**396,139**	441,448
Advertisement	**286,017**	316,474
Utilities	**270,669**	297,288
Maintenance	**55,777**	71,967
Insurance	**41,730**	53,892
Commission	**34,102**	43,949
Communication	**11,246**	17,059
Others	**79,304**	103,440
	3,202,189	3,369,798

34. Hyperinflationary accounting

The Group has operations in Sudan through its subsidiary Savola Edible Oils (Sudan), which is declared as hyperinflationary economy by International Accounting Standard Board (IASB) in 2018.

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 year ended December 31, 2018 are as follows:

	Year ended December 31, 2018
Revenue increased by	**59,539**
Income from operations decreased by	**18,492**
Total non-current assets decreased by	**13,486**
Currency translation differences impacted by	**15,138**
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:	
Conversion factor for the year ended December 31, 2018	**1.6553**
Conversion factor for the year ended December 31, 2017	**1.2515**

35. Impairment loss

As part of Group's assessment exercise of the recoverable amounts of non-financial assets including goodwill at the year-end; the Group has recognized a cumulative impairment loss of SR 199.55 million (December 31, 2017 SR: 222.02 million).

The Group reviewed the carrying amounts of its non-financial assets including goodwill to determine whether their carrying values exceed the recoverable amounts. For impairment testing, assets are grouped together into the smallest group of assets that generate 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 established based on the estimated future cash flows based on 5 year management's approved plan, discounted to their present value using the following growth rates, pre-tax discount rates and a terminal value percentages.

The breakup of the amount by class of assets is provided below:

	December 31, 2018	December 31, 2017
Impairment loss on:		
– recoverable amount of freehold land parcels (Note 'a' below)	**69,774**	–
– recoverable amount of property and equipment excluding freehold land (Note 'b' below)	**129,776**	–
– recoverable amount of non-financial assets including goodwill (Note 'c' below)	**–**	222,024
	199,550	222,024

a) Impairment loss on recoverable amount of freehold land parcels:
The Group recognized an impairment of SR 69.7 million (2017: Nil) on freehold land. This represents the write-down of the carrying amount of these lands to their recoverable amounts due to unfavorable changes in economic environment and market dynamics.

The recoverable amount is based on "comparable" method and was determined at the level of individual assets as identified by management. In determining market value, properties with similar characteristics in the same market area that have recently been sold were selected. Once those properties were found, they were compared to the property in question and an adjustment in value was made for comparative deficiencies and advantages.

b) Impairment loss on recoverable amount of property and equipment excluding freehold land:
Additionally, an impairment of SR 129.8 million was recognized during the year ended December 31, 2018 on other non-financial assets. This represents the write-down of certain property and equipment to their recoverable amounts due to unfavourable changes in economic environment affecting footfall and basket size.

The recoverable amount is 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 each store. 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 12% on a post-Zakat basis and were projected up to the year 2023. The estimated average growth rate used to extrapolate the cash flows beyond the five-year period was 2.5% and management believes that such growth rate does not exceed the long-term average growth rate for the market in which it operates.

The key assumptions used for determination of recoverable amounts are as follows:

Budgeted gross margin	25.8% – 27.8%
Revenue growth rate	4.12%
Discount rate	12%
Long term terminal growth rate	2.5%

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.

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35. Impairment losses continued

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

Following is the breakup of impairment loss on goodwill for the year ended:

	Impairment loss		
CGU	**December 31, 2018**	December 31, 2017	Key assumptions
Geant operations	–	222,024	• Budgeted EBITDA margin -3.7% to 2.1% • Discount rate 13.9% Terminal value growth rate 2.6%

Key assumptions used for determination of in value in use:

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 price inflation have been made based on the publicly available information and historical results, which have been used as an indicator of future results.

The calculation of value in use is most sensitive to the assumptions of sales growth rate of 5% that has been used to extrapolate cash flows for the budget period of 5 years and beyond; as well as the terminal value.

36. Net finance cost

	December 31, 2018	December 31, 2017
Commission income on bank deposits	**70,463**	127,391
Positive fair value of call option	**–**	10,240
Finance income	**70,463**	137,631
Financial charges on borrowings	**398,840**	340,056
Foreign exchange loss, net	**99,308**	57,711
Bank commission	**46,619**	52,129
Negative fair value of options	**44,896**	60,253
Loss on re-measurement of other commodity futures, net	**13,922**	11,451
Unwinding of discount on site restoration	**2,927**	4,925
Finance cost	**606,512**	526,525
Net finance cost recognized in profit or loss	**536,049**	388,894

37. Financial risk management

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

Risk management framework

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 market risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

37. Financial risk management continued

Risk management framework continued

The audit committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, trade and other receivables, investments, long term receivables, borrowings, derivatives, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows.

The Group's interest rate risks arise mainly from its borrowings and short-term deposits, which are at floating rate of interest and are subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

During 2014, the Group entered into Interest Rate Swaps ("IRS") to partially manage its exposure to interest rate risk on Sukuk issuance value of SR 1.5 billion, up to the extent of SR 750 million. This has been designated as a Cash flow hedge.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	December 31, 2018	December 31, 2017
Fixed rate instruments		
Financial assets	**499,546**	471,882
Financial liabilities	**239,341**	255,276
Variable rate instruments		
Financial assets	**674**	267,792
Financial liabilities	**7,716,570**	7,141,233

Sensitivity analysis for fixed rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before zakat and income tax for the year by SR 2.9 million (December 31, 2017: SR 2.5 million).

Sensitivity analysis for variable rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before zakat and income tax for the year by SR 50.5 million (December 31, 2017: SR 60.93 million).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. The Group operates internationally and is exposed to foreign exchange risk. The Group's investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between foreign currencies against Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. Such fluctuations are recorded as a separate component of equity in the accompanying consolidated financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. In addition, interest on borrowings is denominated in the currency of the borrowings. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

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37. Financial risk management continued

Interest rate risk continued

Following is the significant gross financial position exposure (in thousands) classified into separate foreign currencies:

	December 31, 2018					
	US Dollars	**Iranian Riyals**	**Egyptian Pounds**	**Sudanese Pounds**	**Turkish Lira**	**United Arab Emirates Dirhams**
Trade receivables	**19,188**	**1,114,905,409**	**449,847**	**38,802**	**163,419**	**52,804**
Other receivables	**13,145**	**1,945,259,196**	**299,891**	**41,271**	**–**	**2,156**
Cash and cash equivalents	**27,560**	**2,656,160,765**	**247,753**	**338,058**	**231**	**8,910**
	59,893	**5,716,325,370**	**997,491**	**418,131**	**163,650**	**63,870**
Trade payables	**(16,310)**	**(505,193,866)**	**(350,792)**	**(182,551)**	**(62,934)**	**(22,651)**
Other payables	**(423)**	**(2,440,000,367)**	**(681,093)**	**(78,696)**	**(5,795)**	**(17,132)**
Loans and borrowings	**(18,603)**	**(1,175,592,310)**	**(2,310,317)**	**(569,512)**	**(141,632)**	**(94,303)**
	(35,336)	**(4,120,786,543)**	**(3,342,202)**	**(830,759)**	**(210,361)**	**(134,086)**
Net exposure	**24,557**	**1,595,538,827**	**(2,344,711)**	**(412,628)**	**(46,711)**	**(70,216)**

	December 31, 2017				
	US Dollars	Iranian Riyals	Egyptian Pounds	Sudanese Pounds	Turkish Lira
Trade receivables	17,488	1,098,444,415	462,406	129,997	140,149
Other receivables	1,281	756,816,731	193,500	20,673	27,447
Cash and cash equivalents	39,969	6,030,049,102	177,546	129,997	1,978
	58,738	7,885,310,248	833,452	280,667	169,574
Trade payables	(17,123)	(3,612,122,638)	(256,061)	(25,232)	(101,310)
Other payables	(234)	(547,387,226)	(620,176)	(53,871)	(3,428)
Loans and borrowings	(206,329)	(389,052,630)	(2,679,191)	(325,884)	(99,917)
	(223,686)	(4,548,562,494)	(3,555,428)	(404,987)	(204,655)
Net exposure	(164,948)	3,336,747,754	(2,721,976)	(124,320)	(35,081)

Significant exchange rates applied during the year were as follows:

	Average rate		**Spot rate**	
	For the year ended December 31,		**As at December 31,**	
	2018	2017	**2018**	2017
Foreign currency per Saudi Riyal				
US Dollars	**0.27**	0.27	**0.27**	0.27
Iranian Riyals	**16,609**	9,057	**24,155**	11,320
Egyptian Pounds	**4.76**	4.76	**4.79**	4.74
Sudanese Pounds	**14.85**	5.63	**17.60**	7.40
Turkish Lira	**1.47**	0.97	**1.40**	1.01
United Arab Emirates Dirhams	**1.02**	1.02	**1.02**	1.02

The Group's investment in foreign subsidiaries are not hedged.

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before zakat and income tax for the year by SR 3.9 million (December 31, 2017: SR 6.9 million).

37. Financial risk management continued

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because Group holds investment in certain listed equities which are classified on the statement of financial position as FVOCI (2017: AFS) investments. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Such investments are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. In addition, United Sugar Company uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

Further, as disclosed in Note 13, the put and call option are periodically valued based on Black Scholes' model using certain assumptions including the sugar prices; the fluctuations of which affects the valuations.

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in note 10 to these consolidated financial statements. As at December 31, 2018, the Company's overall exposure to price risk is limited to the fair value of those positions.

Sensitivity analysis

The net assets of the Group will increase/(decrease) by SR 2.56 million (December 31, 2017: SR 3.79 million) if the prices of quoted equity vary due to increase/decrease in fair values by 1% with all other factors held constant.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers. The management also regularly monitors the credit exposure towards the customers whereby the customers are grouped according to their credit characteristics, payment history, whether they are an individual or a legal entity, whether they are a wholesale/retail or manufacturers, their geographic location, existence of any financial/economic difficulties including the default risk associated with the industry and country in which they operate and accordingly records impairment loss against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored. In order to cater the credit risk from debtors, the Group has also entered into insurance arrangements in certain geographies.

The Group's maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Financial assets		
Long term receivables	**7,443**	78,558
Trade receivables	**1,073,572**	970,618
Other receivables	**462,007**	357,501
Derivatives	**103,527**	64,387
Investment at fair value through profit or loss	**30,888**	–
Bank balances	**866,410**	1,265,128
	2,543,847	2,736,192

Trade receivables are carried net of impairment loss.

As at the reporting date, receivable overdue for more than six months amounted to SR 81.6 million (December 31, 2017: SR 121.05 million). The total allowance for credit losses at December 31, 2018 amounted to SR 104.78 million (December 31, 2017: SR 80.23 million). There were no past due or impaired receivables from related parties other than SR 3.75 million receivable from an investee company, Joussour holding Company, as disclosed in Note 28. "Related Parties". Company has recorded full impairment against the said receivable balance.

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

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37. Financial risk management continued

Credit risk continued

The following table provides information about the exposure to credit risk for trade receivables from individual customers as at December 31, 2018:

December 31, 2018	Gross carrying amount
Current (not past due)	879,086
1–30 days past due	98,013
31–60 days past due	121,937
61–90 days past due	29,456
More than 90 days past due	118,522
Total	**1,247,014**

Total ECL on trade receivables amount to SR 104.78 million.

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Other receivables

Impairment on other receivables has been measured on a life time expected loss basis and reflects the short maturities of the exposures having low credit risk.

On initial application of IFRS 9, the Group recognised an impairment allowance as at January 1, 2018 in the amount of SR 12.02 million. The amount of the allowance has been provided by SR 41.4 million during the year ended December 31, 2018.

Cash and cash equivalent

Impairment on cash and cash equivalents has been measured on a life time expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the Group recognised an impairment allowance as at January 1, 2018 in the amount of SR 10.55 million. The amount of the allowance has reversed by SR 2.64 million during the year ended December 31, 2018.

Concentration Risk

The sector wise analysis of receivables, comprising trade and long term receivables is given below:

	December 31, 2018	December 31, 2017
Wholesale/Retail	768,568	737,053
Manufacturing	188,023	177,251
Exports	102,809	96,784
Others	126,397	118,326
	1,185,797	1,129,414
Less: Impairment loss	(104,782)	(80,238)
	1,081,015	1,049,176

37. Financial risk management continued

Concentration Risk continued

The maximum exposure to credit risk for trade and long term receivables by geographic region is as follows:

	December 31, 2018	December 31, 2017
Saudi Arabia	715,629	682,102
Iran	61,274	119,384
Turkey	135,274	145,127
Egypt	145,053	123,114
UAE	39,419	–
Other Regions	89,148	59,687
	1,185,797	1,129,414
Less: Impairment loss	(104,782)	(80,238)
	1,081,015	1,049,176

Liquidity risk

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

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, the Group has maintained credit lines with various commercial banks in order to meet its liquidity requirements. As at December 31, 2018, the Group has unused bank financing facilities amounting to SR 4.62 billion (December 31, 2017: SR 4.7 billion) to manage the short term and the long term liquidity requirements.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

		Contractual cash flows				
December 31, 2018	Carrying Amount	Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
Non derivative financial liabilities						
Loans and borrowings	7,955,911	2,905,625	972,644	4,184,824	166,929	–
Trade payables	2,391,028	2,391,028	–	–	–	–
Accrued and other liabilities	1,851,603	1,851,603	–	–	–	–
Unclaimed dividends	266,090	266,090	–	–	–	–
	12,464,632	7,414,346	972,644	4,184,824	166,929	–
Derivative financial liabilities						
Interest rate swaps used for hedging	(1,286)	(1,780)	(2,821)	(3,924)	–	–
Derivative contracts used for hedging	29,467	29,376	91	–	–	–
Put Option	197,131	–	–	–	–	228,973
Other derivative contracts not for hedging	50,177	31,554	14,782	3,841	–	–
	275,489	59,150	12,052	(83)	–	228,973

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount with the exception of unclaimed dividend. Accordingly, it has been classified as such.

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37. Financial risk management continued
Liquidity risk continued

December 31, 2017	Carrying Amount	Contractual cash flows: Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
Non derivative financial liabilities						
Loans and borrowings	7,396,862	3,643,577	461,275	3,364,077	366,272	–
Trade payables	2,535,465	2,535,465	–	–	–	–
Accrued and other liabilities	1,786,358	1,786,358	–	–	–	–
Unclaimed dividends	258,473	258,473	–	–	–	–
	11,977,158	8,223,873	461,275	3,364,077	366,272	–
Derivative financial liabilities						
Interest rate swaps used for hedging	4,735	770	(348)	(9,831)	–	–
Derivative contracts used for hedging	38,988	38,869	119	–	–	–
Put Option	159,979	–	–	–	–	162,400
Other derivative contracts not for hedging	7,974	7,974	–	–	–	–
	211,676	47,613	(229)	(9,831)	–	162,400

Fair value of assets and liabilities
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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As the Group's financial instruments are compiled under the historical cost convention, except for FVOCI (2017: AFS) investments, inventory and firm commitments under fair value relationships, and derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

37. Financial risk management continued
Fair value of assets and liabilities continued
The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Carrying amount				Fair Value			
December 31, 2018	**Mandatorily at FVTPL – others**	**Designated at fair value**	**Fair value hedging instruments**	**FVOCI**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Investment at fair value through profit or loss	**30,888**	**–**	**–**	**–**	**30,888**	**–**	**–**	**30,888**
Future exchange contracts used for hedging	**–**	**–**	**18,284**	**–**	**–**	**18,284**	**–**	**18,284**
Other future exchange contracts	**–**	**82,747**	**–**	**–**	**–**	**82,747**	**–**	**82,747**
Call option	**–**	**2,496**	**–**	**–**	**–**	**–**	**2,496**	**2,496**
Interest rate swaps used for hedging	**–**	**–**	**1,286**	**–**	**–**	**1,286**	**–**	**1,286**
Equity securities (Note 10)	**–**	**–**	**–**	**324,204**	**256,530**	**–**	**67,674**	**324,204**
	30,888	**85,243**	**19,570**	**324,204**	**287,418**	**102,317**	**70,170**	**459,905**
Financial liabilities measured at fair value								
Future exchange contracts used for hedging	**–**	**–**	**29,467**	**–**	**–**	**29,467**	**–**	**29,467**
Other future exchange contracts	**–**	**50,177**	**–**	**–**	**–**	**50,177**	**–**	**50,177**
Put option	**–**	**197,131**	**–**	**–**	**–**	**–**	**197,131**	**197,131**
	–	**247,308**	**29,467**	**–**	**–**	**79,644**	**197,131**	**276,775**

	Carrying amount			Fair Value			
December 31, 2017	Designated at fair value	Fair value hedging instruments	Available for sale	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Future exchange contracts used for hedging	–	13,326	–	–	13,326	–	13,326
Other future exchange contracts	40,821	–	–	–	40,821	–	40,821
Call option	10,240	–	–	–	–	10,240	10,240
Equity securities (Note 10)	–	–	471,507	379,080	–	92,427	471,507
	51,061	13,326	471,507	379,080	54,147	102,667	535,894
Financial liabilities measured at fair value							
Interest rate swaps used for hedging	–	(4,735)	–	–	(4,735)	–	(4,735)
Future exchange contracts used for hedging	–	(38,988)	–	–	(38,988)	–	(38,988)
Other future exchange contracts	(7,974)	–	–	–	(7,974)	–	(7,974)
Put option	(159,979)	–	–	–	–	(159,979)	(159,979)
	(167,953)	(43,723)	–	–	(51,697)	(159,979)	(211,676)

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37. Financial risk management continued

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair value, as well as significant unobservable input used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Equity securities	Market comparison technique. PE multiple, Price to Book value.	Price Earnings Multiples, Price to Book value and Price to Tangible Book Value.	Not applicable
Future contracts	Broker quotes	Not applicable	Not applicable
Call and Put Option	Black Scholes Model	Strike price Volatility of Sugar index Spot price (fair value)	Increase in fair value will decrease the Put Option and increase the Call option values. Increase in volatility index will increase the value of Put and Call options.
Interest rate swaps	DCF	Not applicable	Not applicable

38. Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the consolidated statement of financial position plus net debt. The gearing ratio as at December 31, 2018 and December 31, 2017 is as follows:

	December 31, 2018	December 31, 2017
Total liabilities	**14,230,510**	13,629,350
Less: Cash and cash equivalents	**(901,573)**	(1,298,117)
Adjusted net debt	**13,328,937**	12,331,233
Total equity	**8,021,941**	9,707,980
Less: Hedging reserve	**(1,286)**	4,735
Adjusted equity	**8,020,655**	9,712,715
Adjusted net debt to adjusted equity ratio	**1.66**	1.27

39. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

a) IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of SR 5.1 billion as at 1 January 2019.

ii. Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

iii. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

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39. Standards issued but not yet effective continued

b) Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 Business Combinations – A company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 Joint Arrangements – A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes – A company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23 Borrowing Costs – A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

c) Other Amendments

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

40. Date of authorisation for issue

These financial statements were authorized for issue by the Company's Board of Directors on Rajab 12, 1440H, corresponding to March 19, 2019.

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