Value Built on Values

Annual Report 2017

Investing strategically for the long term

Contents

Value Built on Values

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

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

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

What we do:

We are in the business of creating sustainable value.

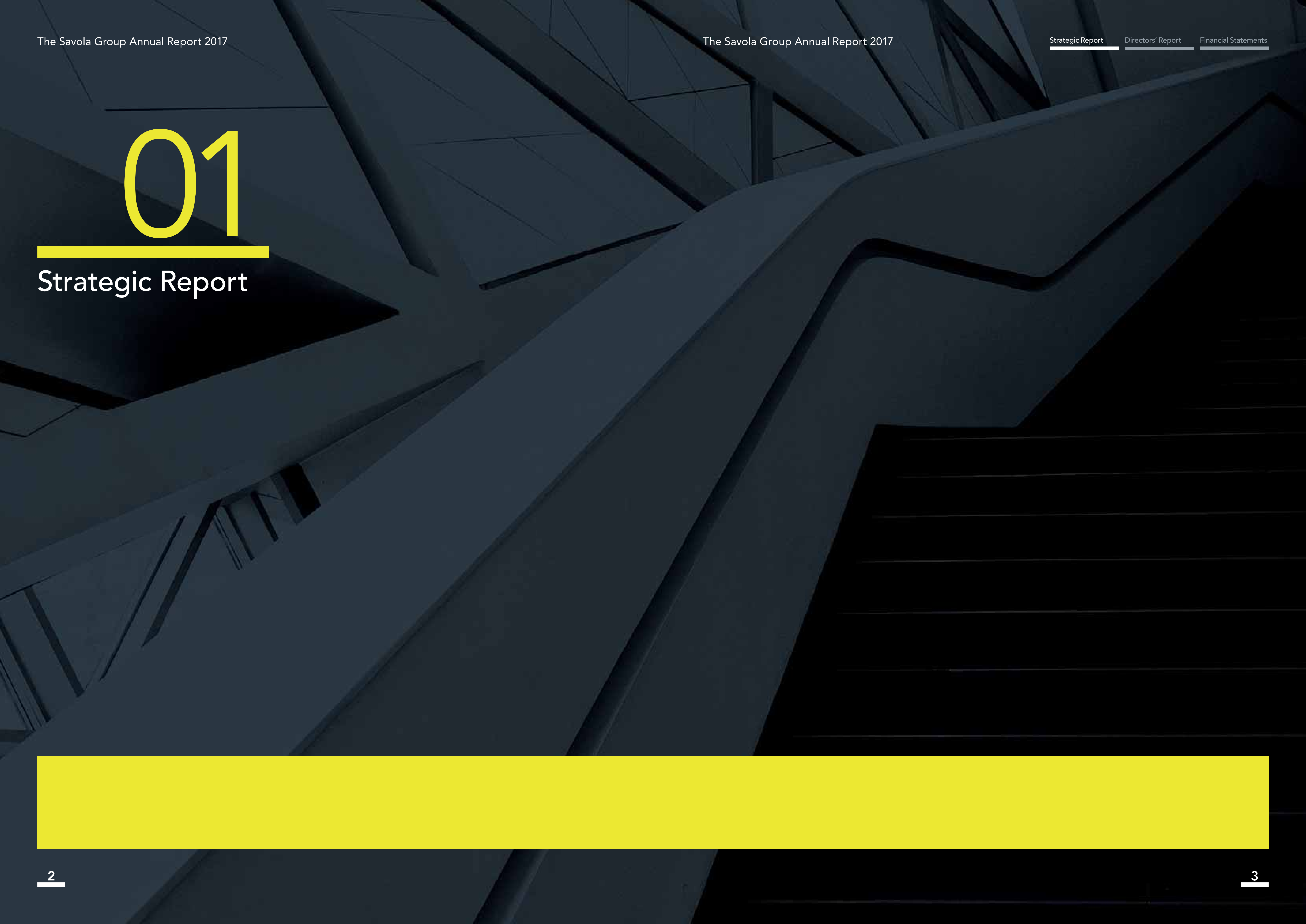
Shareholders/ Investors
We create value by delivering the best returns on their investments.

Employees
We create value by giving them career prospects and a work environment that offers learning, development, challenges and growth.

Partners
We create value through mutually beneficial dealings with our business partners.

Community
We create value by giving back to our communities with focused and sustainable corporate social responsibility activities based on social needs and causes that cater to the environment's social context.

Customers
We create value for society's different economic segments by providing value-for-money products and services, and world-class quality experiences.



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Strategic Report

Savola at a glance:
A strong food and retail portfolio

We are the leading strategic investment holding group focused on the food and retail sectors in the MENAT (Middle East, North Africa and Turkey) region. We have built and expanded a diverse portfolio of managed and non-managed assets. Across our core verticals in Food & Retail, we operate the largest grocery store chain in Saudi Arabia and produce much-loved everyday household products including oil, sugar and pasta in more than 30 countries. We are a company that believes 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 entails investments in large branded categories across the region, **Savola Foods** is a leader in basic branded consumer packaged goods with brands marketed in more than 30 countries, and we are proud to say that many of them are market leaders in their respective categories.

We continue to build on our established products by expanding into higher-value items and diversifying our portfolio. We also generate profits through our long-term strategic investments and are the largest shareholder in the Middle East's leading food manufacturer and distributor, **Almarai**, with a 34.52% stake in the business.

Read more about Savola's Food investments → 20

Retail investments

Panda Retail is the largest modern grocery chain in Saudi Arabia with 362 stores serving 134 million customers annually. Panda boasts a proud history, a leading market share and formidable geographic reach.

We also generate profits through our long-term strategic investments and 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. Following the adoption of IFRS, Herfy has become a subsidiary of Savola Group.

Read more about Savola's Retail investments → 26

367
Number of Panda stores in 48 cities

359
Number of Herfy stores in 3 countries

Major/manufacturing markets

Saudi Arabia	Egypt	Sudan	Morocco
Iran	Turkey	Algeria	Iraq

Export markets

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

Number of Panda stores

Saudi Arabia 362
Egypt 5

Number of Herfy stores

Saudi Arabia 348
Kuwait 9
Bangladesh 2

Strategic and Financial Highlights

Our key markets: Challenges and opportunities

Savola's transition to a strategic investment holding company gathered pace during 2017, propelled by the success achieved to date in consolidating its market-leading position in the food and retail sectors across the region.

Challenging macro-economic conditions across our markets continue to affect our business. Group revenue fell from SAR 26.3 billion in 2016 to SAR 23.8 billion in 2017 and operating income rose from SAR 473 million to SAR 800 million. Overall net income for the year was SAR 1.026 billion, compared to a loss of SAR 363 million in 2016.

While a multitude of regional economic pressures dampen profits, the fundamentals of our businesses remain strong and the innovation and foresight of our subsidiaries continue to generate opportunities for income diversification.

In the foods sector, we maintain a growing market share across our product categories in all target geographies, despite the negative influences of rising energy costs, currency fluctuations and various government interventions affecting key markets.

Further diversifying its activities, the company commissioned a new factory in Jeddah in 2017 to manufacture high quality specialty fats for the B2B market, and entered into a joint venture in Iraq to acquire a 51% stake in a company engaged in branded edible oils and vegetable ghee.

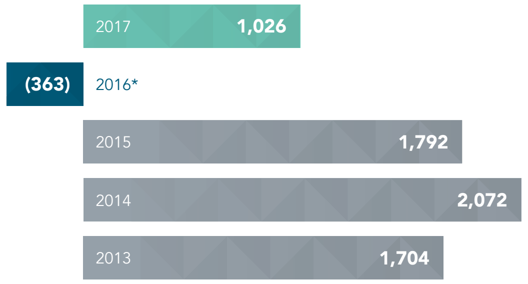
Within the retail space in our home market of Saudi Arabia, economic and demographic changes and their resultant effects on consumer confidence continue to affect our customer base and hamper the growth of Panda. However, the strategic realignment and consolidation of our activities in the sector continues, based on a comprehensive 3-to-4-year transformation plan being executed by a new CEO and executive team.

In 2017, we also engaged in some divestments. Under Panda, we sold our UAE-based hypermarket business in order to focus on our core retail operations in Saudi Arabia. We also divested a 2% stake in Almarai at a value of SAR 1.12 billion, as part of our ongoing capital reallocation activities. In the non-core segment, we sold our ownership interest in Dar Al Tamleek in 2017 for SAR 28.02 million, realizing a gain of SAR 3.27 million, and received funds in the form of a significant divestment from the portfolio of Intaj, in which we retain a holding valued at SAR 39.67 million.

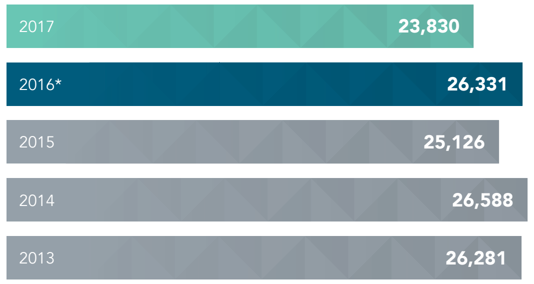
As Herfy's largest shareholder – both pre- and post-IPO – Savola Group has de facto control of the company by virtue of ownership. Herfy became a Savola Group subsidiary following the adoption of IFRS, after which Savola Group consolidated Herfy within its financial statements.

Through further perceptive capital allocation and active portfolio management, our holistic transformation as a Group remains on course to deliver an agile market leader with the financial weight and reputation necessary to secure long-term success across our international footprint.

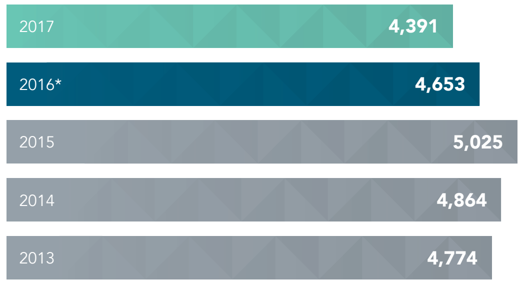
Net income
1,026m
SAR million



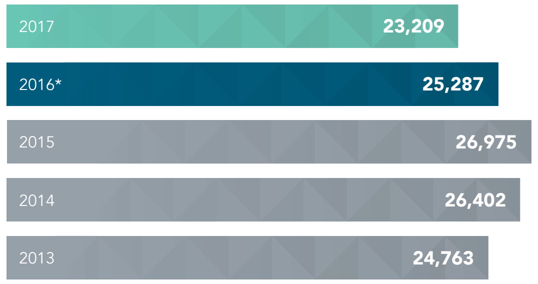
Revenues
23,830m
SAR million



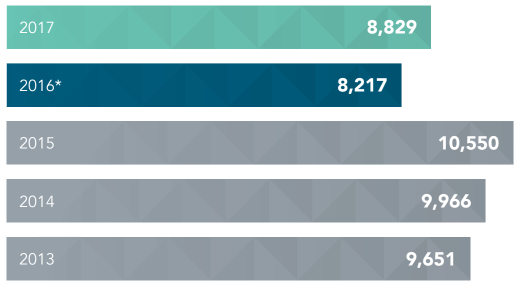
Gross profit
4,391m
SAR million



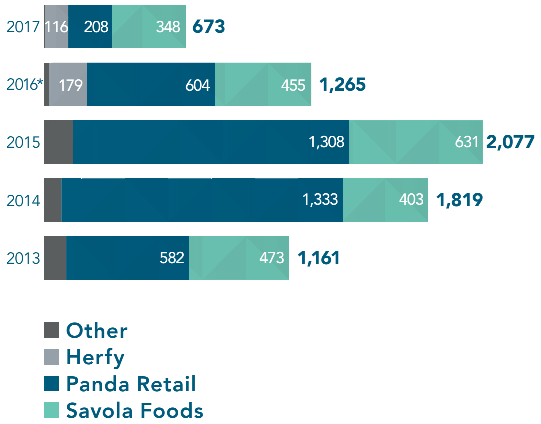
Total assets
23,209m
SAR million



Shareholders' equity
8,829m
SAR million



Capital expenditure
673m
SAR million



* All 2016 figures are IFRS adjusted.

Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present Savola Group's Annual Report for 2017.

In a highly challenging year across all our markets, the Group has achieved encouraging performance and made positive contributions as a conscientious employer and investor, supporting economic development and enriching lives with our products and services.

We continue to pursue our comprehensive transition to a strategic investment holding company, primed to leverage our scale and capitalize on the many opportunities that lie ahead.

We also remain focused on creating value for our shareholders, employees and the communities we serve. Through active portfolio management and strategic capital allocation, we will continue to establish our position as the leading strategic investment group for food and retail in the MENAT region.

As the economic paradigm in the Kingdom evolves, Savola Group remains firmly committed to supporting the national objectives of Vision 2030 and poised to cultivate prospects for increased efficiency and growth as market conditions improve.

Despite the difficult economic environment, Savola Foods Company remained at the forefront of the regional edible oil industry in 2017. With a robust foundation built upon three decades of investment, it aspires to consolidate its success as a market leader in the edible oil, sugar and pasta segments and expand its portfolio.

Meanwhile, Panda Retail continues to work towards achieving a significant turnaround, albeit in a challenging environment, aimed at reversing a downward trend and achieving stability. We have appointed a new CEO who, together with his executive team, will guide the company during this period of transformation and development to create a best-in-class, customer centric and profitable organization. Although this turnaround will take time, we believe that Panda's scale and legacy will allow us to ramp up performance over the course of the next few years.

Governance and sustainability

Savola Group remains a market leader in terms of corporate governance, exemplified by our implementation of a new best practice whistle-blowing platform. In addition, the launch of our sustainability platform, Savola World (savolaworld.com), positions us firmly at the forefront of the sustainability movement in the Kingdom.

As a result of our outstanding efforts in the field of corporate governance and sustainability, Savola has been recognized as among the top 10 highest scoring companies in Transparency in the field of corporate governance, environment and social practices in the MENA Region according to S&P and Dow Jones indices and the Hawkamah Institute, Dubai.

Financial results

The Group recorded a net profit of SAR 1.03 billion in 2017, compared to a net loss of SAR 363 million last year. We booked impairment costs of SAR 222 million, while earnings per share for 2017 stood at SAR 1.92.

Our results continue to be affected by economic turbulence throughout the region, including numerous challenges in the form of macroeconomic adjustments, currency fluctuations, decreased subsidies, population contractions, intensifying competition, consumer uncertainty and increasingly conservative spending habits.

In the face of these headwinds, we remain wholly committed to the ongoing retail transformation process and derive strength from the clarity of its overriding objectives. Above all, we understand our markets and benefit from a large portfolio, which provides us with the resilience required to ensure our long-term success in the face of short-term volatility.

A mindset for long-term success

On behalf of the Board of Directors, I wish to express our deep gratitude and appreciation to the government and our shareholders for their continued support and trust.

I would also like to thank our dedicated executive management and employees across Savola Group. Together, we look to the future with confidence, secure in the knowledge that the changes we have implemented, as well as those that remain underway and lie ahead, will build on our strengths and solidify our position as the Kingdom's largest strategic investor in food production, distribution and retail.

Sulaiman A. Al Muhaidib
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.;
Chairman of the Board, Aloula for Real Estate Development

Previous positions
Chairman of the Board, Middle East Paper Co. (MEPCO)

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, Aseela 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. Abdulaziz Ibrahim Al Issa

Independent Board member

Current positions
CEO, United International Markets Co.

Previous positions
Senior Vice President – Business Development & Strategic Planning (CEO Corporate Office), Riyadh Bank (February 2014-July 2014); Regional General Manager – Central Region, Banque Saudi Fransi (2012-2013); In addition, he has held a number of other positions in investment and sales development within the same bank (2004-2012)

Qualifications
Bachelor's in Business Management and International Business, Menlo College, United States

Experience
With extensive experience in banking, serving as Vice President of Business Development & Strategic Planning at Riyadh Bank. He also held a number of positions at Banque Saudi Fransi.

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., Public Institution for Social Insurance (1981-2013)

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. 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 30 years' experience in corporate management through management of Al Fadl Group of Companies, which includes many companies in various fields. He also sits on a number of other Boards.

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. Omar Hadir N. Al-Farisi

Independent Board member

Current positions
Managing Member of Diyala Advisors LLC, New York

Previous positions
Credit Suisse First Boston Bank, New York (2000-2004); Lawyer and Member in Financial and Commercial 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, investment, law and mergers and acquisitions. He is also a 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.

CEO's Message

In a highly turbulent time for our economies and industries, Savola continues to steer a course toward efficiency, productivity and profit. We remain in the midst of an important whole-scale transition of the Group, building our future as a streamlined strategic investment holding company for a new era.

Despite the strength of our brand and its extensive heritage, an ambitious transition plan such as ours cannot be implemented in haste. This process requires a highly dynamic corporate mindset, particularly when facing a raft of economic pressures across our markets that are beyond our control.

Whilst this environment is less than conducive to growth and profit, we measure our strength and success as an organization by our response to difficult circumstances such as these.

In 2017, we continued to push through the turnaround of Panda, exited several non-core holdings and sold a relatively small 2% stake in Almarai to reallocate capital at attractive terms to other opportunities, without affecting our strategic positioning. This reflects our current philosophy: pushing for operational efficiency and performance in our food and retail businesses, while adopting a diligent approach to portfolio management and capital allocation.

Investing for sustainable industry leadership
The Group achieved a revenue of SAR 23.8 billion in 2017, maintaining our firm position at the pinnacle of the food and retail sectors in the Kingdom.

Savola Foods generated SAR 11.4 billion in revenue during the year and 3.4 million metric tons in sales volumes. The company retained its leadership positions with stable or increasing market share across its markets, responding to evolving dynamics with new product launches, active and integrated promotional activities and a continued focus on distribution and reach.

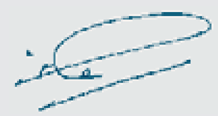
Savola Foods continues to diversify its activities; in 2017 we commissioned our International Food Industries Co. factory, a state of the art facility producing specialty fats for the B2B market, and the first of its kind in the Kingdom.

Still the largest modern retailer in Saudi Arabia, Panda – our retail subsidiary – achieved a revenue of SAR 11.7 billion over the year. In 2017, the company continued to work on its turnaround plan by realigning its vast infrastructure and human capital to meet new market realities. We appointed a CEO to the helm of Panda in 2017 to lead the company through this ongoing reorientation, which will see the business develop into a best-in-class, customer centric organization. With Panda's deep heritage, loyal customer base and positive free cash flow, I am confident that the company's new leaders will steer it through this difficult period and back to profitability.

Meanwhile, Herfy became a Savola Group subsidiary following the adoption of IFRS. Savola is Herfy's largest shareholder – both pre and post IPO – and has de facto control of the company.

Building a fit and profitable Group
Through these and other carefully managed activities, Savola Group will emerge from the current period of market uncertainty and change as a stronger, more focused strategic investment holding company with strong financial resources and a highly regarded brand.

I wish to express my gratitude to all our stakeholders for their steadfast support during this important transition. With the commitment, foresight and understanding of our shareholders, employees, customers, suppliers and partners, Savola Group represents the ideal platform from which to create a lean, dynamic new organization, fit to grasp the many opportunities in the region's food and retail sectors.



Rayan Mohammed Fayez
Chief Executive Officer

Executive Management

Eng. Rayan Mohammed Fayez

Current positions
CEO, Savola Group (until 8 February 2018)

Previous positions
Managing Director of Al Muhaidib Foods Group; Chairman of the Board of Directors for Eastern Industrial Company of Fiber Glass Manufacturing; Board Member of United Arab Can Manufacturing Company; Aujan Coca Cola Beverage Company; Boards of a number of companies in Saudi Arabia, the GCC and in the wider Middle East such as in Egypt, Turkey, Morocco, Algeria, recently in Bonus Foods Kurdistan, Iraq and India

Qualifications
Bachelor's degree in Mechanical Engineering, Massachusetts Institute of Technology, United States

Experience
More than 15 years' experience in leading managerial positions with global banks and financial institutions in New York, London, and Saudi Arabia.

Eng. Bader Hamed Al Aujan

Current positions
CEO, Savola Foods Co.

Previous positions
Managing Director of Al Muhaidib Foods Group; Managing Director Aujan Coca Cola Beverage Company; Chairman of the Board of Directors for Eastern Industrial Company (EICO); Boards 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.

Dr. Bander Talaat Hamooh

Current positions
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.

Mr. Nouman Farrukh Muhammad Abdussalam

Current positions
Chief Financial Officer

Previous positions
CFO Savola Foods Company; CFO Attieh Group; CFO Emaar The Economic City; Deputy CFO Savola Group; Director of Finance Senior Manager Treasury & IT at Savola Foods; Finance Manger Savola Bahrain; Assistance Manger in 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, University of Karachi, 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

Current positions
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

Current positions
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, INSEAD International Directors Program; Honorary Doctorates in Sustainability from United Nations

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

Our Journey

■ Savola Group
■ Food investments
■ Retail investments

1970s – 1980s

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.

1990s

1991
■ Savola acquires Saudi Carton Factory to establish Savola Packaging Systems (divested in 2015).
■ 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.
■ Savola Bahrain and Savola Egypt commence edible oil operations.
■ Savola Snack Foods is established to acquire 100% of Tasali Company (divested in 2001).

1993
■ Acquisition of 41% of Saudi Glass Company, increased to 60% the following year (divested in 2004).
■ Joint venture with Tate & Lyle to establish United Sugar Company, Saudi Arabia's first sugar refinery.

1995
■ Savola Packaging Systems acquires the Paper Cups and Container Company (divested in 2003).
■ Savola Foods establishes an edible oil factory in Egypt.
■ 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%.

1998
■ Savola enters the retail sector following its merger with Azizia Panda.
■ Savola gains a 70% stake in Herfy through the Panda merger.
■ Herfy is listed on the Saudi Stock Exchange, with Savola retaining a 49% stake.
■ Through the Panda merger, Savola inherits stakes in Al-Mawashi (divested in 2000), Deemah (divested in 2001) and Al-Azizia Commercial Investment Company.

2000s

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

2004
■ New corporate governance standards are adopted, not only for legal compliance but as an ethical commitment aligned to Savola's corporate values.
■ Savola achieves its "Triple 5" strategic goal 12 months ahead of target: SAR 5 billion sales, SAR 500 million profit, within 5 years.
■ 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).
■ Panda launches the Hyper Panda format and expands abroad with the opening of a Hyper Panda store in Dubai (divested in 2017).

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, Tamkeen, and a range of other social initiatives.
■ Savola Foods' cane sugar refinery in Egypt begins commercial operation.

■ Savola Foods establishes an edible oil refinery in Algeria.
■ Panda acquires Giant Stores.
■ Panda opens its first central distribution center in Riyadh.

2009
■ Panda acquires United Company for Central Markets in Lebanon (divested in 2013).
■ Panda acquires Géant Stores operations and expands its network to 152 locations.

2010s

2011
■ Standard & Poor's, the Hawkamah Institute and the International Finance Corporation rank Savola 2nd for governance and transparency.
■ 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 new issue of 33.9 million new Savola shares through a Savola capital increase to SAR 5.34 billion.
■ Panda launches the Pandati convenience store concept.

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

2015
■ Panda opens its second central distribution center in KAEC.
■ 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.

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

Our Strategy:
Building on our strategic values

Our values guide strategic decision-making, particularly in creating financial, professional and social value for all stakeholders.

Strategic objectives

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

Key drivers

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

How we performed

Despite significant macroeconomic challenges across our industries and geographies, Savola Group moved forward with vision and determination in 2017, reinforcing our market leadership and long-term investment perspective.

We continued our transition to a strategic investment holding company, seeking to maximize the potential of our subsidiaries while weighing opportunities for timely capital reallocation and increased income diversification.

By continuing to actively manage our portfolio, while leveraging the scale, capabilities and values of our Group, we remain well positioned to create value for our shareholders and build the dominant food and retail group we envision across the markets we serve.

What this means for our divisions

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

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

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

Read more about Savola's Food investments 20

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

This response is centered on a customer-centric approach that builds strong stakeholder partnerships. The transformation will yield a value proposition by store format, enabling focus on efficiency in all areas: store yield, working capital efficiency, and human resources productivity. The strategy builds on Panda's proud history, market leadership and formidable geographic reach. There is great potential to exploit these strengths to enable a turnaround and continued success.

Read more about Savola's Retail investments 26

Performance review

Food investments:
Value built on food

Savola Foods Company

"With the grace of Allah, in a challenging economic environment Savola Foods has achieved sustainable growth and profitability through brand innovation, a reinvigorated consumer focus and the strength of its human capital. Our experience operating across multiple markets enables us to diversify our income streams to face challenges such as price controls, currency devaluation and changing consumer behavior due to austerity measures. By implementing cost efficiencies, introducing value added products to our existing categories, maintaining brand investments and developing our human capital, we have successfully insulated ourselves from these negative developments. As a major, long-term investor, we will continue to improve brand equity and longevity throughout the sector and across multiple geographies."

Savola Foods CEO

Savola Foods operates across the MENAT region, producing a range of high quality branded products including edible oils, vegetable ghee, sugar, pasta, seafood and baked goods, and providing customized food ingredients and services. Marketed across 30 countries, these products have allowed us to establish leading positions in the major markets of the MENAT region.

Despite a challenging economic backdrop in 2017, Savola Foods maintained its position at the apex of the industry, serving around 1 billion people across our various markets to achieve total sales volumes of 1.7 million tons of edible oil, 1.4 million tons of sugar and 0.28 million tons of pasta.

We have enjoyed a highly successful year thanks to solid performances in our core markets and the ongoing diversification of our income streams. In 2017, we generated net revenue of SAR 11.4 billion, achieving a gross profit of SAR 1.7 billion, an operating income of SAR 908 million and a net income of 607 million.

Numbers represent the brand leadership position in each major market

Performance review
Food investments continued

2017 represents a year in which Savola Foods has faced significant macro-economic pressures in almost all its markets. Currency devaluation, price controls and changing consumer behavior due to austerity measures across our geographies have exerted significant pressure on incomes. However, we have responded by introducing innovative offerings within our existing product categories and maintained our brand investments to retain and expand market share. 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

We continue to achieve sustainable growth in our edible oils business. In Arabia (GCC and the Levant), Savola Foods reported a record profit, whilst the volume of edible oils we sold over the course of the year represented a 2% increase over 2016. In Saudi Arabia, our market share increased to 61%.

In Iran, price controls continue to exert pressure on profitability. However, we succeeded in achieving remarkable growth of more than 27% in our shortening and margarine business by launching Ladan Professional (a line of products developed for the B2B market) and Ladan Omega, the healthiest vegetable ghee in the region, while also reinforcing our position in the edible oil segment with a new variety of frying oil under our Bahar brand. We were recognized as the leading company in the oil and fat industry with a market share of 33% in 2017.

In Egypt, currency devaluation resulted in a drop in consumer purchasing power by half. Savola Foods responded by immediately adapting to this new market reality, lowering production and sales costs and introducing rationalization measures such as organizational right-sizing. We maintained our premium edible oil brands but offered a lower price point to consumers through downsizing and packaging alterations– offering greater value for money. As a result, we retained our market share in both the premium and value-for-money categories, and became the market leader in the corn oil segment through the success of our Afia brand.

Despite further currency devaluation and rising interest rates, our sales volume in Turkey reached a new record in 2017 – representing an increase of approximately 3% over 2016 – and our growth was 4% versus 0.5% market growth. Our strategic aim to build our olive oil business into the second most important pillar of our operations is progressing well. Our premium olive oil launch with the Egemden brand achieved a successful jump in market share from 6% to 12% in only 9 months, and earned us three prestigious awards for brand excellence and as the number 1 exporter of packaged olive oil in Turkey.

In Algeria, in the face of a host of macro-economic challenges including currency devaluation, subsidy cuts and petroleum price movements, we succeeded in establishing ourselves as the second strongest player in the edible oils market by focusing on our growing distribution capabilities, resulting in a growth in volume of 14% over last year.

In Morocco, we continue 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, while overall volume increased by 6% compared to last year.

Meanwhile, despite hyper-inflation and forex sourcing issues, in Sudan our brands achieved growth in sales volumes of more than 20%.

Sugar

2017 has been a highly successful year for Savola Foods in the sugar business. For the first time the business was profitable across all geographies, despite challenges throughout the region including the introduction of excise taxes on high-sugar and energy drinks in both Saudi Arabia and the United Arab Emirates.

Owing to the strong presence of our Alosra brand we achieved a 75% share of the consumer market in Saudi Arabia and now account for more than 80% of the B2B market. 2017 also saw the launch of brown sugar by Savola Foods from its facilities in Jeddah, and we began serving the attractive B2B market segment in Egypt for the first time via the Alexandria Sugar Company – a beet sugar factory.

Based on an agreement with the European Bank for Reconstruction and Development (EBRD), an equity investment of $100 million was injected into our Egyptian sugar cane business in 2017. The funding will help improve operational efficiency and competitiveness, as well as enhance health and environmental practices to meet international standards.

Pasta

Despite macro-economic challenges, we retained our leading position in the pasta business in Egypt through our Malika brand. We also achieved a 100% increase in our pasta exports in 2017 over the previous year thanks to the addition of Venezuela to our rapidly expanding list of 30 overseas markets.

Capitalizing on our strengths

By retaining a focus on our core products and related health-conscious innovations, we will continue to defend our established position and increase our market share, building on our success in 2017 through a strong lineup of new product additions in our three core categories.

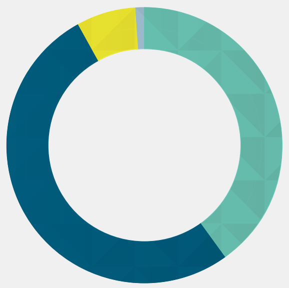
This strong innovation pipeline has allowed us to add 15 new products to the oil, sugar and pasta segments in the past year alone, and we aim to extend our footprint in 2018 through further investments in new product categories, as well as value-added acquisitions and facilities in new and existing geographies including Iraq.

Following the establishment of a new joint venture with Aves to create Bonus Food Company LLC, which is engaged in the refining and packaging of edible oil and vegetable ghee in Iraq, we will continue to identify and monitor global trends and developments that may affect our markets, allowing us to stay ahead of the curve by establishing business engagements in new markets and developing innovative new products for our customers.

Having entered the specialty fats market by commissioning a new factory in 2017, we will continue to expand our production capacity. The International Foods Industries Company Limited (IFI) factory in Jeddah is a state-of-the-art facility producing specialty fats for the B2B market.

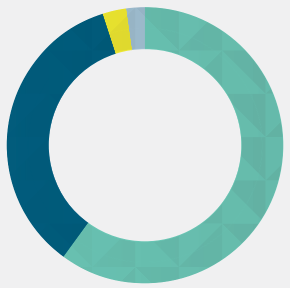
Performance review
Food investments continued

2017 Volume by business line (%)



- Edible Oils 40%
- Sugar 52%
- Pasta 7%
- Others 1%

2017 Revenue by business line (%)



- Edible Oils 60%
- Sugar 35%
- Pasta 3%
- Others 2%

Edible oil

1.65

MT Total sales volume

Sugar

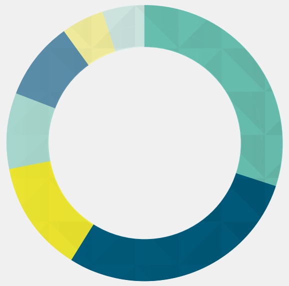
2.17

MT Total sales volume

Pasta

284.8

KMT Total sales volume



Sales volume by country
Including exports

- Iran 30%
- Saudi Arabia 29%
- Egypt 13%
- Turkey 9%
- Algeria 9%
- Morocco 5%
- Sudan 5%

Sales volume by country
Including exports

- Saudi Arabia 59%
- Egypt 41%

Sales volume by country
Including exports

- Egypt 100%

Almarai Company

34.52%
Savola Group
Percentage shareholding

2.11
Earnings per share
SAR

Strategic long-term investment
As part of the Food investments proposition, Savola Group is the largest shareholder in the Middle East's leading food manufacturer and distributor, Almarai, holding a 34.52% stake in the business.

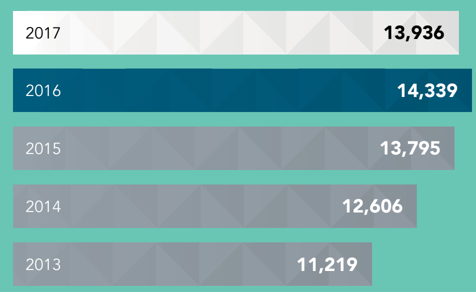
Savola Group sold a 2% stake in Almarai in 2017, equating to 16 million shares at a price of SAR 70 per share with a total value of SAR 1.12 billion. As a part of Savola's capital re-allocation strategy, this was a strategic decision to capitalize on a favorable market and Almarai's strong performance. The cash flow from the sale of this small stake paves the way for future strategic investments to bolster and further diversify Savola's revenue streams.

About Almarai
Founded in 1977, Almarai has grown to become the world's largest vertically integrated dairy company. It is a broadly-based food group with diversified assets in dairy, juices, bakery, poultry and infant nutrition. Headquartered in Riyadh, Almarai's production and distribution footprint covers the GCC, Egypt and Jordan. With 42 million consumers, Almarai is the strongest brand in Saudi Arabia and one of the most recognized in the Middle East. In 2017, the YouGov Brand Index ranked Almarai first – ahead of Apple, WhatsApp, YouTube, Google, Samsung and Emirates – among the most positively perceived brands in Saudi Arabia.

2017 financial & strategic highlights
In 2017, Almarai achieved revenues of SAR 13,936 million for the year and gross profit of SAR 5,584 million, compared to 2016's SAR 5,522 million. Diluted earnings per share, based on net income attributable to shareholders, rose from SAR 2.08 to SAR 2.11, yielding a contribution of SAR 762 million to Savola's net income.

Cost savings of nearly SAR 300 million were delivered in 2017, reflecting the agility developed at every level of the business as a result of continued progress in its cost and efficiency programs. Amid generally lower market growth trends, Almarai was able to retain – and in most cases gain – market share across nearly all product categories. It also introduced 42 new products in 2017 across a wide range of categories.

Almarai revenue (SAR million)



Almarai net income (SAR million)

Performance review

Retail investments:
Value built on Retail

202 Panda
m² 000
Distribution centers

20 Panda
SAR billion
Gross margin

746 Panda
m² 000
Retail area

129 Panda
Million
transactions

11.7 Panda
SAR billion
revenue

1.16 Herfy
SAR billion
revenue

Panda Retail Company

"Panda has deep foundations, loyal customers and the largest footprint of any grocery retailer in Saudi Arabia. This leading position in the market serves as the ideal platform from which to continue our transformative journey with strength and confidence. Our unity and determination as an organization, combined with the extensive expertise of our leadership and workforce, will ensure we emerge from this turbulent period stronger and more focused."

Panda Retail CEO

5 Egypt
Total number of stores

362 KSA
Total number of stores

Panda Retail is one of the largest modern grocery retailers in the Middle East, serving around 129 million customers through its hypermarkets, supermarkets and convenience outlets. With 362 stores in 47 cities across Saudi Arabia, we are the leading player in the Kingdom's grocery retail sector by market share and selling space.

Revitalized leadership for an uncertain era

In an uncertain period for the retail sector in the region, we continue to pursue a transformative strategy to improve our market-leading position in the Kingdom's retail space and return to profitability. During the year, a new CEO and executive team were appointed to lead the business through a process of holistic reorientation and development.

Building on our strategic transformation plan launched in late 2016, this highly-qualified team will implement an innovative and well-defined structure of workstreams across all areas of the business to create a best-in-class, customer-centric organization, allowing Panda to enter 2018 with greater focus and determination.

Panda store locations KSA

Abha
Abo Arish
Abqaiq
Ahad Al Masarha
Al Aflaj
Al Badaea
Al Baha
Al Bukairiyah
Al Kharj
Al Khobar
Al Majmaah
Al Rass
AlMidhnab
Baljorashi
Bisha

Buraida
Dammam
Dawadmi
Hafr Al Baten
Hail
Hassa
Hawtat Sudryer
Jeddah
Jizan
Jubail
Jubail Rc
Jubail Town
Khafji
Khamis Mushait
Khobar
Madinah

Makkah
Muhayel
Najran
Onaizah
Qatif
Rabigh
Ras Tanourah
Riyadh
Riyadh Al Khabra
Sabyah
Sarat Abydah
Tabuk
Taif
Yanbu

Performance review
Retail investments continued

Unprecedented market dynamics

As the Government of Saudi Arabia continues to implement the programs outlined in Vision 2030, the retail sector in the Kingdom has faced a wave of challenges in the short-term, in the form of macroeconomic adjustments, decreased subsidies, population contractions, consumer uncertainty and increasingly conservative spending habits. Government spending has also fallen, further impacting consumers' disposable incomes. Consequently, customers are highly price conscious and selective, and display an increased preference for promotions.

Changing customer sentiment and demographics resulted in a reduction in market size during 2017. The fast-moving consumer goods (FMCG) market, for example, fell by around 5% across the Kingdom over the year, which further intensified competition for lower and less frequent spending by customers.

2017: A year of transition

Despite this highly challenging matrix of negative circumstances, Panda Retail remains the leader by market share in the sector. Sales fell by 14% over the year, as much as 5% of which can be directly attributed to the shrinking market. Sales trends exhibited some improvement over the year; by year-end (i.e. for the month of December) our sales had returned to Q4 2016 levels. Nonetheless, margins remain under pressure as we continue to invest in promotions to retain price sensitive customers.

Fixed costs reduced slightly as we undertook several cost-saving measures, which were offset by a variety of one-off costs during the year, including impairment losses, but Panda managed to achieve positive free cash flows for 2017 mainly through reduction in working capital. In terms of investment requirements, the high standard of our in-place infrastructure remains sufficient to service current and near future needs.

Total revenues for 2017 amounted to SAR 11.7 billion, down from SAR 13.8 billion in 2016, while our gross margin in 2017 rose to 20.4% from 19.3% in the previous year. Our share of the modern trade market fell to 25.5% from 27.9% in 2016, and from 11.5% to 10.5% in the overall grocery retail market. We intend to improve our sales growth through the transformation process launched in late 2016, which aims to achieve a more customer-centric offering and will help to raise our like-for-like sales. The offering is constantly being adapted to align with rapidly evolving market realities.

Having opened one new outlet in 2017, our hypermarket network now comprises 67 stores, while our supermarkets totaled 162 following three openings and four closures during the year. In line with our strategy to focus on our core markets, we sold our UAE-based hypermarket to the Dubai Festival City Real Estate Development Company, generating a profit on exit of SAR 62 million for the Group.

In the convenience sphere, one new Pandati outlet was opened in 2017 but a total of 44 underperforming outlets were closed. Despite a reduction in total sales, the Pandati format recorded positive like-for-like sales over the year. We are continuing to assess the value proposition of the convenience format to improve sales.

No.1

Panda is the leader by market share in KSA

48

Total number of cities served by Panda

هايبربنده HyperPanda

بنده Panda

بندتي Pandati

67

Hypermarkets

(66 in 2016)

162

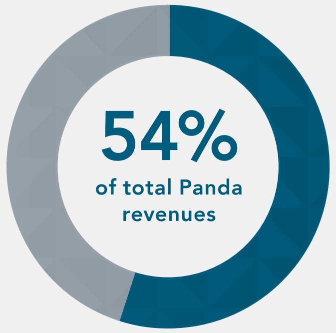
Supermarkets

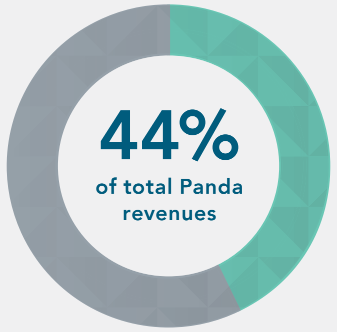
(163 in 2016)

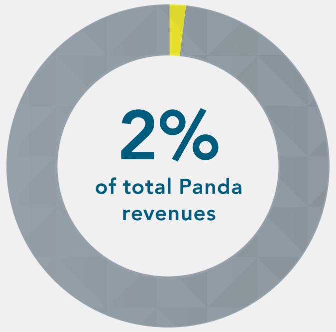
138

Convenience stores

(181 in 2016)







Performance review
Retail investments continued

Embracing change

Having been launched the previous year, Panda's comprehensive transformation process took shape over the course of 2017. In alignment with existing plans, a new leadership team was put in place, with the extensive experience and knowledge required to lead Panda through this critical period.

The evolution of the transformation process has clarified the path toward developing core capabilities, creating an organization built on higher efficiency in a turbulent market, including through the implementation of best practices; retail footprint and supply chain assessments; refocusing on the core requirement to buy, sell and plan more effectively; and bringing clarity to the value proposition of each of our three formats.

The organization has been redesigned with operations heads responsible for the stores and the identity and value proposition of each format, whereas the functional heads are put in place to support the operations. This approach creates a structure that puts customers' needs first.

Egypt remains a core market with great potential where we have a total of five outlets (one Hyper and four Supers). However, the current focus is on turning around the operations in Saudi Arabia.

Overall, Panda has the scale, market pedigree, infrastructure and brand strength to power its transformation to a best-in-class player in the market. Under the leadership of the current management team with this customer-centric focus, we will ensure improved performance in 2018 and beyond.

With strict adherence to our strategy of building upon and reallocating our capabilities while precisely managing working capital and cash flows, we are confident that we will maintain our leadership position in the sector and achieve long-term value for our shareholders.

Panda revenues (SAR billion)

2017	11.7
2016	13.8

Panda gross margin (%)

2017	20.4
2016	19.3

Market share modern trade (%)

2017	25.5
2016	27.9

Market share of total grocery retail (%)

2017	10.5
2016	11.5

Customer count 2017 (million)

2017	129
2016	134

Herfy Company

Strategic long-term investment
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.

As Herfy's largest shareholder – both pre- and post-IPO – Savola Group has de facto control of the company by virtue of its ownership. Herfy became a Savola Group subsidiary following the adoption of IFRS, after which the Group consolidated Herfy within its financial statements.

About Herfy
Established in 1981, Herfy Food Services Company owns and operates Saudi Arabia's leading fast food chain, "Herfy", with 328 owned and leased 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 factories.

2017 financial & strategic highlights
In 2017, Herfy recorded sales of SAR 1,157.8 million, a 0.08% increase over 2016. Gross profit of SAR 341.7 million was 8.36 percent higher than the previous year, while net profit dropped 8% to SAR 200 million as a result of a rise in selling and marketing costs, financing charges, and general and administrative expenses. Reported earnings per share were SAR 3.09 compared with SAR 3.36 in 2016, yielding a contribution of SAR 105 million to Savola's net income.

Herfy shareholders approved a 40% capital hike to SAR 646.8 million through the issue of two bonus shares for every five shares held. The company also commissioned operations of its first Herfy branch in Bangladesh, which is set to grow to 30 branches in the country over the coming years.

49%
Savola Group
Percentage shareholding

3.09
Earnings per share
SAR

Herfy revenue (SAR million)

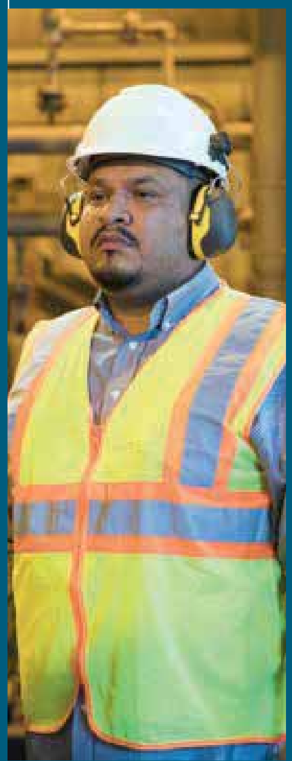
2017	1,157.8
2016	1,156.7
2015	1,077.0
2014	910.1
2013	848.7

Herfy net income (SAR million)

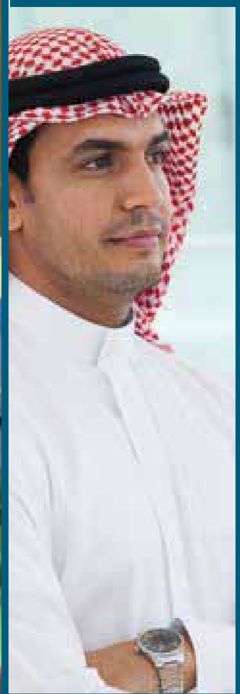
2017	200.0
2016	217.5
2015	202.7
2014	205.8
2013	191.4

Our people:
Value built on our people

42%
Saudization
Savola Foods Company



71%
Saudization
Savola Group Headquarters



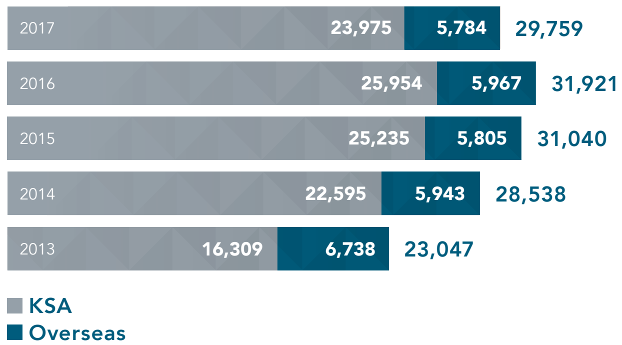
3%
Increase
In female employment in KSA

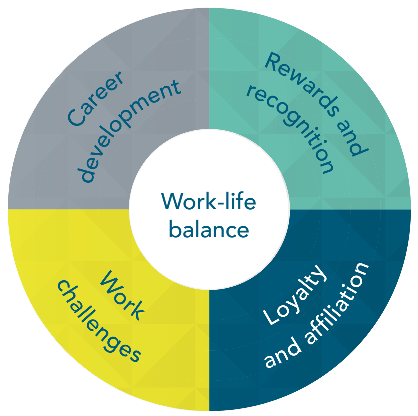
39%
Saudization
Panda Retail Company

"The ambition and commitment of our people lie at the heart of our journey to become a leading strategic investment holding company. We remain focused on creating value for all our stakeholders by empowering our employees to excel individually and succeed collectively. The alignment of our vision, strategy and human capital enables our values-driven culture and positions Savola as an employer of choice across all the sectors in which we invest and operate."

Group Head of HR

Savola Group workforce





The success of our organization is a product of the hard work and dedication of our people. Savola Human Resources (HR) is responsible for nurturing the potential of our workforce by maximizing their creativity and productivity at the Group level, while the individual HR departments of Savola Foods and Panda Retail perform the HR functions of their respective companies. They are all aligned behind our shared values and commitment to fostering a positive corporate culture based on clear ethical principles and equitable governance.

A positive culture backed by a healthy work–life balance

Savola's vision and corporate culture are the foundation of our value creation model, 'Value Built on Values', which underpins everything we do internally to support and develop our employees. Our employee value proposition framework brings together career development; rewards and recognition; loyalty and affiliation; and work challenges to promote a positive, balanced working environment and workforce.

Career development at Savola is designed to fill organizational and individual skills gaps though personalized learning and development, while our rewards and recognition initiatives link business objectives with individual performance and recognize positive contributions at every level across the Group. The loyalty and affiliation aspect of the framework involves measuring, benchmarking and developing employee engagement through Tawer, our Group-wide employee survey introduced in 2016. Finally, the focus of the work challenges component is to increase employee performance and happiness by creating a working environment that balances professional challenges with the individual abilities of employees.

Performance review
Our people continued

A home for exceptional talent

Savola is an employer of choice for top talent from across the Kingdom and beyond. We identify, attract, develop and nurture a diverse team of highly capable, motivated people who have the knowledge and skill to overcome complex challenges and capitalize on opportunities.

Our strategy is aligned with the goals of Saudi Arabia's Vision 2030, delivering initiatives and activities across the Group to promote diversification, support people with disabilities and empower our female employees. Our HR programs focus on talent acquisition, workforce optimization, employee engagement and retention, and fostering a fair and transparent values-driven culture.

Widely recognized as a market leader in female empowerment, Savola has played a pioneering role among its peers in Saudi Arabia, opening a daycare center to support its female employees and promote a healthy work–family balance. The daycare serves the needs of employees across the Group, Savola Foods and Panda Retail.

Savola Group was recognized in 2017 for its ongoing support for people with disabilities. A Golden level Mowaamah Certificate was awarded by The Ministry of Labor and Social Development to the Group for creating a disability-friendly workplace, including recent updates to office facilities, recruitment and training policies under Savola's Makeen program.

Programs for employees

One of Savola's core corporate values is Birr. This Arabic term describes a concept that blends compassion and fairness, representing genuine concern for people and their welfare. Savola has developed a number of programs for its employees that reflect this key aspect of our values and are designed to retain, motivate and improve performance.

Introduced in 1992, our Employee Home Loan scheme provides Saudi employees with interest-free loans for sums up to 50 times their basic salary, with a maximum value of SAR 2.5 million. These loans are intended to help employees buy their own homes in the Kingdom.

Savola Group arranges Takaful insurance to support employees' families in the event of death or permanent disability. Through the Takaful Cooperative Employee program, employees (or their families) receive the equivalent of 36 months basic salary in the event of such incidents.

Savola also operates an Employee Takaful Fund to assist junior staff (below manager level) to deal with financial emergencies. It is financed through voluntary monthly contributions from employees and Chairman to support their colleagues. 50 employees benefited from the fund during the year.

Savola Foods

Serving the needs of 6,279 full-time employees, the Savola Foods Human Capital Division played a key role in supporting the company's growth in 2017 by ensuring a capable, engaged and adaptable workforce across all geographies and product categories. In line with its commitment to providing internal career development opportunities and its strategic mission to enhance the professional skills and experience of its people, the company retained key talent through the Promote Within strategy and filled the majority of leadership vacancies through internal promotion rather than external recruitment.

Human Capital Development was a major focus in 2017. Around 200 mid-level managers from across Savola Foods were identified and selected for Accelerate, the company's in-house talent management and capacity building program. A further 30 executive-level employees were identified as future leaders and selected to participate in Iqtida'a, a bespoke 18-month executive leadership development program delivered in partnership with INSEAD Business School.

Reinforcing our market-leading Saudization credentials, we also maintained our platinum zone rating in 2017 employees in the Kingdom.

INSEAD

The Business School for the World®

Panda Retail

Panda Retail believes that its competitive advantage stems in large part from the investments it makes in its people. We aim to create an organization that provides individuals with the opportunity to enhance their skills and abilities whilst contributing to our ongoing success as a world-class retailer.

Therefore, attracting the right people, training them and providing the resources they require continues to be one of our highest priorities. Our Human Capital team supports the needs of a diverse and dynamic 23,434-strong workforce, comprising 22,629 full-time employees across our home market of Saudi Arabia and a further 805 in Egypt.

Panda Retail maintains an advanced Saudization rating of our employees in the Kingdom in 2017 – and has agreed with the Saudi Human Resource Development Fund (HRDF) to recruit and train young, dynamic Saudis. Initiated in 2017, our Saudization program is designed to complement the initiatives of the Ministry of Labor (MoL) in support of the 2030 Vision, and offers customized training to develop the technical skills required to nationalize jobs within stores. Saudization within our workforce in the Al-Qassim region, where the program was launched, rose from 35% to 60% in 2017.

Panda Retail has also been awarded a Gold-level Mowaamah Certificate by the Ministry of Labor and Social Development in recognition of our long-standing commitment to the employment of persons with disabilities, and received a prestigious international disability award from the Government of Brazil in association with the United Nations. Today, we employ 304 individuals with disabilities and operate a dedicated Panda Disability Committee to administer our Policy on the Employment of Employees with Disabilities.

Performance review

Our sustainability:
Value built on sustainable practices

143
Thousand
Negaderha food program beneficiaries

1,021
People
With disabilities recruited since 2010

73.8
SAR million
Raised for Leave the Change

100
Per cent
Decomposable and eco-friendly bags

"Sustainability is at the heart of the Savola brand. Our goal is to set an example for others to follow through our work with the community, our respect for the environment, and the support we provide to our employees and people with disabilities. In keeping with our mission to create value based on values, we are committed to adopting sustainable business practices across our Group and subsidiary companies."

Group Head of Sustainability

Sustainability and business success are not mutually exclusive; we believe sustainable business practices translate into long-term, profitable accomplishments, and Savola aims to spread this message across the sector and throughout the regional economy.

Launched in March 2017, Savola World is our unique sustainability platform – a game-changer in the field from which we aim to set the standard for responsible business throughout the entire MENAT region and beyond.

A holistic approach to sustainability

Our sustainability approach is designed to benefit the community, environment and our employees, while promoting responsible business practices within our sector.

The choices that businesses make have far-reaching consequences for the societies in which they operate. With a presence throughout the MENA region and Turkey, Savola's influence is felt by communities across numerous localities. We use this privileged position to effect beneficial behavioral change among our customers and stakeholders in these communities, promoting healthy living and sustainable food consumption and storage.

Change begins at home, however, which is why our employees lead by example when it comes to sustainable practices. They are the engine driving Savola's CSR success, and inspire us as a Group to stay true to the demanding commitments and goals we have set for ourselves. We therefore invest heavily in our workforce, providing world-class employee benefits and lifelong learning opportunities through our Management Trainee Program, and adhering to responsible human capital management practices to create a positive and supportive working environment for our people.

We are also keenly aware that it is equally important to maintain the health of the broader natural environment in which we live, work and thrive. Businesses have untold effects on the natural world, but these do not need to be negative; Savola and our subsidiaries are determined to make a positive contribution to the preservation of our environment through a reduce–reuse–recycle approach designed to efficiently rationalize consumption cycles.

We seek to spread this message beyond the confines of our network to the broader society and business community. By acting as a responsible corporate citizen and role model for other companies, Savola aims to instill sustainable practices throughout the sector, as this not only benefits our communities and the environment but also drives competitiveness, raises efficiency and maximizes industry potential for the benefit of all.

Performance review
Our sustainability continued

Negaderha

Negaderha

Around 1.3 billion tons of edible food is wasted globally each year (FAO, 2016), grossly undermining global food security, and Saudi Arabia wastes the most food per capita of any nation. Savola is passionately committed to reversing this highly negative and wasteful trend by raising awareness and driving behavioral change towards rational food consumption among our customers and stakeholders.

Our Negaderha program is a food waste prevention and reduction scheme developed to address food waste on a national basis. Savola partnered with the United Nations Environment Programme (UNEP), the Waste and Resources Action Programme (WRAP), and Ita'am Food Bank to create Negaderha, which aims to tackle food waste both in households and in the HORECA (hotels, restaurants and cafés) sector. Leveraging the global reach and technical expertise of the UNEP, the proven approaches to behavioral change employed by WRAP and the outreach capabilities of Ita'am, we aim to develop an in-depth understanding of the drivers of food waste in the Kingdom and implement campaigns to achieve tangible, quantifiable reductions in food waste.

Having completed a quantitative study of household food waste across the Kingdom, in 2017 Negaderha launched household awareness campaigns in Jeddah, Riyadh and Dhahran, spreading its message through key social media influencers, viral videos, flash mobs and traditional media messaging, as well as through its stands and direct interactions in public food courts. The program also offered shopping and storage tips, over 60 interactive leftover recipes and portion advice for party planning via its dedicated online portal.

During the Holy Month of Ramadan, Negaderha initiated a campaign and competition to prevent food waste by encouraging people to use leftovers from Iftar to create new dishes for Suhoor. More than 2,300 innovative recipes were received and three winners were selected near the end of the month. The campaign reached three million people across all outreach platforms.

Negaderha has also established a project in conjunction with Ita'am and the Jeddah Chamber of Commerce and Industry to create a comprehensive National Guide for Food Waste Management in the HORECA sector. The project, which aims to instill behavioral change in the sector to combat food waste, received an Institutional Initiatives Award from the Prince Khalid Al-Faisal Center for Moderation in December 2017.

Also in partnership with Ita'am, Negaderha distributed more than one million containers of saved food to 143,000 beneficiaries Kingdom-wide, illustrating the level of food wastage in the country.

Negaderha participated in the Fifth Arab Roundtable Meeting on Sustainable Production and Consumption, organized by the League of Arab States in Cairo in partnership with the UNEP, where it presented these successful programs in a session dedicated to private sector initiatives in sustainable consumption and production.

Makeen

Makeen

Savola Group has long maintained a commitment to integrating people with disabilities into its workforce and encouraging their wider participation in the national economy.

We were the first private company in Saudi Arabia to join the International Labor Organization (ILO) Global Business and Disability Network in October 2017, based on our commitment to the promotion and respect of the rights of persons with disabilities, raising awareness among society, and the development of policies and practices that protect disabled people from all forms of discrimination.

Savola is also one of the founders of the Qaderoon Business Disability Network of employers and holds a gold category Mowaamah certificate for the advancement of people with disabilities.

Our commitment to supporting people with disabilities is embodied by our Makeen program, which is dedicated to empowering people with disabilities and increasing the number of disabled people in private sector employment.

Since its introduction in 2010, Makeen has recruited over 1,021 employees with disabilities; offered free training programs to government organizations, NGOs and private sector companies on good conduct in their interactions with disabled persons; and shared its experience and best practice with other like-minded organizations seeking to employ more people with disabilities.

Makeen's online portal brings together disabled job seekers and private sector employers; in 2017 alone, we facilitated the employment of 110 people with disabilities, and we plan to increase this number in the coming year.

Sustainable initiatives in the retail sector

Savola's commitment to sustainable practices extends to the retail sector through its subsidiary, Panda Retail.

Panda's 'Leave the Change for Them' charitable initiative continued in 2017. This program encourages Panda's customers to donate the small change from their purchases at Panda outlets. Thanks to the generosity of customers across its entire network, Panda was able to collect SAR 7.4 million in 2017, bringing the total raised to SAR 73.8 million since the program was launched in 2006. Funds raised through this initiative are distributed to the Disabled Children's Association and the Trahom Association, which cares for prisoners and their families.

Another ongoing Panda initiative focuses on reducing the massive environmental impact of plastic bags. A recent World Health Organization (WHO) report shows that the world uses about 500 billion plastic bags each year, equivalent to around a million bags every minute. To do its part in combating this major environmental threat, Panda initiated a project in 2012 that replaced regular plastic shopping bags with bio bags that are 100% decomposable and eco-friendly.

The Savola Group Annual Report 2017

02

Directors' Report

Disclosures, Corporate Governance and Audit Committee Report

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

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

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	91%	SAR 1,000,000,000	100,000,000
3.	Al Matoun International for Real Estate Investment Holding Co.	KSA	Real Estate	KSA	80%	SAR 100,000,000	100,000
4.	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
5.	Giant Stores Trading Co. (Giant)	KSA	Retail	KSA	92% (Direct 10%)	SAR 500,000	500
ii. Dormant and holding subsidiaries:							
6.	Adeem Arabia Company Ltd. (Adeem)	KSA	Holding Company	KSA	100% (Direct 90%)	SAR 1,000,000	10,000
7.	Al Utur Arabian Co. for Commercial Investment (Formerly Al Utur Arabian Holding Company for Commercial Investment)	KSA	Holding Company	KSA	100% (Direct 99%)	SAR 1,000,000	10,000
8.	Al Mojammat Al Mowahadah Real Estate Co. (under liquidation)	KSA	Holding Company	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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
11.	Savola Industrial Investment Co. (SIIC)	KSA	Holding Company	KSA	100% (Direct 5%)	SAR 205,900,000	205,907
I. Savola Foods Company: **Subsidiaries Controlled through Savola Foods Company:** (% referred to SFC's direct & indirect ownership – SFC is wholly owned by Savola)							
12.	Afia International Co. (AIC)	KSA	Manufacturing of Edible Oils	KSA. Gulf. Egypt. Iran. Turkey. Jordan	95.19%	SAR 500,000,000	50,000,000
13.	Savola Industrial Investment Co. (SIIC)	KSA	Holding Company	Saudi Arabia	95%	SAR 205,900,000	205,907
14.	El-Maleka for Food Industries Co.	Egypt	Manufacturing of Pasta	Egypt	100%	EGP 268,898,960	433,708
15.	El Farasha for Food Industries Co.	Egypt	Manufacturing of Pasta	Egypt	100%	EGP 20,000,000	20,000
16.	Savola Foods Emerging Markets Co. Limited (SFEM)	British Virgin Islands (BVI)	Holding Company	Offshore company	95.43%	SAR 130,000,000	13,000,000
17.	Afia International Distribution and Marketing Co.	KSA	Trading and Distribution	KSA	100%	SAR 200,000	200
18.	Savola Foods for Sugar Co.	Cayman	Dormant Company	Offshore company	95%	USD 50,000	5,000
19.	Savola Foods Co. International Ltd.	United Arab Emirates (UAE)	Holding Company	UAE	100%	AED 500,000	500
20.	International Foods Industries Co. Ltd. (IFI)	KSA	Manufacturing of Specialty Fats	KSA	93%	SAR 107,000,000	10,700,000
21.	Seafood International Two FZCO	UAE	Seafood Products Trading and Distribution	UAE	60%	AED 100,000	100
22.	Afia Foods Arabia (Transfered from Savola Group)	KSA	Dormant Company	KSA	100%	SAR I,000,000	1,000
23.	Al Maoun International Holding Co. (Al Maoun)	KSA	Holding Company	KSA	100%	SAR 1,000,000	1,000
24.	Marasina International Real Estate Investment Ltd. (Marasina)	KSA	Holding Company	KSA	100%	SAR 200,000	200
25.	Afia Foods Arabia (Transferred to Savola Foods Co.)	KSA	Dormant Company	KSA	100% (Direct 90%)	SAR I,000,000	1,000
b) Subsidiaries controlled through Afia International Company (% referred to AIC's ownership; AIC is 95.19% owned by SFC)							
26.	Savola Behshahr Co. (SBeC)	Iran	Holding Company	Iran	90%	IRR 740,000,000,000	740,000,000

Main Activities and Financial Disclosures continued

1) The Group's main activities continued

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
27.	Malintra Holdings	Luxembourg	Dormant Company	Luxembourg	100%	EUR 1,250,000	1,250
28.	Savola Foods Ltd. (SFL)	BVI	Holding Company	Offshore company	100%	USD 52,000	52,000
29.	Afia International Co. – Jordan	Jordan	Dormant Company	Jordan	97.5%	JOD 8,000,000	8,000,000
30.	Inveskz Inc.	BVI	Dormant Company	Offshore company	90%	USD 138,847	138,847
31.	Afia Trading International	BVI	Dormant Company	Offshore company	100%	USD 500,000	500,000
32.	Savola Foods International	BVI	Dormant Company	Offshore company	100%	USD 50,000	50,000
33.	KUGU Gida Yatum Ve Ticaret A.S (KUGU)	Turkey	Holding Company	Turkey	100%	TRL 4,433,569	443,356,900
34.	Aseel Food – Holding Co.	Cayman	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)							
35.	Behshahr Industrial Co.	Iran	Manufacturing of Edible Oils	Iran	79.9%	IRR 3,000,000,000,000	3,000,000,000
36.	Tolue Pakshe Aftab Co.	Iran	Trading and Distribution	Iran	100%	IRR 100,000,000,000	100,000,000
37.	Savola Behshahr Sugar Co.	Iran	Trading and Distribution	Iran	100%	IRR 100,000,000	100,000
38.	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)							
39.	Afia International Co. Egypt	Egypt	Manufacturing of Edible Oils	Egypt	99.95%	EGP 154,651,500	30,930,300
40.	Latimar International Ltd.	BVI	Holding Company	Offshore company	100%	USD 640,000	640,000
41.	Elington International Ltd.	BVI	Holding Company	Offshore company	100%	USD 640,000	640,000
Under KUGU Gida Yatum Ve Ticaret A.S (% referred to KUGU's ownership; KUGU is wholly owned AIC)							
42.	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
c) Subsidiaries controlled through Savola Industrial Investment Company (% referred to SIIC's ownership; SIIC is 95% owned by SFC)							
43.	United Sugar Co. (USC)	KSA	Manufacturing of Sugar	KSA	74.48%	SAR 395,000,000	395,000

1) The Group's main activities continued

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
Under United Sugar Company (% referred to USC's direct & indirect ownership; USC is 74.48% by SIIC)							
44.	Alexandria Sugar Co. – Egypt	Egypt	Manufacturing of Sugar	Egypt	54.14% (73.14% including SFC %)	EGP 281,838,000	281,838
45.	USCE	Egypt	Manufacturing of Sugar	Egypt	31.15% (41.77% including Savola %)	USD 222,148,000	28,271,392
46.	Beet Sugar Industries	Cayman	Dormant Company	Offshore company	100%	USD 1,000	1,000
Under Alexandria Sugar Co. – Egypt (% referred to ASCE L's ownership; ASCE is 73.14% owned by SFC directly and indirectly)							
47.	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 Limited (% referred to SFEM's direct & indirect ownership; SFEM is wholly owned by SFC)							
48.	Savola Morocco Co.	Morocco	Manufacturing of Edible Oils	Morocco	100%	MAD 46,000,000	460,000
49.	Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of Edible Oils	Sudan	100%	SDG 45,800,000	45,800,000
50.	Afia International Co. – Algeria	Algeria	Manufacturing of Edible Oils	Algeria	100%	AD 3,028,071,000	3,028,071
e) Subsidiaries controlled through Savola Foods Company International Limited (% referred to SFCI's ownership; SFCI is wholly owned by SFC)							
51.	Modern Behtaam Royan Kaveh Co.	Iran	Food and Confectionery	Iran	100%	IRR 1,000,000	1,000
f) Subsidiaries controlled through Al Maoun And Marasina (% referred to Al Maoun & Marasina's ownership – both companies are wholly owned by SFC)							
52.	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 91% owned by Savola)							
53.	Giant Stores Trading Co.	KSA	Retail	KSA	90%	SAR 500,000	500
54.	Panda for Operations. Maintenance and Contracting Services	KSA	Services and Maintenance	KSA	100%	SAR 500,000	500
55.	Panda International for Retail Trading	Egypt	Retail	Egypt	100%	EGP 50,000,000	50,000,000
56.	Panda International Retail Trading	UAE	Retail	UAE	100%	AED 1,000,000	1,000
57.	Panda Bakeries Co.	KSA	Bakery	KSA	100%	SAR 500,000	500

Main Activities and Financial Disclosures continued

1) The Group's main activities continued

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
Under Giant (% referred to Giant's ownership – Giant is 90% owned by Panda)							
58.	Lebanese Sweets and Bakeries	KSA	Dormant Company	KSA	91.4% (Direct 4%)	SAR 5,000,000	5,000
Investees:							
59.	Almarai Co.	KSA	Fresh Food Products	KSA	34.52%	SAR 10,000,000,000	1,000,000,000
60.	Kinan International Real Estate Development Co.	KSA	Real Estate Development	KSA	29.9%	SAR 1,694,000,000	169,400,000
61.	USCE	Egypt	Manufacturing of Sugar	Egypt	41.77% (Savola effective ownership)	USD 156,000,000	15,600,000
62.	Seera City for Real Estate Development	KSA	Real Estate Development	KSA	40%	SAR 20,000,000	200,000
63.	Knowledge Economic City Developers Co.	KSA	Real Estate	KSA	2.07%	SAR 830,000,000	83,000,000
64.	Intaj Capital Ltd.	Republic of Tunisia (Tunisia)	Fund Management	Tunisia	49%	USD 260,000,000	260,000
65.	United Edible Oils Holding Ltd.	Cayman	Holding Company	Offshore company	51%	USD 36,351,431	36,351,431
Available for sale investments: **Listed:**							
66.	Knowledge Economic City	KSA	Real Estate Development	KSA	11.5%	SAR 3,393,000,000	339,300,000
67.	Emaar the Economic City	KSA	Real Estate	KSA	0.87	SAR 8,500,000,000	850,000,000
68.	Arab Phoenix Holdings Co. (Formerly Taameer Jordan Holding Co.)	Jordan	Real Estate Development	Jordan	5%	JOD 86,840,292	86,840,292
Unlisted:							
69.	Joussor Holding Co.	KSA	Investment Funds	KSA	14.81%	SAR 600,000,000	60,000,000
70.	Swicorp	KSA	Investment Funds	KSA	15%	SAR 500,000,000	50,000,000
71.	Dar Al Tamleek Co.	KSA	Real Estate Development	KSA	4.6%	SAR 508,750,000	50,875,000

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 '000):

Item	**2017**	2016	2015	2014	2013
Revenues	**23,830,475**	26,330,802	25,125,596	26,587,842	25,280,718
Cost of revenues	**(19,439,972)**	(21,677,838)	(20,100,206)	(21,724,122)	(20,507,182)
Gross profit	**4,390,503**	4,652,964	5,025,390	4,863,720	4,773,536
Net profit	**1,025,618**	(363,287)	1,791,747	2,072,319	1,704,481

b) Comparison of the Company's assets and liabilities (SAR '000):

Item	**2017**	2016	2015	2014	2013
Current assets	**6,653,387**	8,449,057	9,331,719	10,237,717	9,040,383
Non-current assets	**16,555,433**	16,838,339	17,643,635	16,163,909	15,722,473
Total assets	**23,208,820**	25,287,396	26,975,354	26,401,626	24,762,856
Current liabilities	**8,513,858**	10,406,259	9,967,229	10,161,490	9,102,352
Non-current liabilities	**4,986,982**	5,631,303	5,502,059	5,312,084	4,768,959
Total liabilities	**13,500,840**	16,037,562	15,469,288	15,473,574	13,871,311

Main Activities and Financial Disclosures continued

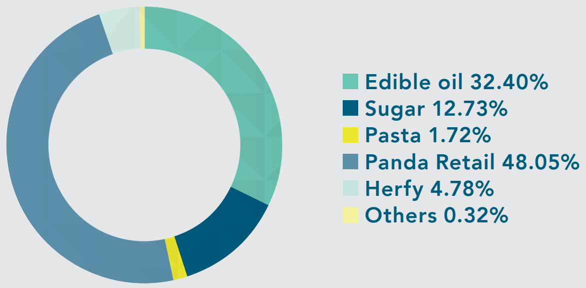
2) Consolidated performance of the Group continued
2–2) Geographical analysis of the Company's and its affiliates' revenues

Below is the Group's consolidated revenue for 2017 compared to the previous year, sector wise and activity wise (edible oils and vegetable ghee, sugar and sweeteners, pasta, seafood and retail sector), including geographical analysis based on brands and the countries where they are available:

Business line/country	Products/brands	2017 (SAR '000)	2016 (SAR '000)
Edible oil and vegetable ghee			
KSA, GCC and Yemen	Afia, Al-Arabi, Olite, Shams, Sun Glow, Dalal, Canola Afia	**2,290,865**	2,292,156
Egypt	Rawabi, Afia, Ganna, Slite, Helwa	**867,281**	1,108,264
Iran	Ladan, Aftab, Bahar, Afia	**2,590,588**	2,743,529
Sudan	Al Tayeb, Sabah, Shams	**375,157**	320,928
Morocco	Afia, Hala	**343,094**	303,525
Turkey	Yudum, Sirma	**827,538**	891,376
Algeria	Afia, Oleor	**556,538**	472,412
Total edible oil		**7,851,061**	8,132,190
Sugars and sweeteners			
KSA, GCC, and Yemen	Al Osra, Ziadah, Safaa, Nehar, Halla, Sweeva	**2,740,779**	2,848,025
Egypt	Al Osra	**343,554**	339,580
Total sugars and sweeteners		**3,084,333**	3,187,605
Total pasta product – Egypt	El Maleka, Macaronto, Italiano	**416,643**	532,142
Total seafood products – UAE	John West	**187**	22,787
Total Baked Foods		**19,626**	11,998
Total Intl. Food Industries Product	Butter and Margarine, (Culina, Margarina)	**12,370**	–
Total foods		**11,384,220**	11,886,722
Retail			
KSA	Hyper Panda, Panda Supermarket and Pandati	**11,471,660**	13,233,230
United Arab Emirates	Hyper Panda	**79,543**	303,509
Egypt	Hyper Panda, Panda Supermarket	**93,084**	35,636
Total retail		**11,644,287**	13,572,375
Herfy Food Services Co.		**1,157,793**	1,156,683
Others			
Real estate, KSA		**45,338**	55,008
Total other activities		**45,338**	55,008
Gross revenues		**24,231,638**	26,670,788
Intercompany Elimination		**(401,163)**	(339,986)
Total revenues/Sales		**23,830,475**	26,330,802

2) Consolidated performance of the Group continued
2–2) Geographical analysis of the Company's and its affiliates' revenues continued

Breakdown of Sector and Main Group activity contributions to 2017 consolidated revenues



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

Sr.	Income statement	2017 (SAR '000)	2016 (SAR '000)	Variance + or (–) (SAR '000)	Variance %
1	Revenues	**23,830,475**	26,330,802	(2,500,327)	-9.5%
2	Cost of revenues	**(19,439,972)**	(21,677,838)	2,237,866	-10.3%
3	Gross profit	**4,390,503**	4,652,964	(262,461)	-5.6%
4	Operational revenues – Other	**752,382**	702,011	50,371	7.2%
5	Operational expenses – Other	**(4,343,251)**	(4,882,359)	539,108	-11.0%
6	Operational profit (loss)	**799,634**	472,616	327,018	69.2%

Declaration: The Company didn't announce any financial expectations during 2017.

Note: The increase in the Group net income for the year 2017, compared to last year shown in the above table, is mainly attributed to: the gain 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; 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 EBRD as announced earlier on Tadawul; reduced losses from USCE; higher share of profit from associates despite of an increase in the share of loss from another associate; lower impairment loss; lower operating expenses; lower net finance cost; and lower Zakat and tax.

This increase in net income is despite lower gross profit, mainly due to the Foods sector, whereas the sales decline is attributed to both the Food and Retail sectors and a higher share of minority.

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, four 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 that Savola secured during 2017 (at prevailing market rates) reached SAR 340.1 million compared to SAR 369.1 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:

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

A) Long-term loans as of December 31, 2017 (SAR '000):

Sr.	Borrowing company	Lender	Loan period	Date issued	Original amount	Paid amount in 2017	Balance Dec–2017	Balance Dec–2016
1	Savola	Banque Saudi Fransi	5 years	Dec-13	500,000	**153,846**	**–**	153,846
		Bank Al Jazira	2 years	Dec-16	250,000	**250,000**	**–**	250,000
		Saudi Investment Bank	5 years	Dec-12	250,000	**62,500**	**–**	62,500
		National Commercial Bank	5 years	Oct-16	500,000	**31,250**	**468,750**	500,000
		Gulf International Bank	1.5 years	Dec-17	298,205	**–**	**298,205**	–
		Sukuk	7 years	Jan-13	1,500,000	**–**	**1,500,000**	1,500,000
Savola Group							**2,266,955**	2,466,346
2	Panda	Banque Saudi Fransi	5 years	Mar-14	500,000	**166,667**	**333,333**	500,000
		National Commercial Bank	4 years	Jul-15	300,000	**75,000**	**225,000**	300,000
		Saudi British Bank	5 years	Dec-15	300,000	**45,000**	**225,000**	270,000
			6 years	Dec-16	400,000	**–**	**400,000**	400,000
		Al Rajhi Bank	4 years	Mar-16	250,000	**83,333**	**166,667**	250,000
Panda Retail Co.							**1,350,000**	1,720,000
3	Afia-KSA	Saudi British Bank	5 years	Dec-14	350,000	**196,875**	**112,500**	309,375
	Kugu	HSBC	8 years	Jan-11	62,475	**10,412**	**15,619**	26,031
	Afia – Egypt*	Emirates NBD	5 years	Jan-16	13,656	**–**	**15,107**	13,656
			5 years	Jan-16	11,386	**–**	**28,514**	11,386
Afia International Co.							**171,740**	360,448
4	Afia Algeria	Fransabank	2 years	Aug-15	6,236	**6,236**	**–**	6,236
	Savola Edible Oils Sudan	Bank of Khartoum	3 years	May-16	4,268	**2,148**	**2,120**	4,268
			3 years	May-16	4,371	**2,199**	**2,172**	4,371
			3 years	May-16	543	**273**	**270**	543
			3 years	Jul-16	280	**125**	**155**	280
Savola Foods Emerging Co.							**4,717**	15,698
5	El Maleka for Food Industries	Qatar National Bank*	5.3 years	Feb-14	9,890	**–**	**8,038**	6,854
		National Bank of Kuwait	4 Years	Mar-16	17,744	**6,541**	**–**	6,541
			4 Years	Mar-16	3,323	**2,881**	**–**	2,881
Pasta							**8,038**	16,276
6	ASC Egypt	Commercial International Bank	7 years	Mar-10	529,937	**128,362**	**159,730**	288,092
		Egyptian Saudi Finance Bank (Al Baraka Bank)	10 years	Jul-09	24,366	**1,625**	**–**	1,625
	Alexandria UCLR	National Bank of Kuwait	5 years	Jan-15	77,512	**34,987**	**–**	34,987
Savola Industrial Investment Co.							**159,730**	324,704
7	IFI	Saudi British Bank	4.75 years	Nov-15	170,000	**42,500**	**116,875**	159,375

2) Consolidated performance of the Group continued

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

Sr.	Borrowing company	Lender	Loan period	Date issued	Original amount	Paid amount in 2017	Balance Dec–2017	Balance Dec–2016
International Foods Industries Co.							**116,875**	159,375
8	Herfy	Al Rajhi Bank	4-6 years	2014-2017	499,996	**139,070**	**296,960**	325,256
		Saudi Industrial Development Fund	6 years	2013-2016	42,903	**6,582**	**32,850**	39,103
Herfy Food Services Co.							**329,810**	364,360
Total long-term loans							**4,407,865**	5,427,207

* December 2017 loan value changed due to devaluation.

B) Short-term loans as of December 31, 2017 (SAR '000):

Sr.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2017	Balance Dec-2016
1	Savola Group	Saudi British Bank	1 month	Dec-17	**110,000**	–
Savola Group					**110,000**	1,528,819
2	Panda	Banque Saudi Fransi	1 month	Dec-17	**70,000**	
		National Commercial Bank	1 month	Dec-17	**150,000**	
			1 month	Dec-17	**120,000**	
			1 month	Dec-17	**100,000**	
		Samba Financial Group	1 month	Dec-17	**40,000**	
		Saudi British Bank	1 month	Dec-17	**135,000**	
Panda Retail Co.					**615,000**	505,000
3	Afia International Co.	National Commercial Bank	1 month	Dec-17	**150,000**	
		Samba Financial Group	1 month	Dec-17	**180,000**	
			1 month	Dec-17	**100,000**	
			1 month	Dec-17	**15,000**	
		Saudi British Bank	1 month	Dec-17	**100,000**	
4	Afia International Egypt	Arab African International Bank	1 year	Aug-17	**27**	
		Hongkong and Shanghai Banking Corp.	1 year	Aug-17	**32,235**	
		Emirates NBD	1 year	Sep-17	**29,768**	
		National Bank of Kuwait	1 year	Oct-17	**37,716**	
		Egyptian Saudi Finance Bank (El Baraka Bank)	1 year	Nov-17	**18,233**	
		National Bank of Egypt	1 year	Oct-17	**29,393**	
		Mashreq Bank	1 year	Nov-17	**25,308**	
		Banque Misr	1 year	Jun-17	**111**	
		Ahli United Bank	1 year	Oct-17	**12,641**	
5	Behshahr Industrial Co.	Tejarat Bank	6–12 months	Oct-17	**39,344**	
		EN Bank	3 months	Nov-17	**8,915**	
6	Notrika Golden Wheat Co.	Tejarat Bank	1 year	Jan-17	**97**	

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

Sr.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2017	Balance Dec-2016
7	Savola Gida Sanayi ve Ticaret AS	European Bank for Reconstruction and Development	1 year	Dec-17	**67,414**	
		Hongkong and Shanghai Banking Corp.	1 year	Dec-17	**1,044**	
		Garanti Investment Credit	1 year	Jul-17	**15,311**	
Afia International Co.					**862,557**	608,514
8	Afia International Company – Algeria	Fransabank el Djazair	6 months	Nov-17	**433**	
			6 months	Dec-17	**18,419**	
			6 months	Dec-17	**15,109**	
		Arab Bank Plc	6 months	Sep-17	**11,703**	
			6 months	Oct-17	**9,637**	
		Hongkong and Shanghai Banking Corp.	6 months	Aug-17	**15,750**	
			6 months	Oct-17	**15,490**	
			6 months	Dec-17	**17,876**	
		Societe Generale Algerie	3 months	Oct-17	**9,209**	
9	Savola Morocco Co.	Attijari Wafa Bank	1 year	Jan-17	**1,093**	
			2 months	Nov-17	**38,719**	
10	Savola Edible Oils (Sudan) Ltd.	Arab Sudanese Bank	6 months	Aug-17	**102**	
			6 months	Jul-17	**50**	
			8 months	Jun-17	**109**	
			8 months	Aug-17	**439**	
		Qatar National Bank	9 months	Apr-17	**2,843**	
		National Bank of Egypt	8 months	May-17	**91**	
			8 months	Jun-17	**23**	
			8 months	Dec-17	**1,895**	
			8 months	Dec-17	**5,121**	
			8 months	Dec-17	**3,001**	
		Bank of Khartoum	8 months	Jul-17	**2,892**	
			8 months	May-17	**1,787**	
			8 months	Aug-17	**2,571**	
			8 months	Aug-17	**2,572**	
			8 months	Nov-17	**8,049**	
			6 months	Oct-17	**7,775**	
Savola Foods Emerging Co.					**192,758**	183,159
11	El Maleka for Food Industries Co.	Emirates NBD	6 months	Sep-17	**16,393**	
		National Bank of Kuwait	6 months	Sep-17	**6,665**	
				Sep-17	**7,615**	
		Qatar National Bank	6 months	Sep-17	**16,424**	

2) Consolidated performance of the Group continued
2–4) Details of long and short-term loans and payment status continued

Sr.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2017	Balance Dec-2016
12	El Farashah for Food Industries	National Bank of Kuwait	6 months	Sep-17	**4,622**	
Pasta					**51,719**	57,903
13	United Sugar Co.	Saudi British Bank	1 month	Dec-17	**200,000**	
			1 month	Dec-17	**50,000**	
		National Commercial Bank	1 month	Dec-17	**150,000**	
			1 month	Dec-17	**120,000**	
		Samba Financial Group	1 month	Dec-17	**20,000**	
14	Alexandria Sugar Co.	Commercial International Bank	1 year	Nov-17	**21,055**	
			6 months	Nov-17	**23,304**	
		Bank of Alexandria	1 year	Jan-17	**21,523**	
			4 months	Sep-17	**31,645**	
			4 months	Sep-17	**18,808**	
15	Alexandria UCLR	National Bank of Kuwait	1 year	Sep-17	**16,504**	
Savola Industrial Investment Co.					**672,839**	757,434
16	Afia Intl. Distribution & Marketing Company	Saudi British Bank	3 months	Dec-17	**22,000**	
Afia Intl. Distribution & Marketing Company					**22,000**	–
17	Savola Foods Company	Saudi Investment Bank	1 month	Dec-17	**86,273**	
			3 months	Nov-17	**52,514**	
			3 months	Nov-17	**58,891**	
			3 months	Nov-17	**54,390**	
			1 month	Dec-17	**101,277**	
			1 month	Dec-17	**108,779**	
Savola Foods Co.					**462,124**	–
Total short-term borrowing					**2,988,997**	3,640,829

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)

		2017			
No.	Item (payments)	Paid	Due until the end of the financial period but not paid	Description	Reasons/Justifications
1.	Customs duties	**253,216**	**156,997**	–	According to the requirements of the laws and applicable regulations
2.	Zakat	**430**	**3,000**	–	
3.	Income tax and withholding tax	**92,384**	**89,656**	Withholding tax	
4.	GOSI (for KSA) and social insurance (for outside KSA)	**123,744**	**5,908**	Employees' GOSI and social insurance	
5.	Visas and passport office fees	**20,873**	**–**	Iqama renewal, exit and re-entry visas	
6.	Labor office fees	**33,423**	**195**	Work permits	
7.	Other duties and government levies	**58,357**	**4,046**	License fees, fines and penalties and other fees	

3) Potential risks
3–1) Overview

The Group, like any other economic entity, may be affected by risks through the nature of its commercial activities in basic food commodities, retail and other investments. These risks may be summarized in the possibility of 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 Group is in the process of establishing a Risk Management Department.

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.

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.

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 Board of Directors 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.

Main Activities and Financial Disclosures continued

3) Potential risks continued
3–2) Financial instruments and risk management continued

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.

During 2014, the Group entered into Interest Rate Swaps (IRS) to partially manage its exposure to interest rate risk on Sukuk issuance value of SAR 1.5 billion, up to the extent of SAR 750 million. This has been designated as a cash flow hedge.

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 and it invests 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 condensed consolidated interim financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated interim 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.

The Group's investment in foreign subsidiaries are not hedged.

c–3) Price risk:
The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because Group holds investment in certain listed equities which are classified on the statement of financial position as available-for-sale 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.

d) 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 continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. 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. Trade and other receivables are carried net of provision for doubtful debts.

3) Potential risks continued
3–2) Financial instruments and risk management continued

e) 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, 2017, the Group has unused bank financing facilities amounting to SAR 4.7 billion (December 31, 2016: SAR 3.7 billion) to manage the short-term and the long-term liquidity requirements.

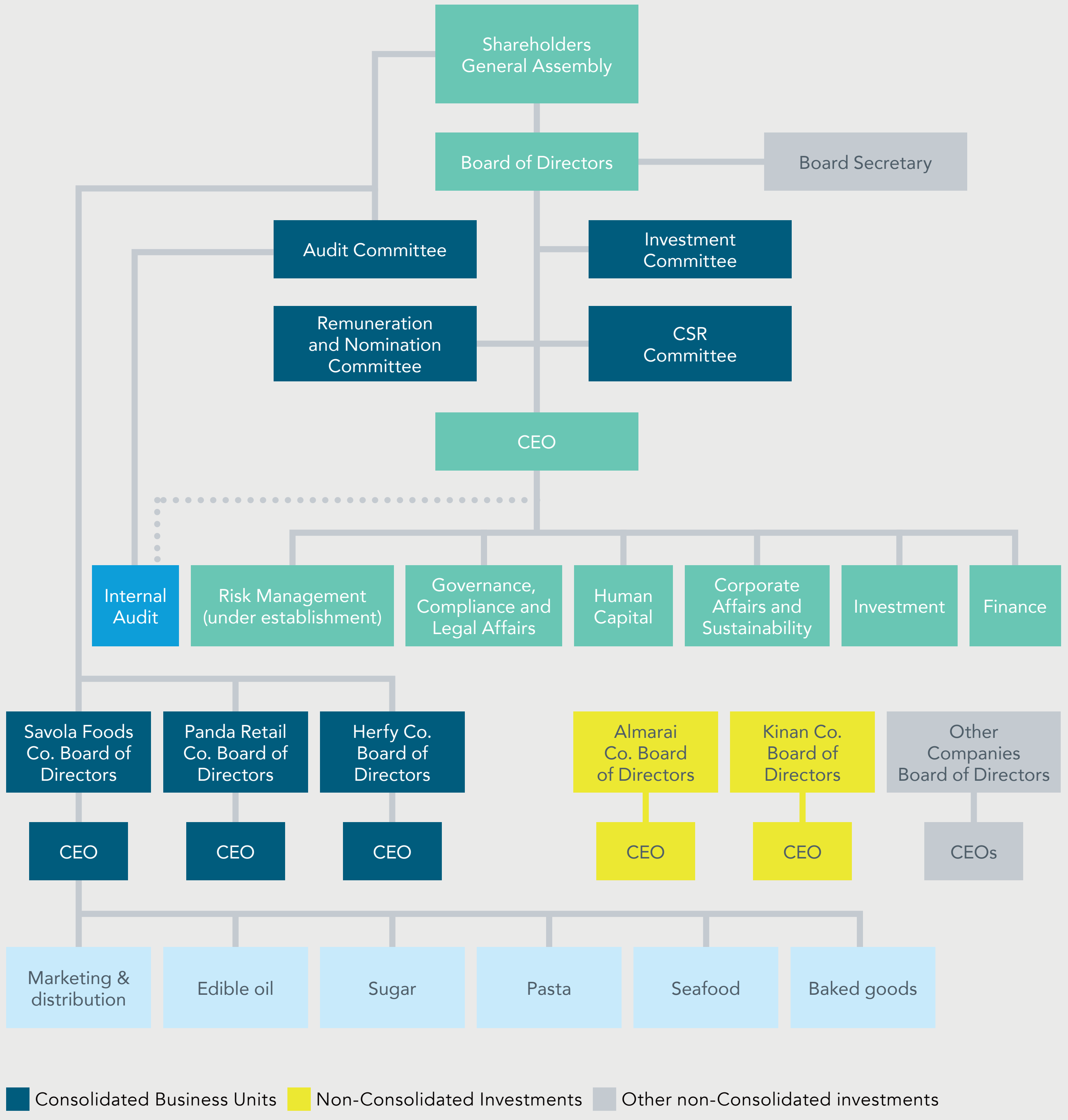
f) Fair value of assets and liabilities
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has 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 2017.

g) 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.

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.

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:

Sr.	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
		The Saudi British Bank	Inside	Listed	Thabat Contracting Co	Inside	Listed
		Almarai Co.	Inside	Listed	Al Oula For Real Estate Development co.	Inside	Unlisted
		National Industrialization Co.	Inside	Listed			
		Acwa Power International	Inside	Unlisted			
		Al Muhaidib & Sons Co.	Inside	Unlisted			
		Rafal Real Estate Co.	Inside	Unlisted			
		Arabic Co. for Water and Power Development	Inside	Unlisted			
		Al Muhaidib Holding	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			
		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			
		Hayfa Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Loloah Sulaiman Almudaiheem & Partners Co.	Inside	Limited Liability			
		Essam Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Amwal Al Alajyal Trading Co.	Inside	Limited Liability			

Corporate Governance Report and major relevant disclosures continued
b) Composition of the Board and members classification continued

Sr.	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)
		Al Muhaideb for Development Co.	Inside	Limited Liability			
		Tanmiat Alahlam for Construction Co.	Inside	Limited Liability			
		Taj Al Awfia Co.	Inside	Limited Liability			
		Zat Al Sawary Co.	Inside	Limited Liability			
		Amwal AlKhaleej for Commercial Investment Co.	Inside	Limited Liability			
		Mayar Transport & Warehousing Com.	Inside	Limited Liability			
2.	Mr. Bader Abdullah Al Issa	Savola Group	Inside	Listed	Savola Packaging Systems Co.	Inside	Unlisted
		Dur Hospitality	Inside	Listed	Kinan International Real Estate Development Co.	Inside	Unlisted
		Banque Saudi Fransi	Inside	Listed	Al Aqeeq Real Estate Development Co.	Inside	Unlisted
		Almarai	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			
		Aseela 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

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued
b) Composition of the Board and members classification continued

Sr.	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)
					National Commercial Bank	Inside	Unlisted
					Saudi Foundation for Developing of Entrepreneurship	Inside	Unlisted
					Social Development Bank (Saudi Credit & Saving Bank – formerly)	Inside	Government Institute
					Alujain Co.	Inside	Listed
					Saudi Cable Co.	Inside	Listed
					Saudi Turkish Investment Co.	Outside	Unlisted
4.	Mr. Abdulaziz Khaled Al Ghufaily	Savola Group	Inside	Listed	Tabuk Agriculture Development Co.	Inside	Listed
		Alrajhi Bank	Inside	Listed	National Medical Care Co.	Inside	Listed
		Herfy Food Services Co.	Inside	Listed	The Industrialization & Energy Services Co.	Inside	Unlisted
		Panda Retail Co.	Inside	Unlisted	Riyadh Hotels & Entertainment Co.	Inside	Unlisted
		Al Rajhi Capital	Inside	Unlisted	Saudi Industries Development Co.	Inside	Unlisted
5.	Mr. Essam Abdulqader Al Muhaidib	Savola Group	Inside	Listed	Saudi Tabreed Co.	Inside	Unlisted
		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			
		Aloula for Real Estate Co.	Inside	Unlisted			
		Emdad Human Resources & Manpower Supply Co.	Inside	Unlisted			
		Arabian Co. for Water & Energy Development	Inside	Unlisted			

Corporate Governance Report and major relevant disclosures continued
b) Composition of the Board and members classification continued

Sr.	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)
		Al Salam Bank Bahrain	Outside	Listed			
		Nesaj Real Estate Development Co.	Inside	Limited Liability			
		International Timber Co.	Inside	Limited Liability			
		Al Muhaidib Land Transport	Inside	Limited Liability			
		Zat Al Sawary Co.	Inside	Limited Liability			
		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			
		Al Latifia Trading & Contracting Co.	Inside	Limited Liability			
		BlomInvest Saudi Arabia	Inside	Unlisted			
		Albalad Amin Co.	Inside	Unlisted			
		Amwal AlKhaleej for Commercial Investment Co.	Inside	Limited Liability			
		Tanmiat Al Ahlam for Construction	Inside	Limited Liability			
		Al Muhaideb for Development Co.	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			

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued
b) Composition of the Board and members classification continued

Sr.	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)
		Himmah Logistics Co.	Inside	Limited Liability			
		Wathrah Real Estate Investment & Development 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			
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			
		Riyadh Bank	Inside	Listed			
		Savola Foods Co.	Inside	Unlisted			
		United Sugar Co.	Inside	Unlisted			
		Afia International Co.	Inside	Unlisted			
		Afia International 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			

Corporate Governance Report and major relevant disclosures continued
b) Composition of the Board and members classification continued

Sr.	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			
		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			
		Amwal Financial Consultations	Inside	Limited Liability			
		Ariz Trading Investment	Inside	Limited Liability			
		Raj Real Estate Co.	Inside	Limited Liability			
		Al Rajhi Alpha Investment Holding	Inside	Limited Liability			
		Rakeen Najd International Co.	Inside	Limited Liability			
		Pearl Gate Co.	Inside	Limited Liability			
		Fincorp Investment Co.	Outside	Unlisted			
8.	Mr. Mohammad Abdulgadir Al Fadl	Savola Group	Inside	Listed	Dar Al Tamleek	Inside	Unlisted
		Jeddah Holding Co.	Inside	Unlisted			
		Kinan International Real Estate Development Co.	Inside	Unlisted			
9.	Mr. Abdulaziz Ibrahim Al Issa	Savola Group	Inside	Listed			Listed
		Saudi Transport & Investment Co. (BATIC)	Inside	Listed			
		Arabian Shield Insurance Co.	Inside	Listed			
		UBS Saudi Arabia	Inside	Unlisted			
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

Sr.	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 for Real Estate Development	Inside	Unlisted	Panda Retail Co.	Inside	Unlisted
					Saudi Plastic Packaging Systems Co.	Inside	Unlisted
					Al Roba'aia Co. for Real Estate Development	Inside	Unlisted
					Saudi Stock Exchange Tadawul	Inside	Unlisted
					Savola Sime Egypt	Outside	
					Venture Capital Bank Bahrain	Outside	

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 Abdul Al Fadl	Their current and previous positions, qualifications and experience were above mentioned in this report.			
2. Mr. Essam Abdulkader Al Muhaidib				
3. Mr. Bader Abdullah Al Issa				
4. Eng. Abdullah Mohammed Nour Rehaimi				
5. 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 (1986) • MA, Business Law, and MA, Private Law, Erasmus University Rotterdam, The Netherlands (1985) • 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 above mentioned in this report.			
2. Mr. Abdulaziz Khaled Al Ghufaily				
3. Mr. Fahad Abdullah Al Kassim				
4. Dr. Sami Mohsen Baroum				
5. Eng. Mutaz Qusai Alazawi				
Social Responsibility Committee members:				
1. Mr. Abdulaziz Ibrahim Al Issa	His current and previous positions, qualifications and experience were above mentioned in this report.			
2. Eng. Rayan Mohammed Fayez	His current and previous positions, qualifications and experience were above mentioned in this report.			

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
3. Dr. Mervat Ahmed Tashkandi	Advisor to the Minister for Societal 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 A number of academic positions in several universities	• PhD in Special Education, University of South Africa, Pretoria, Republic of South Africa, 2000 • MA in Special Education – Early Childhood, Teachers College, Columbia University, New York, USA, 1988 • MA 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	Experience in CSR and empowerment programs for persons with disabilities
4. 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
5. 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

Corporate Governance Report and major relevant disclosures continued
b) Composition of the Board and members classification continued

c) Internal control, governance & compliance and Human Resources team:
As part of the above organizational structure, the following is a summary of the internal control team, compliance and human resources 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 Asim Barakat	Mr. Elnour Ali Saad	Mr. Morhaf M. Alsamman
Current positions	Head of Internal Audit, the Savola Group from (2012-present)	Head of Corporate Governance, Compliance and Legal Affairs (January 2015 – present)	Head of Human Resources, the Savola Group (2017-present)
Previous positions	Senior Manager at Abu Dhabi Accountability Authority Manager at KPMG Manager at Ernst & Young	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	• Joined Savola in March 2016 as the Head of Talent Acquisition • Prior to joining Savola, he worked in different local and international companies, including Emaar Economic City, NCB and Cristal Global
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	Master of Laws (LLM), University of Cumbria, UK BA & MBA, Sudan University of Science and Technology (SUST) Certified CG and Board Secretary	A certified Professional in Human Resources – Internationalism (PHRism) from the HR Certification Institute Master's degree in Business Information Technology from DePaul University in Chicago
Experience	Extensive experience over 25 years in internal and external audit, governance, risk management, compliance and financial affairs	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	Over ten years of experience in the field of HR Management, mainly: • HR business partnerships • Staffing & recruitment • Organization development • Performance management • Training & development • Saudization programs • HR policy & procedure

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued
b) Composition of the Board and members classification continued

b-4) Board meetings attendance record:

In order to enhance its role and responsibilities, the Board held seven meetings during 2017. The below schedule shows the attendance records for each meeting:

		Meetings during 2017							
Sr.	Name	Jan 18	May 4	Jun 14	Sep 19	Sep 23	Nov 2	Dec 16-17	No. of meetings attended
1.	Mr. Sulaiman A. Al Muhaidib	√	√	√	√	√	√	√	7 of 7
2.	Eng. Abdullah M. N. Rehaimi	√	√	√	√	√	√	√	7 of 7
3.	Mr. Bader Abdullah Al Issa	√	√	√	√	√	√	√	7 of 7
4.	Mr. Abdulaziz Khaled Al Ghufaily	√	√	√	√	√	√	√	7 of 7
5.	Mr. Mohammad A. Al Fadl	√	√	√	√	√	√	√	7 of 7
6.	Mr. Essam Abdulkader Al Muhaidib	√	√	√	√	√	×	√	6 of 7
7.	Mr. Fahad Abdullah Al Kassim	√	×	√	√	√	√	√	6 of 7
8.	Mr. Omar Hadir N. Al-Farisi	√	√	√	√	√	√	√	7 of 7
9.	Dr. Sami Mohsen Baroum	√	√	√	√	×	√	×	5 of 7
10.	Mr. Abdulaziz Ibrahim Al Issa	√	√	√	√	√	√	√	7 of 7
11.	Eng. Mutaz Qusai Alazawi	√	√	√	√	√	√	√	7 of 7
13.	Mr. Tarik M. Ismail (Board Secretary)	√	√	√	√	√	√	√	7 of 7

Date of last meeting of the General Assembly was November 2, 2017, and before that an AGM was held on April 19, 2017. The attendance records above reflect the attendance of the Board members during the full year.

Notes:
* The financial results for Q2 2017 were approved by circulation based on the Audit Committee recommendation in its meeting held on August 8, 2017.
** The Group Board held a workshop (for two days) in December dedicated to reviewing and discussing strategy, plans and general polices for the Group and its subsidiaries, in addition to monitoring and following up the execution of plans.

b-5) A list of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them:

Two General Assembly of shareholders meetings were held during the last fiscal year. The following is a list of the members of the Board of Directors present at these meetings:

		Sequence of General Assembly meetings held during 2017 and their dates		
	Board member	EGM (No. 30) April 19, 2017	AGM (No. 39) November 2, 2017	No. of meetings attended
1.	Mr. Sulaiman A. Al Muhaidib	√	√	(2) of (2)
2.	Mr. Bader Abdullah Al Issa	√	√	(2) of (2)
3.	Eng. Abdullah Rehaimi	√	√	(2) of (2)
4.	Mr. Abdulaziz Khaled Al Ghufaily	√	√	(2) of (2)
5.	Mr. Essam Abdulkader Al Muhaidib*	√	×	(1) of (2)
6.	Eng. Mutaz Qusai Alazawi	√	√	(2) of (2)
7.	Mr. Fahad Abdullah Al Kassim	√	√	(2) of (2)
8.	Mr. Mohammad Al Fadl	√	√	(2) of (2)
9.	Mr. Omar Hadir N. Al-Farisi	√	√	(2) of (2)
10.	Mr. Abdulaziz Ibrahim Al Issa	√	√	(2) of (2)
11.	Dr. Sami Mohsen Baroum	√	√	(2) of (2)

* Mr. Essam Abdulkader Al Muhaidib did not attend the ordinary General Assembly no. (39) due to a matter of urgency that required his presence in Dammam city.

Corporate Governance Report and major relevant disclosures continued
c) Board of Directors Committees

c-1) Remuneration and Nomination Committee:

- Meetings and role of the Committee:

The RNC Committee 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 five meetings during 2017 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 the following:

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 2017:

		Meetings during 2017					
Sr.	Name	Jan 18	Apr 19	Sep 19	Nov 30	Dec 17	Total
1.	Mr. Mohammad A. Al Fadl (Chairman) (Independent Savola Board member)	√	√	√	√	√	**5 of 5**
2.	Mr. Essam Abdulkader Al Muhaidib (Non-executive Savola Board member)	√	√	√	√	√	**5 of 5**
3.	Mr. Bader Abdullah Al Issa (Non-executive Savola Board member)	√	√	√	√	√	**5 of 5**
4.	Eng. Abdullah M.N. Rehaimi (Non-executive Savola Board member)	√	√	√	√	√	**5 of 5**
5.	Mr. Johan Brand (Independent external member)	√	√	√	√	√	**5 of 5**
–	Mr. Tarik M. Ismail (Committee Secretary)	√	√	√	√	√	**5 of 5**

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued
c) Board of Directors Committees continued

c–2) Investment Committee:

- Meetings and role of the Committee:

The Investment Committee consists of five members, most of whom are non-executives and independent. The Committee held six meetings during 2017 to enhance the role of the Board in following and implementing the strategic plans in relation to investment opportunities. A summary of the Committee's role, responsibilities, membership and the number of meetings held during 2017 is below:

- 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, 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).

- Statement of member attendance for Committee meetings held during 2017:

Sr.	Name	Meetings during 2017 Jan 17	May 3	May 4	Jul 13	Sep 19	Nov 2	Total
1.	Mr. Omar Hadir N. Al-Farisi (Chirman) (Independent Savola Board member)	√	√	√	×	√	√	5 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.	Dr. Sami Mohsen Baroum (Independent Savola Board member)	√	√	√	√	√	√	6 of 6
5.	Eng. Mutaz Qusai Alazawi (Non-executive Savola Board member)	√	√	√	√	√	√	6 of 6
–	Mr. Tarik M. Ismail (Committee Secretary)	√	√	√	√	√	√	6 of 6

* Eng. Rayan Mohammed Fayez attended one meeting on January 17, 2017, then resigned from the Committee membership upon the issuance of the CG Regulations in February 2017, which set the maximum number of members in the Company's Committees to five members. He received five thousand riyals as attendance fee.

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 the remaining are independents). In fulfilling its roles and responsibilities, the Committee held six meetings in 2017 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 2017:

Corporate Governance Report and major relevant disclosures continued
c) Board of Directors Committees continued

- Summary of Committee role and duties and main responsibilities:

The Committee's 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 and standards for monitoring implementation. Particularly, the Committee duties and responsibilities include 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).

- Statement of member Attendance for Committee meetings held during 2017:

Sr.	Name	Meetings during 2017 Jan 17	Mar 14	May 3	Sep18	Dec 3	Dec 31	Total
1.	Mr. Abdulaziz Ibrahim Al Issa (Chairman) (Independent Savola Board member)	√	√	√	√	√	√	6 of 6
2.	Eng. Rayan Mohammed Fayez* (Executive – Former CEO of the Group)	√	√	√	√	√	×	5 of 6
3.	Mr. Mahmoud M. Abdulghaffar (Non-executive member)	√	√	√	√	×	×	4 of 6
4.	Dr Mervat A. Tashkandi (External member)	√	×	√	√	√	√	5 of 6
5.	Mr. Saleh A. Alrammah (External member)	√	√	√	√	√	√	6 of 6
–	Mr. Tarik M. Ismail (Committee Secretary)	√	√	√	√	√	√	6 of 6

d) The means used by the Board of Directors to assess its performance and the performance of its Committees and members

Savola has conducted a periodical review of Board effectiveness since 2009, with the most recent assessment in 2014/2015. During 2017, the Company started the process of assessing its Board, its Board members and Board Committees. As this exercise is a new practice in the region, the process of selecting a specialized and independent party may take some time. A number of interviews were conducted with a selection of entities to carry out this process under the supervision of the Remuneration and Nomination Committee (RNC), which will continue its effort to select and engage with one of the suitable entities. The process is expected to be completed in 2018, and the required disclosure will be published in the Director's report for the next year.

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued
e) Remuneration of the Board, Committee members and executive management

e-1) General standards for remuneration:
The 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 a 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 Committee recommendation.
- Committee member remuneration shall consist of an annual remuneration a 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 GA 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 GA in the next meeting for approval.

Corporate Governance Report and major relevant disclosures continued
e) Remuneration of the Board, Committee members and executive management continued

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) during work.
- 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

e-4) Remuneration of the Board members: the following table represents Board of Director's members remuneration for 2017 in (SAR):

Sr. Member name	Title	Fixed remuneration: Specific amount	Allowance for attending Board meetings	Total allowance for attending Committee meetings	In-kind benefits	Remuneration for technical, managerial and consultative work	Remuneration of the Chairman, Managing Director or Secretary, if a member	Total	Variable remuneration: Percentage of the profits	Periodic Remuneration	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total	End of Service Benefit	Aggregate Amount	Expenses allowance
First: Independent Directors:																	
1. Mr. Mohammad Al Fadl	Member	200,000	40,000	25,000	–	–	–	265,000	–	–	–	–	–	0	–	265,000	–
2. Mr. Fahad Abdullah Al Kassim	Member	200,000	35,000	55,000	–	–	–	290,000	–	–	–	–	–	0	–	290,000	24,740
3. Mr. Omar Hadir N. Al-Farisi	Member	200,000	40,000	25,000	–	–	–	265,000	–	–	–	–	–	0	–	265,000	80,845
4. Dr. Sami Mohsen Baroum	Member	200,000	25,000	30,000	–	–	–	255,000	–	–	–	–	–	0	–	255,000	–
5. Mr. Abdulaziz Ibrahim Al Issa	Member	200,000	40,000	60,000	–	–	–	300,000	–	–	–	–	–	0	–	300,000	32,899
Second: Non-Executive Directors:																	
6. Mr. Sulaiman A. Al Muhaidib	Chairman	200,000	40,000	NA	–	–	–	240,000	–	–	–	–	–	0	–	240,000	30,175
7. Mr. Bader Abdullah Al Issa	Vice Chairman	200,000	40,000	25,000	–	–	–	265,000	–	–	–	–	–	0	–	265,000	35,610
8. Eng. Abdullah Rehaimi	Member	200,000	40,000	25,000	–	–	–	265,000	–	–	–	–	–	0	–	265,000	–
9. Mr. Abdulaziz Khaled Al Ghufaily	Member	200,000	40,000	65,000	–	–	–	305,000	–	–	–	–	–	0	–	305,000	35,610
10. Mr. Essam Abdulkader Al Muhaidib	Member	200,000	35,000	25,000	–	–	–	260,000	–	–	–	–	–	0	–	260,000	29,144
11. Eng. Mutaz Qusai Alazawi	Member	200,000	40,000	30,000	–	–	–	270,000	–	–	–	–	–	0	–	270,000	35,836
Total		**2,200,000**	**415,000**	**365,000**	**–**	**–**	**–**	**2,980,000**	**–**	**–**	**–**	**–**	**–**	**0**	**–**	**2,980,000**	**304,859**

Corporate Governance Report and major relevant disclosures continued
e) Remuneration of the Board, Committee members and executive management continued

e–5) Remuneration of Committee members (SAR):

Sr. 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	108,195	30,000	138,195	7,305
2. Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	Member	108,195	35,000	143,195	7,305
3. Mr. Abdulaziz Ibrahim Al Issa (Non-executive, Savola Board member)	Member	108,195	30,000	138,195	1,983
4. Dr. Abdul Raouf Banaja (Independent, external member)	Member	108,195	30,000	138,195	–
5. Mr. Khalid M. Alsolae (Independent external member)	Resigned member	75,000	25,000	100,000	12,175
Total		**507,780**	**150,000**	**657,780**	**28,768**
Remuneration & Nomination Committee members:					
1. Mr. Mohammad A. Al Fadl (Independent, Savola Board member)	Chairman	100,000	25,000	125,000	–
2. Mr. Bader Abdullah Al Issa (Non-executive, Savola Board member)	Member	100,000	25,000	125,000	–
3. Mr. Essam Abdulkader Al Muhaidib (Non-executive, Savola Board member)	Member	100,000	25,000	125,000	–
4. Eng. Abdullah M.N. Rehaimi (Non-executive, Savola Board member)	Member	100,000	25,000	125,000	–
5. Mr. Johan Brand (Independent external member)	Member	100,000	25,000	125,000	17,612
Total		**500,000**	**125,000**	**625,000**	**17,612**
Investment Committee members:					
1. Mr. Omar Hadir N. Al-Farisi (Independent, Savola Board member)	Chairman	100,000	25,000	125,000	–
2. Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	4,870
3. Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)	Member	100,000	25,000	125,000	2,435
4. Dr. Sami Mohsen Baroum (Independent, Savola Board member)	Member	100,000	30,000	130,000	–
5. Eng. Mutaz Qusai Alazawi (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	–
Total		**500,000**	**145,000**	**645,000**	**7,305**

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

Sr.	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. Abdulaziz Ibrahim Al Issa (Non-executive, Savola Board member)	Chairman	100,000	30,000	130,000	5,950
2.	Eng. Rayan Mohammed Fayez (Executive member)	Member	NA	25,000	25,000	–
3.	Mr. Mahmoud M. Abdulghaffar (Non-executive member)	Member	NA	20,000	20,000	–
4.	Dr. Mervat A. Tashkandi (Independent external member)	Member	100,000	25,000	125,000	–
5.	Mr. Ahmed Saleh Alrammah Independent external member	Member	100,000	30,000	130,000	21,216
Total			**300,000**	**130,000**	**430,000**	**27,166**

e–6) Senior executives' compensation:
Compensation and benefits paid to senior executives including the CEO and CFO of the Group during 2017 were (in SAR):

No. Description	Senior executives' (6 in total) compensation including the CEO and the CFO (SAR '000)
Fixed remuneration	
– Salaries	11,562
– Allowances (including housing, transportation, health insurance, education allowance, etc.)	4,047
– In-kind benefits	339
Total of fixed remuneration	**15,948**
Variable remuneration	
– Periodic remuneration	–
– Profits	–
– Short-term incentive plans (including performance-related bonus for 2017)*	8,226
– Long-term incentive plans	–
– Granted shares (insert the value)	–
Total of variable remuneration	**8,226**
– End of service award	820
– Total remuneration for Board executives, if any	84
Grand total	**25,078**

* As per the disclosure made in the 2016 annual report regarding the postponement of the CEO annual remuneration until 2017, please note that the former CEO received his 2016 annual bonus which amounted to SAR 3.75 million.

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:

Sr.	Names of members whom the interest, contractual securities or rights issue belongs to	Board members and their relatives: 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. Sulaiman A. Al Muhaidib	1,000	Non	1,000	Non	0	0%
2.	Eng. Abdullah Rehaimi	46,762	Non	4,000	Non	(42,762)	91%
3.	Mr. Bader Abdullah Al Issa	1,025	Non	1,025	Non	0	0%
4.	Mr. Abdulaziz Khaled Al Ghufaily	1,000	Non	1,000	Non	0	0%
5.	Mr. Essam Abdulkader Al Muhaidib	2,500	Non	2,500	Non	0	0%
6.	Eng. Mutaz Qusai Alazawi	1,000	Non	1,000	Non	0	0%
7.	Mr. Mohammad Al Fadl	6,304	Non	6,304	Non	0	0%
8.	Mr. Fahad Abdullah Al Kassim	2,000	Non	2,000	Non	0	0%
9.	Mr. Omar Hadir N. Al-Farisi	1,000	Non	1,000	Non	0	0%
10.	Dr. Sami Mohsen Baroum	1,000	Non	1,000	Non	0	0%
11.	Mr. Abdulaziz Ibrahim Al Issa	6,000	Non	6,000	Non	0	0%
Second: Board members' relatives:							
12.	Mr. Mohammad Al Fadl wife	144	Non	144	Non	0	0%
13.	Dr. Sami Mohsen Baroum children	774	Non	774	Non	0	0%

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

No.	Names of Executives whom the interest, contractual securities or rights issue belongs to	Senior Executives and their relatives: Beginning of the year – Shares	Beginning of the year – Debt iInstruments	End of the year – Shares	End of the year – Debt instruments	Net change	Percentage of change
First: Senior Executives:							
1.	Eng. Rayan Mohammed Fayez (former CEO)	45,000	Non	45,000	Non	0	0%
2.	Mr. Bader Hamed Al Aujan (Savola Foods Co. CEO)	21,000	Non	21,000	Non	0	0%
3.	Mr. Bander Talaat Hamooh (Panda Retail Co. CEO)	0	Non	0	Non	0	0%
4.	Ms. Huda Al Lawati (Chief Investment Officer)	0	Non	0	Non	0	0%
5.	Mr. Nouman Farrukh Muhammad Abdussalam (Chief Financial Officer)	0	Non	0	Non	0	0%
6.	Mr. Tarik M. Ismail (Board Secretary)	10	Non	10	Non	0	0%
Second: Senior executives' relatives: N/A							

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 Abdulkader Al Muhaidib	1,400	Non	1,960	Non	560	40%
2.	Mr. Abdulaziz Khaled Al Ghufaily	3,000	Non	4,200	Non	1,200	40%
3.	Eng. Mutaz Qusai Alazawi	1,000	Non	1,400	Non	400	40%
Second: Board members relatives: N/A							

g) The major Board resolutions and important events relating to the year, either announced through Tadawul or which were published on the Company website

No	Date	Announcement
1.	1/19/2017	Approve the interim financial results for the period ended on December 31, 2016 (12 months)
2.	1/31/2017	The progress on the transition plan to adopt the International Financial Reporting Standards (the IFRS) as per Phase III disclosure requirements
3.	3/16/2017	Approve the annual financial results for the period ended on December 31, 2016
4.	3/26/2017	Approving the invitation of the AGM and its agenda
5.	4/20/2017	The results of the extraordinary general assembly
6.	5/7/2017	Approve the appointment of Vice-Chairman of the Board
7.	5/11/2017	Approve the interim financial results for the quarter ended on March 31, 2017 (three months)
8.	8/8/2017	Approve the interim financial results for the period ended on June 30, 2017 (six months)
9.	9/12/2017	Approve the sale of a portion of Savola's shares in Almarai Company
10.	9/13/2017	The latest developments in relation to selling a portion of Savola shares in Almarai Company (complete the book building process)
11.	9/12/2017	The latest developments in relation to selling a portion of its shares in Almarai Company (the successful execution and settlement of all of the special negotiated trades)
12.	10/3/2017	The Group's position on the news of (Savola is negotiating to buy Sanabel Al-Salam for USD 300 million)
13.	10/9/2017	Approving the invitation of the AGM no. (39) (first meeting) to approve parts of the CG policies
14.	10/12/2017	Approving the appointment of a Chief Executive Officer for Panda Retail Company
15.	10/29/2017	Starting the Electronic Voting on the ordinary general assembly meeting agenda (first meeting)
16.	11/5/2017	The results of the ordinary general assembly no. (39) (first meeting)
17.	11/5/2017	The interim financial results for the period ended on September 30, 2017 (nine months)
18.	11/14/2017	The resignation of the Company CEO
19.	December 2017	– Approve the CG framework and polices which was revised in light of the CG Regulation Issued by CMA in February 2017 – Approve the Group budget and plan for 2018 and review the performance and plan for the operating companies and give the necessary direction accordingly – Approve the annual budget of CSR Programs
20.	1/9/2018	Approve the launching of the initiative (Integrity Hotline) to report non-compliant practices (whistleblowing)
21.	1/31/2018	Approve the appointment of the Chief Executive Officer of the Company
22.	2/8/2018	Approve the recommendation of dividends distribution to the shareholders for 2017

Corporate Governance Report and major relevant disclosures continued

g) The major Board resolutions and important events relating to the year, either announced through Tadawul or were published on the Company website continued

No	Date	Announcement
23.	2/11/2018	Approve the interim financial results for the year ended December 31, 2017
24.	2/11/2018	Approve the appointment of a member in its Audit Committee

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 2017, 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:

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 (IR Programs) and briefing the Board on the substantive proposals they make.
3. The Board members are attending the GA 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, 2017:

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 20, 2018.

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued
h) Shareholders rights and investors relations continued

h–5) Dates of key events for shareholders and investors:
In accordance with international best practice in corporate governance, here are the dates of key anticipated events during 2018:

No.	Dates	Key events for 2018
1.	February 7	Audit Committee meeting regarding the financial results for the fourth quarter of 2017
2.	February 7	Board of Directors' meeting regarding the financial results for the fourth quarter of 2017 which is announced in the light of the Board's decision during the prescribed period
3.	March 15	Audit Committee meeting regarding the audited financial results for 2017
4.	March 31	Last day to publish the (audited) financial results for 2017 on Tadawul and then on the Company website
5.	May 9	Audit Committee meeting to recommend to the Board approval of the financial results for the first quarter of 2018
6.	May 9	Board of Directors' meeting regarding the financial results for the first quarter of 2018 which will be announced in the light of the Board's decision during the prescribed period
7.	May 9	Annual General Meeting – AGM which will be announced as per regulation (suggested date and subject to official authorities approvals)
8.	August 8	Audit Committee meeting to recommend to the Board approval of the financial results for the second quarter of 2018
9.	August 12	Date of publishing the financial results for the second quarter of 2018 on Tadawul once approved by the Board based on the recommendation of the Audit Committee
10.	September 6	Board of Directors' meeting to review the Company performance progress
11.	November 6	Audit Committee meeting to recommend to the Board approval of the financial results for the third quarter of 2018
12.	November 6	Board of Directors' meeting regarding the financial results for the third quarter of 2018 which will be announced in the light of the Board's decision during the prescribed period
13.	December 15-16	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 2019

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 intends 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.

Corporate Governance Report and major relevant disclosures continued
h) Shareholders rights and investors relations continued

b) Dividends proposed for distribution for 2017 and their payment process:
In light of the above dividends distribution policy, the Savola Group Board in its meeting on February 7, 2018 recommended the distribution of SAR 533,98 million (i.e. SAR 1 per share) as cash dividends for the year 2017, which represents 10% of the Company nominal share value. The maturity date for this cash dividend will be for all shareholders who are registered in Tadawul at the end of the second trading day following the day of the Annual General Assembly Meeting (AGM) which will be fixed after securing the formal approval from the relevant official authorities, and accordingly, the said AGM will ratify the above Board's recommendation. Hence, the date of the dividend distribution will be announced later. The dividends will be paid after the approval of the AGM and will be deposited in the shareholders' accounts as will be detailed in the announcement, which will be published on Tadawul at a later date.

- The following statement shows the proposed dividend for 2017*:

	Percentage of dividends distributed during the year	Proposed dividend ratios at the end of the year	Total recommended dividends (SAR)
Percentage	No interim dividends were distributed during the year 2017	(SAR 1 per share) which represents 10% of the nominal value of the share	533,980,684
Total	No interim dividends were distributed during the year 2017	(SAR 1 per share) which represents 10% of the nominal value of the share	533,980,684

* The Group announced on February 11, 2018 on the Saudi Stock Exchange (Tadawul) that it will not pay quarterly dividends during the year 2018.

h–7) Major shareholders list:
Below are shareholders owning 5% or more of the total shares of the Group, and movements during 2017 (in SAR):

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 pursuant to Article 45 of Listing Rules, together with any change to such interests during the last fiscal year

No.	Name	Nationality	Shares at the beginning of 2017	Ownership at the beginning of 2017	Shares at the end of 2017	% at the end of 2017	Shares change	Percentage change
1.	Assila Investment Company	Saudi company	60,000,000	11.24%	60,000,000	11.24%	0	0%
2.	General Organization for Social Insurance (GOSI)	Saudi government institution	54,658,575	10.24%	54,795,992	10.26%	137,417	0.25%
3.	Abdulkadir Al-Muhaidib & Sons Company	Saudi company	43,861,108	8.21%	43,919,108	8.22%	58,000	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 Company	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 2017 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.

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

	Date of request	Reason	No. of requests
1.	April 19, 2017	To determine the eligibility for attending the Extraordinary general meeting (#30)	1
2.	November 2, 2017	To determine the eligibility for attending the Assembly General Meeting (#39)	1
3.	Weekly (End of each week) From (1/1/2017 to 12/31/2017)	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	52
Total			**54**

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

i) Related parties' transactions

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:

No. The nature of the transaction or contract	The value amount of the transaction or contract for 2017	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
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 692.76 million.				
1. Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Mayar Foods Co. (formerly Al Muhaidib food Co.)	SAR 234.64 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.)	Renewed annually at the AGM	Mr. Sulaiman A. Al Muhaidib who is also the Chairman of Savola Group, in addition to, Mr. Essam Abdulkader 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 8.01% of Savola shares
2. Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Del Monte Saudi Arabia	SAR 83.39 million		Renewed annually at the AGM	
3. Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Nestle Saudi Arabia Ltd.	SAR 332.69 million		Renewed annually at the AGM	
4. Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Manhal Water Factory Co. Ltd.	SAR 23.38 million		Renewed annually at the AGM	
5. Selling sugar by Afia International Co. for marketing and distribution (a subsidiary of Savola Food Co.) to Mayar Foods Co. (Al Muhaidib food Co. formerly)	SAR 1.74 million		Renewed annually at the AGM	
6. Leasing spaces by Panda Retail Co. (a subsidiary of Savola) from Abdulkader Al Muhaidib & Sons Co.	SAR 11.16 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.)	Renewed annually at the AGM	
7. Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Almehbaj Alshamiyah Trading Co.	SAR 2.42 million		Renewed annually at the AGM	
8. Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Del Monte Saudi Arabia	SAR 3.34 million		Renewed annually at the AGM	
Total	SAR 692.76 million			

Corporate Governance Report and major relevant disclosures continued

i) Related parties' transactions continued

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

No. The nature of the transaction or contract	The value amount of the transaction or contract for 2017*	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
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 752 million.				
9. Purchasing consumer foods goods by Panda Retail Co. (a subsidiary of Savola) from Almarai Co. and its subsidiaries (Hail Agricultural Development Company.)	SAR 646.18 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.	Renewed annually at the annual meeting of the AGM	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. Rayan Mohammed Fayez (Savola CEO) who resigned on February 8, 2018
10. Selling sugar by United Sugar Company (a subsidiary of Savola) to Almarai Co. and its subsidiaries (Western Bakeries Company Limited.)	SAR 104.82 million			
11. Selling edible oil products by Afia International Co. for marketing and distribution (a subsidiary of Savola food sector) to Almarai Co.	SAR 1 million			
Total	SAR 752 million			

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

Sr. The nature of the transaction or contract	The value amount of the transaction or contract for 2017*	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
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 33.78 million.				
12. Leasing shops and retail purchases of food products by Panda Retail Co. (a subsidiary of Savola) to/from Herfy Food Services Co.	SAR 29.79 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.)	Renewed annually at the AGM	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 Abdulkader Al Muhaidib, who is the chairman of Herfy Board, Mr. Abdulaziz Khaled Al Ghufaily and Eng. Mutaz Qusai Alazawi whom are also Board members of Savola Group, as well as Eng. Rayan Mohammed Fayez (Savola ex-CEO) who resigned as of February 8, 2018
13. Selling edible oil products by Afia International (a subsidiary of Savola) to Herfy Food Services Co.	SAR 2.73 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 sector) to Herfy Food Services Co.	SAR 1.26 million			
Total	SAR 33.78 million			

Governance Report and Related Disclosures continued

Corporate Governance Report and major relevant disclosures continued

i) Related parties' transactions continued

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

Sr.	The nature of the transaction or contract	The value amount of the transaction or contract for 2017*	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 Co: Business or contract in which Kinan International 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 43.02 million.					
15.	Leasing of shops by Panda Retail Co. (a subsidiary of Savola) from Kinan International Co.	SAR 43.02 million	In the ordinary course of business and general commercial terms worked without any preferential treatment including renewal, payment methods, maintenance, insurance, etc.	Renewed annually at the AGM	Kinan International 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, and Eng. Rayan Mohammed Fayez (Group's ex-CEO) who resigned as of February 8, 2018
Total		SAR 43.02 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 prior approval of the AGM and are renewed thereof annually during the AGM. The above transactions and contracts which are expected to continue taking place between Savola Group and its subsidiaries and in which a Board member has an interest (whether direct or indirect) are subject to the prior approval of the AGM and are renewed thereof annually during the AGM. Accordingly, the Board proposes to renew the above transactions for a new year during the next AGM as per the approved AGM agenda.

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.	Panda Retail Co. and Afia International Distribution and Marketing Co.	Savola owns 91% of Panda Retail Co. shares and Afia International Distribution and Marketing Co. is wholly owned by Savola (both are subsidiaries of Savola)	Purchasing of edible oils and sugar products	During 2017	SAR 319.60 million
2.	Panda Retail Co. and Al Matoun International Holding Company for Real Estate Investment Co.	Savola owns 91% of Panda Retail Co. shares and Al Matoun International Holding Company for Real Estate Investment Co. (a Savola subsidiary)	Leasing shops and shopping centers	During 2017	SAR 45.11 million
3.	Intaj – Savola investments	Associate	Non-trade	During 2017	SAR 16.07 million
4.	Arabian Centers Company – Al Hokair	Affiliate	Non-trade	During 2017	SAR 43.90 million
5.	Seafood International One FZCO – SFC	Associate	Non-trade	During 2017	SAR 12.76 million
			Trade	During 2017	SAR 8.32 million
6.	Seafood International Holdco. – SFC	Joint venture	Non-trade	During 2017	SAR 6.01 million
7.	Bonus Foods Company Limited – SFC	Associate	Non-trade	During 2017	SAR 1.10 million
8.	Joussour Holding Company – Savola Investment	Investee	Non-trade	During 2017	SAR 3.75 million
9	USCE – SFC Associate		Non-trade	During 2017	SAR 45.25 million
			Trade	During 2017	SAR 31.64 million

Corporate Governance Report and major relevant disclosures continued

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

k–1) Board Declaration according to CMA Regulations for 2017:

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 2017 does not contain any reservations on the relevant annual financial statements. The Board is committed to providing 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 Group'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 2017 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 2017 and did not receive any fees in this regard.
5.	The Group Board did not receive any request from the external auditor to convene a General Assembly.
6.	The Group has not granted any cash loans whatsoever to any of its Board members or rendered guarantees with respect to any loan entered into by a Board member with third parties.
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 Group Board did not receive any request to convene a General Assembly or a request to add one or more items to the agenda upon its preparation from a number of shareholders whose shareholdings represent at least 5% of the equity share capital.
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 unforeseen meeting from any two or more of the Board members during 2017.
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 item of clause (13) regarding the ownership of some of them in Herfy Food Services Co. (subsidiary of the Group as per IFRS).
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 subsidiaries except as detailed in this report in item (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.

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, initiatives and awards continued

No.	Declaration/Confirmation
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 in accordance with Article 45 of the Listing Rules, 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 2017 and donated his total remuneration of SAR 270,175 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.
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 which 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, which has been updated in line with the CG regulations issued by the CMA and international best practice in CG and transparency. In 2017, following the issuance of the Corporate Governance Regulations in February, the Company has reviewed and updated its CG framework and policies 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 Committee's resolution regarding CG and submit regular reports to the Committee. The Group Board and CEO supervise the overall implementation and development of the governance code in general.
- 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).

Corporate Governance Report and major relevant disclosures continued
k) What has/has not been implemented of the CG regulations, CG procedure and effectiveness, initiatives and awards continued

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 Abdulqader Al Fadl, has served in the Savola Group for more than nine years as a member of the Savola Group Board. However, his independency has not been affected as he has no conflict of interest and has extensive experience of more than 30 years in the field of Business Management. 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 seven meetings during the year including a workshop for two days during December 2017. However, the Board did not conduct any meetings in the period from January 19th to May 3rd, and the second meeting was held 4th of May, which exceeded the "three month" period indicated in said article, due to the extension of the statutory period for the disclosure of the first quarter financial results after the implementation of IFRS for the first time. It has been raised to 30 days following each quarter-end instead of 15. As the Group used to schedule its Board meetings to coincide with the deadline for the quarterly disclosure of financial results to enable the Board to review the performance of the Company and take necessary decisions in light of actual results.
3.	Article 41	**Assessment:** "a) The Board shall develop, based on the proposal of the Nomination Committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the executive management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company. b) The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment. c) The performance assessment shall entail an assessment of the skills and experiences of the Board, identification of the weaknesses and strengths of the Board etc."	Savola used to conduct a periodical Board effectiveness since 2009, the most recent assessment was made in 2014/2015. During the year 2017, the Company started the process of the assessment for its Board, members and Committees. As this exercise is a new practice in the region, the process of selecting a specialized and independent party may take some time. A number of interviews were conducted with a number of entities to carry out this process under the supervision of the Remuneration and Nomination Committee (RNC), which will continue its effort to select and engage with one of the suitable entities. The process is expected to be completed in 2018, and the required disclosure will be published in the annual Director's report for the next year.

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, initiatives and awards continued

No.	Article/ Clause No.	The Article/Clause	Reasons for non-compliance
4.	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) until establishing a department for Risk Management. In the meanwhile, a team will be appointed by the Group to establish the department and its scope of work. Noting that, currently, the Group is using an outsource entity to support carrying out the role of the Risk Management. Savola's Enterprise risk management (ERM) program is in the process of being launched during the year and will promote active involvement from the Board of Directors and Executive Management in the risk management process to ensure a uniform view of risk across the Group. However, the Board will form the said Committee whenever it deems necessary.
5.	Article 71	Competencies of the Risk Management Committee.	The RMC has not been formed due to the above mentioned reasons.
6.	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.
7.	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 currently studying this subject in coordination with a specialized expert. Upon conclusion of this subject, the outcome will be presented to the Board of Directors for recommendation to the Shareholders General Assembly.
8.	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.
9.	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.

Corporate Governance Report and major relevant disclosures continued

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

k–4) Initiatives and awards:

1) Savola Group is ranked among the top ten companies in the Middle East and North Africa as per S&P Dow Jones Indices:

As a result of Savola's outstanding efforts in the field of governance and its continued commitment to implementing the Corporate Governance Code through its commitment to its governance rules and policies and its subsidiary companies and the application of the regulations issued by the regulatory bodies, as well as the implementation of a package of good international practices in the field of governance and transparency, Savola has been selected among the top ten of the highest-scoring companies in transparency in the field of Corporate Governance, Environment and Social practices in the MENA Region according to S&P Dow Jones Indices and Hawkamah Institute, Dubai (specialized in Governance). This study is an independent assessment that includes "Environment, Social and Governance practices – ESG index". The assessment made from a universe of 150 largest and most liquid companies listed in the national stock exchanges markets (Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Bahrain, Egypt, Jordon, Lebanon, Morocco, Oman, Tunisia, etc.) The results of this evaluation were announced during the forum held in mid-December 2017 at the Dubai International Financial Center, Dubai, United Arab Emirates.

2) Launching the initiative of Integrity Hotline to report non-compliant practices:

Based on the Savola Group's ethical values, it has launched the initiative of Integrity Hotline, which enables all stakeholders, including members of the executive management, senior managers, employees (including permanent, temporary and part-time employees), shareholders, trainers, clients, individuals, agency staff, consultants, suppliers, vendors and public to "blow the whistle" using the Integrity Hotline, whilst remaining anonymous. The hotline is completely independent and secure. The reported cases will be analyzed by independent professionals with experience in investigating such matters under the supervision of the Audit Committee and the Board of Directors.

The Integrity Hotline is a confidential reporting framework, managed at the Group-level covering Savola's entire operations in the region which allows all stakeholders to anonymously report incidents and instances which include suspected illegal activities, theft, fraud, corruption, waste or misconduct through the online website at hotline.savola.com by clicking on the Integrity Hotline tab and following the simple instructions. Savola believes that this service will open a communication channel for all stakeholders, who need to report any violations they have noticed.

Audit Committee Report

Savola Group Audit Committee Report for the year ended December 31, 2017

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

We are pleased to share with you Savola Group Audit Committee Report, 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 recite of the report by the Chairman of the Audit Committee.

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 for three years, and the charter describing its functions, responsibilities and guidelines, as well as remuneration of selected members. In 2017 the 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 Bin 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 Committee, which ends on June 30, 2019. The appointment of Dr. Kurdi comes in the vacant seat after the resignation of Mr. Khalid Mohammed Al-Solae from the Audit Committee on October 29, 2017 due to his appointment as a member of the Board of the Capital Market Authority (CMA). However, Dr. Kurdi's 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 the Chairman's invitation, at least four times per year, and as may be necessary, and majority attendance of members constitutes a quorum whether in person or by proxy. The Audit Committee held seven meetings during 2017, and the quorum for each meeting was reached.

3–Savola Group Operating Model

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

Conversely, all transactions between the Group's Audit Committees and internal audit departments on one hand and its subsidiaries on the other hand are governed by the Group's representation membership at the Audit Committees of the subsidiaries.

Savola Group Audit Committee Report for the year ended December 31, 2017 continued

4–Committee members' qualifications

The qualifications of the Committee members who are also members of the Savola Group Board of Directors have been described above and qualifications of those Committee members who are not are as follows:

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 above mentioned in this report.			
2. Mr. Abdulaziz Khaled Al Ghufaily				
3. Mr. Abdulaziz Ibrahim Al Issa				
4. Dr. Abdulrauf Suliman Banaja	Holds number of membership in boards and committees such as Audit Committee member in Panda Retail Co. and Savola Foods Co. and other joint Stock companies	Advisor of the Deputy Governor, The Saudi Arabian Monetary Agency (SAMA) Economic Advisor, The 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. Mr. Khalid Mohammed Al Solae* (resigned from the Committee membership during October 2017 after being appointed as a member in CMA Board)	CMA Board member	Audit Committee member	Bachelor's in Administrative Science, Accounting Department, King Saud University, 1983 Diploma in Economics and Accounting, Boulder Institute for Economics, Colorado, United States. He is a Certified Public Accountant and Certified Fraud Examiner	Has over 30 years of experience in finance, internal audit, auditing, financial analysis and governance

Audit Committee Report continued

Savola Group Audit Committee Report for the year ended December 31, 2017 continued

5–Audit Committee attendance

The members of the Audit Committee attendance for the meetings of the Committee held during the year 2017 are listed below:

Sr.	Name	Meetings during 2017: Jan 18	Mar 12	May 4	Jun 4	Aug 6	Nov 2	Dec 17	Total
1.	**Mr. Fahad Abdullah Al Kassim (Chairman)** (Independent Savola Board member)	√	√	×	√	√	√	√	6 of 7
2.	**Mr. Abdulaziz Khaled Al Ghufaily** (Non-executive Savola Board member)	√	√	√	√	√	√	√	7 of 7
3.	**Mr. Abdulaziz Ibrahim Al Issa** (Independent Savola Board member)	√	√	√	√	×	√	√	6 of 7
4.	**Dr. Abdul Raouf Banaja** (Independent external member)	√	√	√	√	√	×	√	6 of 7
5.	**Mr. Khalid M. Al Solae*** (Independent external member)	√	√	√	√	√	NA	NA	5 of 5
–	**Mr. Tarik M. Ismail** (Committee Secretary)	√	√	√	√	√	√	√	7 of 7

Savola Group Audit Committee Report for the year ended December 31, 2017 continued

6–Audit Committee remuneration for 2017 (Saudi Riyals)

Sr.	Committee member name	Title	Fixed remuneration (except for the allowance for attending Board meetings)	Allowance for attending Board meetings	Total	Other expenses
1	**Mr. Fahad Abdullah Al Kassim** (Independent, Savola Board member)	Chairman	108,195	30,000	138,195	7,305
2	**Mr. Abdulaziz Khaled Al Ghufaily** (Non-executive, Savola Board member)	Member	108,195	35,000	143,195	7,305
3	**Mr. Abdulaziz Ibrahim Al Issa** (Non-executive, Savola Board member)	Member	108,195	30,000	138,195	1,983
4	**Dr. Abdul Raouf Banaja** (Independent, external member)	Member	108,195	30,000	138,195	–
5	**Mr. Khalid M. Al Solae*** (Independent external member)	Resigned Member	75,000	25,000	100,000	12,175
Total			**507,780**	**150,000**	**657,780**	**28,768**

* Mr. Khaled Al Solae – Audit Committee member – was appointed as a member of the Board of Directors of the Capital Market Authority (CMA), based on the CMA announcement on October 29, 2017. Whereas the appointment of his excellency as a member of the Board of Directors of the CMA may be inconsistent with his continuation as a member of the Audit Committee of a listed Joint Stock Company, Mr. Al Solae has resigned from the membership of the Audit Committee as of the date of his appointment to the Board of Directors of the CMA.

Audit Committee Report continued

Savola Group Audit Committee Report for the year ended December 31, 2017 continued

7– Summary of Audit Committee duties, responsibilities and achievements executed in 2017

a– Financial reporting

- Review and recommend to the Group's Board of Directors the approval of the preliminary quarterly results and year-end 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.
- Ensur that all matters relating to the Group's transition to IFRS are resolved so that the Group may issue its financial statements in accordance with International Financial Reporting Standards (IFRSs) during the regulatory specified period.

b–Internal audit

- Review and approve the Group's internal audit function services, scope, enablers, methodology, outputs, plan and whether it has the necessary authority and resources to carry out its work while maintaining its independence.
- Review and assess the internal audit reports and monitor the tracking and follow-up process determining whether or not appropriate actions are taken on the recommendations therein.

c– External audit

- Review the process of appointing the external auditors for 2017, including sending invitations for five 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 Al Fozan & Co. (KPMG) to be the Group's external auditors for the 2017 fiscal year, with a fee of SAR 690,000 to review and audit the Company's quarterly and annual financial statements.
- 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 in the course of the audit work, including any restrictions on the scope of activities or access to required information.

d–Related party transactions

Review of related party transactions report including the proposed related party transactions which is part of the annual report of the Board of directors consisting of related party transactions carried out in 2017 and proposed related party transactions for 2018. In addition, review of the results of external auditors limited review of Savola related party transactions for 2017 which included a limited review on the related party transaction report prepared by the chairman of Board of Directors in relation to the related party transactions executed by the company during the year.

e–Feedback mechanism

Supervise and recommend to the Group's Board of Directors launching Savola's "Integrity Hotline" which enables all 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 and the community as a whole to report any suspected immoral practices by using the integrity hotline, while retaining the right for full anonymity and providing the necessary protection.

f– Annual report of the Board of Directors

Review the annual report of the Board of Directors for the last year which included the financial results of the Group, disclosures of transactions with related parties and a comprehensive summary of the Company's performance, activities and the activities of its various sectors inside and outside the Kingdom in line with its charter.

g–Audit Committee Report

The Committee prepared and approved for distribution to shareholders the Audit Committee Report in line with KSA company's law article number (104), including inclusion of this report as a separate part of the Group's Directors' report.

Savola Group Audit Committee Report for the year ended December 31, 2017 continued

8–The annual review of the effectiveness of internal control procedures and its results for 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 internal control certificates for 2017 were handed over and filed with the Group's legal counsel.

The internal audit function at the Group and its subsidiaries executes 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, information systems and a randomly selected sample of activities within the planned audit area with the objective of testing the effectiveness and efficiency of internal control procedures' design and operation to obtain reasonable assurance regarding their effectiveness and efficiency during the year.

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, 2017.

Based on the annual review of internal control procedures selected for testing during 2017 by the Audit Committee, the external auditors and the internal audit functions at the Group and its subsidiaries, the results of internal control procedures provided reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations.

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 abovementioned.

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.

Conclusion: This report was prepared by the Audit Committee during the year 2017 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 issues its invitation. The meeting will be held during the first half of 2018 (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

Independent Auditors' Report
To the Shareholders
Savola Group Company – Saudi Joint Stock Company
Jeddah, Kingdom of Saudi Arabia

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, 2017, 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, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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.

Revenue recognition
Refer Note 3(m) for the accounting policy relating to revenue recognition and Note 27 for the related disclosures.

Key audit matter	How the matter was addressed in our audit
During the year ended December 31, 2017, the Group recognized total revenue of SR 23,831 million (2016: SR 26,331 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 level of judgment to revenue recognition at the year end. 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.	We performed the following procedures in relation to revenue recognition: • 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; and • Tested a sample of manual entries posted to the revenue journal in order to identify unusual or irregular items. • Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

Goodwill impairment
Refer Note 3(a)(ii) for the accounting policy relating to goodwill and Note 5 for the goodwill disclosure.

Key audit matter	How the matter was addressed in our audit
As at December 31, 2017, the carrying value of goodwill amounted to SAR 450 million (2016: SAR 687 million). Goodwill is subject to an annual impairment test. For the purpose of the Group's impairment assessment of goodwill, 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. We considered goodwill impairment 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 goodwill impairment: • Assessed the design and implementation, and tested the effectiveness of the Group's controls around goodwill 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 for the basis of the impairment assessment; and • Considered the adequacy of the Group's goodwill disclosures in terms of applicable accounting standards.

Independent Auditors' Report
To the Shareholders
Savola Group Company – Saudi Joint Stock Company
Jeddah, Kingdom of Saudi Arabia continued

Key Audit Matters continued

Valuation of equity-accounted investees

Refer Note 3(a)(iii) for the accounting policy relating to equity-accounted investees and Note 7 for the related disclosures.

Key audit matter	How the matter was addressed in our audit
As at December 31, 2017, the carrying value of equity-accounted investees amounted to SR 7,924 million (2016: SR 7,499 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 our 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 supports; • 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 standard.

Valuation of Inventories

Refer Note 3(h) for the accounting policy on inventories and Note 9 for the inventories disclosure.

Key audit matter	How the matter was addressed in our audit
As at December 31, 2017, the Group's inventories balance was SR 3,126 million (2016: SR 3,317 million) net of allowance for slow moving inventories of SR 87 million (2016: SR 122 million). Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Group, where necessary, for slow moving inventories. Management determines the level of obsolescence of inventories by considering the nature, ageing profile, their expiry 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 inventories' ageing report used by the management in its determination of 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 indirect 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
Savola Group Company – Saudi Joint Stock Company
Jeddah, Kingdom of Saudi Arabia continued

Key Audit Matters continued

Change in financial reporting framework

Refer Note 2 for basis of preparation of consolidated financial statements relating to the first time adoption of IFRS and Note 37 for the related disclosure of effects of adoption.

Key audit matter	How the matter was addressed in our audit
For all periods up to and including the year ended December 31, 2016, the Group prepared and presented its statutory consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA. For the financial periods commencing January 1, 2017, the applicable regulations require the Group to prepare and present its consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (IFRS as endorsed in Kingdom of Saudi Arabia). Accordingly, the Group has prepared its Consolidated Financial Statements, for the year ended December 31, 2017, under IFRS as endorsed in Kingdom of Saudi Arabia using IFRS 1 – "First time Adoption of International Financial Reporting Standards" (IFRS 1). The standard requires determination of transition adjustments in light of framework differences as well as additional disclosure requirements that have been included in these consolidated financial statements. In this regard, Note 37 is particularly relevant, which summarises the key adjustments made in the comparative periods and rationale for the same. We considered this disclosure as a key audit matter as the transitional adjustments required additional attention during our audit.	We performed the following procedures in relation to change in financial reporting framework: • Obtained an understanding of the analysis performed by management to identify all significant differences between previous reporting framework and IFRS as endorsed in the Kingdom of Saudi Arabia which can impact the Group's financial statements; • Evaluated the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in the Kingdom of Saudi Arabia and our understanding of the Group's business and its operations; • Tested the appropriateness and computation of transition adjustments with underlying financial information and relevant supports; and • Evaluated the disclosures made in relation to the transition to IFRS as endorsed in the Kingdom of Saudi Arabia by considering the relevant requirements of IFRS 1.

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 ISAs 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 ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 the 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, 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.

Independent Auditors' Report
To the Shareholders
Savola Group Company – Saudi Joint Stock Company
Jeddah, Kingdom of Saudi Arabia continued

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements continued

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 10, 1439H
Corresponding to March 27, 2018

Consolidated Statement of Financial Position
As at December 31, 2017
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	December 31, 2017	December 31, 2016	January 1, 2016
ASSETS				
Non-current assets				
Property, plant and equipment	4	**7,561,675**	7,966,622	8,818,711
Goodwill	5	**450,155**	686,998	1,064,738
Investment property	6	**30,613**	34,256	30,638
Investment in equity accounted investees	7	**7,924,389**	7,498,598	7,317,191
Available for sale investments	8	**471,507**	612,421	709,275
Long term receivables		**78,558**	10,751	177,207
Derivative	11	**10,240**	–	–
Deferred tax asset	20	**28,296**	28,693	69,763
Total non-current assets		**16,555,433**	16,838,339	18,187,523
Current assets				
Inventories	9	**3,125,503**	3,317,128	5,009,714
Trade receivables	10	**970,618**	1,252,122	828,091
Prepayments and other receivables	11	**1,219,472**	1,342,973	1,710,808
Cash and cash equivalents	12	**1,298,117**	1,404,808	2,089,982
		6,613,710	7,317,031	9,638,595
Assets classified as held for sale	13	**39,677**	1,132,026	–
Total current assets		**6,653,387**	8,449,057	9,638,595
TOTAL ASSETS		**23,208,820**	25,287,396	27,826,118
EQUITY AND LIABILITIES				
EQUITY				
Share capital	14	**5,339,807**	5,339,807	5,339,807
Share premium		**342,974**	342,974	342,974
Statutory reserve	15	**1,774,085**	1,774,085	1,774,085
General reserve		**4,000**	4,000	4,000
Fair value reserve	16	**(108,649)**	(32,023)	(618)
Effect of transactions with non-controlling interests without change in control		**(161,598)**	(171,375)	(171,375)
Foreign currency translation reserve		**(1,260,509)**	(926,287)	–
Retained earnings		**2,898,756**	1,885,843	2,938,282
Equity attributable to equity holders of the Company		**8,828,866**	8,217,024	10,227,155
Non-controlling interests	17	**879,114**	1,032,810	1,308,939
TOTAL EQUITY		**9,707,980**	9,249,834	11,536,094
LIABILITIES				
Non-current liabilities				
Loans and borrowings	18	**3,529,434**	4,455,956	4,777,846
Employee benefits	19	**663,732**	609,251	543,115
Deferred tax liability	20	**66,568**	55,941	116,449
Long-term payables		**210,436**	215,581	232,497
Long-term lease rentals	37 (h)	**258,755**	202,248	160,307
Derivative	11	**159,979**	–	–
Provision against asset restoration	37 (k)	**98,078**	92,326	97,083
Total non-current liabilities		**4,986,982**	5,631,303	5,927,297
Current liabilities				
Loans and borrowings	18	**3,867,428**	4,612,080	5,099,443
Trade payables	21	**2,471,121**	2,495,748	3,213,790
Current maturity of lease rentals		**11,289**	47,730	26,118
Accrued and other liabilities	22	**2,164,020**	2,236,536	2,023,376
		8,513,858	9,392,094	10,362,727
Liabilities classified as held for sale	13	**–**	1,014,165	–
Total current liabilities		**8,513,858**	10,406,259	10,362,727
TOTAL LIABILITIES		**13,500,840**	16,037,562	16,290,024
TOTAL LIABILITIES AND EQUITY		**23,208,820**	25,287,396	27,826,118

The notes on pages 112 to 171 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, 2017
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	Year ended December 31 2017	2016
Continuing operations:			
Revenues	27	**23,830,475**	26,330,802
Cost of revenues	28	**(19,439,972)**	(21,677,838)
Gross profit		**4,390,503**	4,652,964
Share of results in investment in equity-accounted investees, net of zakat and tax and dividend income	7	**752,382**	702,011
Administrative expenses	29	**(767,673)**	(760,656)
Selling and distribution expenses	30	**(3,353,554)**	(3,547,811)
Impairment losses	31	**(222,024)**	(573,892)
Results from operating activities		**799,634**	472,616
Finance income	32	**137,631**	196,083
Finance cost	32	**(522,913)**	(754,675)
Net finance cost		**(385,282)**	(558,592)
Gain on disposal of investment	7	**693,943**	–
Gain on disposal of leasehold rights	1	**68,144**	–
Profit/(loss) before zakat and income tax		**1,176,439**	(85,976)
Zakat and income tax expense	23	**(71,925)**	(153,022)
Profit/(loss) from continuing operations		**1,104,514**	(238,998)
Discontinued operation:			
Gain/(loss) from discontinued operation, net of tax	13	**15,605**	(176,260)
Net profit/(loss) for the year		**1,120,119**	(415,258)
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit liability	19	**(13,746)**	(25,060)
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**(434,384)**	(1,001,602)
Investment in equity accounted investees – share of Other Comprehensive Income	16	**57,018**	(122,164)
Cash flow hedges – effective portion of changes in fair value	16	**(7,707)**	10,027
Available for sale financial assets – net change in fair value	8	**(140,914)**	87,015
Other comprehensive loss		**(539,733)**	(1,051,784)
Total comprehensive income/(loss) for the year		**580,386**	(1,467,042)
Profit/(loss) for the year attributable to:			
Owners of the Company		**1,025,618**	(363,287)
Non-controlling interests		**94,501**	(51,971)
Profit/(loss) for the year		**1,120,119**	(415,258)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**567,469**	(1,342,655)
Non-controlling interests		**12,917**	(124,387)
Total comprehensive income/(loss) for the year		**580,386**	(1,467,042)
Earnings/(loss) per share attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	25	**1.92**	(0.68)
Earnings/(loss) per share – Continuing operations attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	25	**1.88**	(0.48)

The notes on pages 112 to 171 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended December 31, 2017
(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 share-holders' 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 1 & 6)	**–**	**–**	**–**	**–**	**–**	**–**	**27,864**	**–**	**27,864**	**(34,913)**	**(7,049)**
Directors' remuneration	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,200)**	**(2,200)**	**–**	**(2,200)**
Other changes in non-controlling interest (Note 16)	**–**	**–**	**–**	**–**	**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, 2016	5,339,807	342,974	1,774,085	4,000	(618)	(171,375)	–	2,938,282	10,227,155	1,308,939	11,536,094
Total comprehensive loss for the year											
Net loss for the year	–	–	–	–	–	–	–	(363,287)	(363,287)	(51,971)	(415,258)
Other comprehensive loss	–	–	–	–	(31,405)	–	(926,287)	(21,676)	(979,368)	(72,416)	(1,051,784)
Total comprehensive loss	–	–	–	–	(31,405)	–	(926,287)	(384,963)	(1,342,655)	(124,387)	(1,467,042)
Transactions with owners of the Company											
Dividends	–	–	–	–	–	–	–	(667,476)	(667,476)	(151,742)	(819,218)
Balance at December 31, 2016	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

The notes on pages 112 to 171 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended December 31, 2017
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2017	2016
Cash flows from operating activities			
Net profit/(loss) for the year		**1,120,119**	(415,258)
Adjustments for:			
Depreciation	4&6	**805,292**	719,084
Net finance cost	32	**385,282**	558,592
Share of profit of investment in equity accounted investees, net of zakat and tax and dividend income	7&8	**(752,382)**	(702,011)
Share of associates' liability		**–**	20,403
Gain on sale of discontinued operation	13	**(30,482)**	–
Gain on disposal of investment	7	**(693,943)**	–
Impairment loss	31	**222,024**	573,892
Gain on disposal of leasehold rights	1	**(68,144)**	–
Loss on sale of property, plant and equipment		**26,579**	15,601
Provision for employee benefits	19	**104,656**	98,538
Lease rentals charge		**20,066**	63,554
Zakat and income tax expense	23	**71,925**	153,022
		1,210,992	1,085,417
Changes in:			
Inventories		**49,747**	1,048,029
Trade receivables		**225,289**	(504,906)
Prepayments and other receivables		**17,772**	56,667
Trade payables		**22,292**	(266,407)
Accrued and other liabilities		**53,879**	1,006,622
Cash generated from operating activities		**1,579,971**	2,425,422
Finance cost paid		**(335,636)**	(596,685)
Zakat and income tax paid		**(42,843)**	(87,247)
Employee benefits paid	19	**(56,386)**	(45,668)
Net cash from operating activities		**1,145,106**	1,695,822
Cash flows from investing activities			
Acquisition of property, plant and equipment	4&6	**(672,839)**	(1,264,542)
Proceeds from sale of property, plant and equipment		**35,058**	14,131
Proceeds from disposal of leasehold rights		**80,800**	–
Acquisition of investments	7	**(70,781)**	(41)
Proceeds from sale of investment	7.1	**1,120,000**	–
Proceeds from asset classified as held for sale		**16,076**	–
Net change in long-term receivable		**(67,807)**	166,456
Net change in deferred tax asset		**876**	–
Contribution to settle an associate's liability		**–**	(20,403)
Dividends received	7	**273,499**	253,168
Net cash from/(used in) investing activities		**714,882**	(851,231)
Cash flows from financing activities			
Net change in loans and borrowings – current		**(726,092)**	(257,860)
Net change in loans and borrowings – non-current		**(939,162)**	262,308
Change in restricted deposit		**–**	13,312
Dividends paid		**(7,911)**	(836,691)
Net change in long-term payables		**231**	539
Net change in deferred tax liability		**8,789**	–
Net changes in non-controlling interests		**(112,448)**	(151,742)
Net cash used in financing activities		**(1,776,593)**	(970,134)

	Note	2017	2016
Net change in cash and cash equivalents		**83,395**	(125,543)
Effect of movement in exchange rates on cash and cash equivalents		**(190,086)**	(204,361)
Less: Cash and cash equivalents classified as held for sale		**–**	(154,458)
Cash and cash equivalents at beginning of the year		**1,404,808**	1,835,952
Cash and cash equivalents at end of the year – for cash flow purposes		**1,298,117**	1,351,590
Restricted cash deposit		**–**	53,218
Cash and cash equivalents	12	**1,298,117**	1,404,808
Supplemental schedule of non-cash financial information:			
Fair value reserve		**(76,626)**	(25,121)
Foreign currency translation reserve		**(434,384)**	(1,001,602)
Effect of transaction with non-controlling interest without change in control		**9,777**	–
Directors remuneration		**(2,200)**	–
Actuarial reserve	19	**(13,746)**	(25,060)

The notes on pages 112 to 171 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2017
(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, 2017, 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	Direct ownership interest (%) December 31, 2017	Direct ownership interest (%) December 31, 2016
Savola Foods Company ("SFC")	Saudi Arabia	Foods	**100**	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	**91**	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
United Sugar Company, Egypt ("USCE") (refer note 7 & 13)	Arab Republic of Egypt (Egypt)	Manufacturing of Sugar	**–**	19.32
Giant Stores Trading Company ("Giant")*	Saudi Arabia	Retail	**10**	10

* 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 mutually agreed price. As at year end, the legal formalities of the transfer have not been completed.

1. General information continued
(I) Direct subsidiaries of the Company continued
(ii) Dormant and Holding subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) December 31, 2017	Direct ownership interest (%) December 31, 2016
Adeem Arabia Company Limited (Adeem)*	Saudi Arabia	Holding company	**100**	80
Al Utur Arabian Company for Commercial Investment (Formerly Al Utur Arabian Holding 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
Savola Industrial Investment Company ("SIIC")**	Saudi Arabia	Holding company	**5**	5
Afia Foods Arabia (Transferred to Savola Foods Company)	Saudi Arabia	Dormant company	**–**	100

* During December 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%. This has resulted into an acquisition without change in control and the resulting gain amounting to SR 9.77 million has been recorded in equity under "Effect of transactions with non-controlling interests without change in control".

** Group holds controlling equity ownership interest in SIIC through indirect shareholding of SFC. Further, during December 2017, the Company has entered into a Shares Sale/Purchase Agreement with SFC to transfer its 5% ownership in SIIC at a mutually agreed price. As at year end, the legal formalities of the transfer have not been completed.

(II) Savola Foods Company
The Parent Company has a 100% (2016: 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2017
(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. General information continued
(II) Savola Foods Company continued

Subsidiaries controlled through Savola Foods Company:

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) December 31, 2017	Direct ownership interest (%) December 31, 2016
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oils	**95.19**	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	Holding company	**95**	95
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	**100**	100
El Farasha for Food Industries Company	Egypt	Manufacturing of pasta	**100**	100
Savola Foods Emerging Markets Company Limited	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 Limited ("IFI")*	Saudi Arabia	Manufacturing of specialty fats	**75**	75
Seafood International Two FZCO	UAE	Seafood products trading and distribution	**60**	60
Afia Foods Arabia (Transferred from Savola Group)	Saudi Arabia	Dormant company	**100**	–
Al Maoun International Holding Company ("Al Maoun")	Saudi Arabia	Holding company	**100**	100
Marasina International Real Estate Investment Limited ("Marasina")	Saudi Arabia	Holding company	**100**	100

* During July 2017, SFC decided to inject additional capital of SR 77 million in its subsidiary, IFI. Consequently, SFC's ownership in IFI would increase from 75% to 93% upon completion of legal formalities.

1. General information continued
(II) Savola Foods Company continued

(a) Subsidiaries controlled through Afia International Company:

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) December 31, 2017	Direct ownership interest (%) December 31, 2016
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. (Note 1(f))	Cayman Island	Holding company	**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
Latimar International Limited	BVI	Dormant company	**100**	100
Elington International Limited	BVI	Dormant company	**100**	100
KUGU				
Savola Gida Sanayi Ve Ticaret Anonim Şirketi (Formerly Yudum Gida Sanayi ve Ticaret A.S)	Turkey	Manufacturing of edible oils	**100**	100

Notes to the Consolidated Financial Statements
For the year ended December 31, 2017
(Expressed in thousands of Saudi Riyal unless otherwise stated)

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	Direct ownership interest (%) December 31, 2017	Direct ownership interest (%) December 31, 2016
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
USCE** (see note 4 & 6)	Egypt	Manufacturing of sugar	**–**	56.75
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 Limited:

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

(d) Subsidiaries controlled through Savola Foods Company International Limited:

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

(e) Subsidiaries 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, 2016:72.82%).

** During March 2016 as part of the Group's strategic assessment of its core operations; the Group 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"). Accordingly, the assets and liabilities of USCE at December 31, 2016, had been classified as 'held for sale' in the consolidated statement of financial position and its results of operations for the year then ended had been disclosed as 'loss from discontinued operations' in the consolidated statement of profit or loss and other comprehensive income.

On March 28, 2017, consequent to completion of all legal formalities, 12.77 million shares of USCE have been issued to EBRD. The ownership of the Group in USCE has been diluted after issuance of such 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, as at year end, the put and call options have been remeasured at fair value using "Black Scholes" model and changes therein have been recognized under finance cost and finance income amounting to SR 60.25 million and SR 10.24 million respectively (Note 32).

The Group continues to have significant influence over the strategic, operational and financial activities of USCE and retained effective ownership interest of 33.82%. USCE has been classified as 'investment in equity accounted investees' and measured at the fair value at the date of the transaction. Subsequently, it has been measured using equity basis of accounting (Note 7).

1. General information continued
(II) Savola Foods Company continued

(f) In accordance with the terms and conditions of the Sale and Purchase Agreement signed on March 23, 2017 between SFC and Aves. SFC has agreed to purchase from AVES İÇ VE DIŞ TICARET A.Ş, ("Aves") (a company incorporated in Turkey), 51% shares of United Edible Oils (company incorporated in Cayman Islands) in exchange for the consideration of USD 18.87 million (SR 70.78 million). The transaction has been effected through its 100% owned subsidiary, Aseel Food, a company incorporated in the Cayman Islands. All the legal formalities were completed upon payment of consideration on April 10, 2017. United Edible Oils owns 100% of Bonus Food Company LLC, which is incorporated in the Republic of Iraq and is engaged in the business of refining and packaging edible oil and vegetable ghee.

(III) Panda Retail Company
The Parent Company has a 91% (2016: 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	Direct ownership interest (%) December 31, 2017	Direct ownership interest (%) December 31, 2016
Giant Stores Trading Company	Saudi Arabia	Retail	**90**	90
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	**100**	100
Panda International for Retail Trading	Egypt	Retail	**100**	100
Panda International Retail Trading*	UAE	Retail	**100**	100
Panda Bakeries Company	Saudi Arabia	Bakery	**100**	100
Giant				
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	**95**	95

* Panda, through its subsidiary, has 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 has resulted in a gain of SR 68.1 million during the three months ended June 30, 2017.

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.

2. Basis of preparation
(a) Statement of compliance
The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA).

For all periods up to and including the year ended December 31, 2016, the Group prepared and presented statutory financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA (referred to as the "pre-convergence GAAP"), the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2017
(Expressed in thousands of Saudi Riyal unless otherwise stated)

2. Basis of preparation continued

(a) Statement of compliance continued

For financial periods commencing January 1, 2017, the applicable regulations require the Group to prepare and present financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA ("IFRS"). As part of this requirement, the Group has prepared these consolidated financial statements. In preparing these financial statements, the Group's opening statement of consolidated financial position was prepared as at January 1, 2016; the Group's date of transition, in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia.

As required by the Capital Market Authority ("CMA") through its circular dated October 16, 2016 the Group needs to apply the cost model to measure the property, plant and equipment, investment property, and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

These consolidated financial statements are prepared in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards. The Group has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRS has affected the previously reported financial position and equity as at December 31, 2016; and comprehensive income of the Group for the year ended December 31, 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's financial statements for the year ended December 31, 2016 is provided in note 37.

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 available-for-sale investments, firm commitments and inventory under fair value hedging relationship, derivative financial instruments and employee benefits which are recognized 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.

ii) Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR) which is the Company's functional currency.

(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 recognized 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)(ii)* – application of hedge accounting
(iv) Note 3*(q)* – lease classification

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:

2. Basis of preparation continued

(b) Critical accounting estimates and judgments continued

i) Impairment of available for sale investments

The Group exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant or prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgment. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

ii) Provision for doubtful debts

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments 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.

iii) 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.

iv) 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.

v) 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.

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

Impairment losses are recognized 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 amortization, if no impairment loss had been recognized.

vi) Employee benefits – defined benefit obligation

Certain actuarial assumptions have been adopted as disclosed in note 19 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2017
(Expressed in thousands of Saudi Riyal unless otherwise stated)

2. Basis of preparation continued
(b) **Critical accounting estimates and judgments** continued
vii) 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.

viii) 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) & 33* – 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 and in preparing the opening IFRS statement of financial position at January 1, 2016 for the purposes of the transition to the IFRSs as explained in note 37, 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.

As part of its transition to IFRS and in accordance with the exemptions available to a first time adopter of IFRS under IFRS 1, the Group has elected to restate only those business combinations that occurred on or after January 1, 2016.

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.

(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.

3. Significant accounting policies continued
(a) Business combinations continued
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 losses on goodwill are not reversed.

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

As part of its transition to IFRS and in accordance with the exemptions available to a first time adopter of IFRS under IFRS 1, goodwill is measured at deemed cost, which represents the amount recorded under pre-convergence GAAP, adjusted for the subsumption of certain intangibles recognized at the time of corresponding business combination transactions (Note 37 (d)).

(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.

Unrealized 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.

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3. Significant accounting policies continued
(a) **Business combinations** continued
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.

(b) **Financial instruments**
(i) Non-derivative financial assets
The Group initially recognizes trade receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group has the following non-derivative financial assets: available-for sale investments, loans and receivables and cash and cash equivalents.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale. Available for sale investments principally consist of less than 20% share in quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value (unless the fair value for equity securities can't be reliably measured and they are carried at cost) and changes therein, other than impairment losses and foreign currency differences on available-for sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to consolidated statement of profit or loss.

Loans and receivables
Loans and receivables comprise trade and other receivables which are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any allowance for doubtful debts. Allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such allowances are charged to the profit or loss and reported under "General and administrative expenses". When account receivable is uncollectible, it is written-off against the allowances for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated statement of profit or loss.

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.

Offsetting
Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies continued
(b) **Financial instruments** continued
(ii) Derivative financial instruments, including 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 of 80-125 percent. 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".

(iii) Non-derivative financial liabilities
All non-derivative financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

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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 available-for-sale equity instruments, 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, 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.

(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 labor, 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.

3. Significant accounting policies continued

(e) Property, plant and equipment continued

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 losses.

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.

(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.

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3. Significant accounting policies continued
(h) Inventories continued
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 losses on initial classification as held for sale and subsequent gains or losses 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) 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 losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are 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 losses recognized in prior periods are 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.

3. Significant accounting policies continued
(j) Impairment continued
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.

(ii) Financial assets
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.

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 losses on available-for-sale investment securities are 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 amortization) and the current fair value, less any impairment loss previously recognized 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.

(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.

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.

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3. Significant accounting policies continued
(m) Revenues
Revenue is recognized to the extent of the following recognition requirements:
- it is probable that the economic benefits will flow to the Group;
- it can be reliably measured, regardless of when the payment is being made; and
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

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

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

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

(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.

3. Significant accounting policies continued
(o) Finance income and finance cost
Finance income comprises gains/(losses) on the disposal of available-for-sale financial assets, and gains on 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, losses on disposal of available-for-sale financial assets 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.

4. Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Cost or deemed cost								
Balance at January 1, 2016 (Note 37(b))	1,446,243	1,937,488	1,875,636	2,790,136	2,588,840	465,390	1,373,705	12,477,438
Additions	24,189	206,712	31,253	74,687	178,143	67,917	668,782	1,251,683
Disposals	–	(6,073)	(33,474)	(15,545)	(35,813)	(5,908)	(1,687)	(98,500)
Transfer from CWIP	193	271,515	76,210	328,291	139,158	2,721	(818,088)	–
Effect of movement in exchange rate	(38,770)	(192,990)	(10,242)	(650,189)	(28,555)	(32,684)	(154,626)	(1,108,056)
Hyperinflation adjustment	–	150	–	547	150	253	1,909	3,009
Transfer of assets classified as held for sale	(6,626)	(156,038)	(22,856)	(298,697)	(8,535)	(6,914)	(7,885)	(507,551)
Balance at December 31, 2016	1,425,229	2,060,764	1,916,527	2,229,230	2,833,388	490,775	1,062,110	12,018,023
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**

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4. Property, plant and equipment continued

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Accumulated Depreciation								
Balance at January 1, 2016 (Note 37(b))	–	(528,016)	(618,767)	(783,522)	(1,441,552)	(286,870)	–	(3,658,727)
Depreciation	–	(96,872)	(145,548)	(123,483)	(287,864)	(56,076)	–	(709,843)
Disposals	–	6,018	12,431	15,274	29,175	5,871	–	68,769
Effect of movement in exchange rate	–	28,884	767	140,912	14,476	14,573	–	199,612
Impairment losses	–	(2,748)	(1,237)	(176,548)	(251)	(961)	(3,395)	(185,140)
Hyperinflation adjustment	–	(20)	–	(72)	(12)	(6)	–	(110)
Transfer of assets classified as held for sale	–	52,661	7,488	160,894	7,518	5,477	–	234,038
Balance at December 31, 2016	–	(540,093)	(744,866)	(766,545)	(1,678,510)	(317,992)	(3,395)	(4,051,401)
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 movements 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)**
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, 2016	1,425,229	1,520,671	1,171,661	1,462,685	1,154,878	172,783	1,058,715	7,966,622
Carrying amounts – January 1, 2016	1,446,243	1,409,472	1,256,869	2,006,614	1,147,288	178,520	1,373,705	8,818,711

a) Construction work in progress relates to the construction of super markets and hyper markets for Panda and upgrading and enhancing the production facilities of certain subsidiaries of SFC.
b) Certain property, plant and equipment of the Group overseas subsidiaries amounting to SR 233.9 million are pledged as collateral with commercial banks (Note 18).
c) Property, plant and equipment classified as held-for-sale relates to United Sugar Company, Egypt (USCE) (Note 13).

5. Goodwill

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

	December 31, 2017	December 31, 2016	January 1, 2016
Geant's operations (Note 31)	**–**	222,024	222,024
Savola Industrial Investment Company	**101,004**	101,004	140,341
Afia International Company	**84,016**	84,016	84,016
Giant Stores Trading Company	**75,703**	75,703	75,703
El Maleka for Food Industries Company	**54,178**	52,426	267,689
KUGU Gida Yatum Ve Ticaret A.S	**38,997**	41,121	46,649
Herfy Foods Services Company (Note 37 (a))	**25,330**	25,330	25,330
Afia International Company, Egypt	**25,300**	24,482	55,348
Notrika Golden Wheat Company	**16,101**	20,780	22,702
United Sugar Company	**14,912**	14,912	14,912
El Farasha for Food Industries Company	**7,589**	7,344	30,417
Behshahr Industrial Company	**7,025**	17,856	61,699
Alexandria Sugar Company	**–**	–	17,908
	450,155	686,998	1,064,738

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 (Note 31 (a)).

6. Investment property

	December 31, 2017	December 31, 2016
Cost		
Balance at beginning of year	**50,766**	37,907
Additions	**78**	12,859
Balance at end of year	**50,844**	50,766
Accumulated depreciation and impairment		
Balance at beginning of year	**(16,510)**	(7,269)
Depreciation	**(3,721)**	(9,241)
Balance at end of year	**(20,231)**	(16,510)
Carrying amounts		
January 1,	**34,256**	30,638
December 31,	**30,613**	34,256

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7. 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 (%) 2017	Ownership interest (%) 2016	December 31, 2017	December 31, 2016	January 1, 2016
Almarai Company ("Almarai") (Note 7.1)	Fresh food products	Saudi Arabia	**34.52**	36.52	**6,942,521**	6,768,064	6,350,580
Kinan International for Real Estate Development Company ("Kinan")	Real Estate	Saudi Arabia	**29.9**	29.9	**506,513**	562,492	617,143
USCE (Note 7.2)	Sugar Manufacturing	Egypt	**33.82**	–	**246,449**	–	–
Al-Seera City Company for Real Estate Development	Real Estate	Saudi Arabia	**40**	40	**147,597**	151,607	151,790
Knowledge Economic City Developers Company	Real Estate	Saudi Arabia	**2.07**	2.07	**16,270**	16,435	16,435
Intaj Capital Limited ("Intaj") reclassified as held for sale (Note 13)	Fund management	Republic of Tunisia	**49**	49	**–**	–	179,244
United Edible Oils Holding Limited	Holding Company	Cayman Islands	**51**	–	**65,039**	–	–
Others	–	–	**–**	–	**–**	–	1,999
					7,924,389	7,498,598	7,317,191

7.1 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.

7.2 The direct ownership interest of the Company in USCE is 10.62% (December 31, 2016: 19.32%, Group's effective ownership 61.51%).

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

	Note	December 31, 2017	December 31, 2016
Balance at beginning of year		**7,498,598**	7,317,191
Additions		**70,781**	41
Contribution to settle an associate's liability		**–**	20,403
Transfer due to loss of control on investee	13	**229,021**	–
Share in net income		**741,839**	700,885
Fair value reserve adjustment	16	**57,018**	(122,164)
Disposals	7.1	**(400,370)**	–
Dividends		**(262,956)**	(252,001)
Investment classified as held for sale	13.1	**–**	(169,244)
Other adjustments		**(9,542)**	3,487
Balance at end of year		**7,924,389**	7,498,598

7. Investment in equity accounted investees continued
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 2017	Almarai 2016	Kinan 2017	Kinan 2016	USCE 2017	USCE 2016
Percentage ownership interest	**34.52**	36.52	**29.9**	29.9	**33.82**	–
Non-current assets	**25,083,073**	23,812,600	**2,905,190**	3,285,914	**260,405**	–
Current assets	**6,812,776**	5,381,837	**928,480**	821,458	**516,820**	–
Non-current liabilities	**11,243,500**	10,800,026	**941,864**	903,287	**37,510**	–
Current liabilities	**5,771,109**	4,915,942	**364,461**	550,909	**318,160**	–
Net assets attributable to shareholders (100%)	**14,484,373**	13,057,219	**2,232,769**	2,285,591	**421,555**	–
Group's share of net assets	**5,000,005**	4,768,496	**667,598**	683,392	**142,570**	–
Carrying amount of interest in associate	**6,942,521**	6,768,064	**506,513**	562,492	**246,449**	–
Revenue	**13,935,532**	14,338,579	**596,064**	486,852	**1,039,519**	–
Profit/(loss) from continuing operations attributable to shareholders (100%)	**2,182,286**	2,147,786	**(59,645)**	(306,865)	**36,348**	–
Other comprehensive income attributable to shareholders (100%)	**74,563**	(353,523)	**–**	–	**–**	–
Total comprehensive income/(loss) attributable to shareholders	**2,256,849**	1,794,263	**(59,645)**	(306,865)	**36,348**	–
Group's share of profit/(loss) and total comprehensive income	**779,064**	655,265	**(17,834)**	(91,753)	**12,293**	–

7.3 Group also has interest in number of individually immaterial associates. With an aggregate carrying value of SR 228.9 million (December 31, 2017: SR 168 million). The Company's share of results from these entities amounted to SR 5.2 million (December 31, 2016: SR 0.1 million).

8. Available for sale investments
Available for sale (AFS) investments comprise the following:

	Principal business sector	Country of incorporation	Ownership interest (%) 2017	Ownership interest (%) 2016	December 31, 2017	December 31, 2016	January 1, 2016
Quoted investments							
Knowledge Economic City	Real Estate	Saudi Arabia	**6.4**	6.4	**278,667**	392,265	336,660
Emaar the Economic City	Real Estate	Saudi Arabia	**0.9**	0.9	**100,413**	127,729	96,319
Taameer Jordan Holding Company	Real Estate	Kingdom of Jordan	**5**	5	**–**	–	–
Unquoted investments							
Joussour Holding Company	Holding Company	Saudi Arabia	**14.81**	14.81	**–**	–	135,869
Swicorp, Saudi Arabia	Investment Management	Saudi Arabia	**15**	15	**67,674**	67,674	115,674
Dar Al Tamleek (Note 8.1)	Real Estate	Saudi Arabia	**5**	5	**24,753**	24,753	24,753
					471,507	612,421	709,275

8.1 Subsequent to December 31, 2017, the Company sold its ownership interest in Dar Al Tamleek for SR 28.02 million and realised a gain amounting to SR 3.27 million.

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8. Available for sale investments continued
8.2 Movement in the available-for-sale investments was as follows:

	December 31, 2017	December 31, 2016
Balance at beginning of year	**612,421**	709,275
Impairment (Note 31)	**–**	(183,869)
Fair value reserves adjustment	**(140,914)**	80,732
Other adjustment	**–**	6,283
Balance at end of year	**471,507**	612,421

8.3 During the year, the Group received dividend income amounting to SR 10.54 million (December 31, 2016: SR 1.17 million) from the investees.

9. Inventories

	December 31, 2017	December 31, 2016	January 1, 2016
Finished products	**1,706,036**	1,911,111	3,575,268
Raw and packing materials	**978,482**	963,574	1,162,428
Work in process	**96,049**	82,186	100,497
Spare parts and supplies	**185,329**	160,135	200,086
Goods in transit	**246,660**	322,237	194,847
	3,212,556	3,439,243	5,233,126
Less: Provision for obsolescence/slow moving	**(87,053)**	(122,115)	(223,412)
	3,125,503	3,317,128	5,009,714

Inventories have been reduced by SR 215 million (December 31, 2016: SR 117 million) as a result of the write-down to net realizable value.

Inventories amounting to SR 40 million (December 31, 2016: SR 0.14 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 85 million (December 31, 2016: SR 231 million) which are held under a fair value hedge relationship. As at December 31, 2017, the fair value of these raw sugar amounts to SR 97 million (December 31, 2016 SR 198 million) (Note 11).

10. Trade receivables

	December 31, 2017	December 31, 2016	January 1, 2016
Trade receivables	**1,006,781**	1,232,065	843,809
Less: Allowance for credit losses (Note 33)	**(80,238)**	(72,734)	(74,404)
	926,543	1,159,331	769,405
Due from related parties (Note 26)	**50,574**	103,542	86,933
	977,117	1,262,873	856,338
Less: non-current trade receivables	**(6,499)**	(10,751)	(28,247)
	970,618	1,252,122	828,091

10. Trade receivables continued
Following is the movement of allowance for credit losses:

	December 31, 2017	December 31, 2016
At beginning of year	**72,734**	74,404
Charge for the year	**10,225**	12,040
Currency translation	**(2,721)**	(9,926)
Classified as held for sale	**–**	(548)
Write offs	**–**	(3,236)
At end of year	**80,238**	72,734

For credit risk disclosures refer note 33.

11. Prepayments and other receivables

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Prepaid rent		**306,319**	355,339	429,687
Advances to vendors		**234,009**	278,987	430,181
Receivable from government authorities	11.1	**215,514**	114,750	109,604
Due from related parties	26	**104,703**	197,329	151,644
Custom duty refundable	11.2	**101,317**	84,710	60,764
Positive fair value of derivatives	11.3	**54,147**	53,879	154,840
Other prepaid expenses		**47,382**	56,657	58,364
Change in fair value of hedged item (firm commitments)		**35,696**	79,563	109,118
Unclaimed dividends		**33,898**	33,365	25,679
Advances to employees		**15,197**	18,757	22,785
Insurance claim receivable		**–**	1,001	23,004
Others		**71,290**	68,636	135,138
		1,219,472	1,342,973	1,710,808

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

11.2 Custom duty recoverable mainly represents funds with government authorities paid on import of raw material.

11.3 Derivatives

	December 31, 2017	December 31, 2016	January 1, 2016
Derivatives – current assets			
Future exchange contracts	**54,147**	50,907	154,594
Interest rate swaps	**–**	2,972	246
	54,147	53,879	154,840
Derivatives – non-current assets			
Call option available for the purchase of USCE (Note 1)	**10,240**	–	–
Derivatives – current liabilities			
Future exchange contracts	**46,962**	109,000	207,839
Interest rate swaps	**4,735**	–	7,301
	51,697	109,000	215,140
Derivatives – non-current liabilities			
Put option available to EBRD for the sale of USCE (Note 1)	**159,979**	–	–

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11. Prepayments and other receivables continued
11.3 Derivatives continued
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.

(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.

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

11.5 Derivatives held for hedging purposes
The Group has adopted a comprehensive system for the measurement and management of risk (see note 33 – 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.

11. Prepayments and other receivables continued

				Notional amount by term to maturity			
December 31, 2017	**Positive fair value**	**Negative fair value**	**Notional amount**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Held as fair vale hedge							
Commodity futures	**13,326**	**(38,988)**	**833,633**	**636,553**	**196,043**	**1,037**	**–**
Held as cash flow hedge							
Interest rate swaps	**–**	**(4,735)**	**750,000**	**–**	**–**	**750,000**	**–**
Held for others							
Commodity futures	**40,821**	**(7,974)**	**1,530,905**	**923,546**	**482,094**	**125,264**	**–**
Call options	**10,240**	**–**	**–**	**–**	**–**	**10,240**	**–**
Put Option	**–**	**159,979**	**–**	**–**	**–**	**–**	**159,979**
December 31, 2016							
Held as fair vale hedge							
Commodity futures	50,907	(15,127)	936,523	584,506	331,640	20,377	–
Held as cash flow hedge							
Interest rate swaps	982	(3,954)	750,000	–	–	750,000	–
Held for others							
Commodity futures	–	(93,873)	1,183,384	901,505	281,879	–	–

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.

Description of hedged item	**Fair value**	**Cost**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Inventory	97,300	85,091	Value of sugar	Commodity Futures	13,326	(38,988)

The losses on the hedging instruments for fair value hedges are SR 8.9 million (2016: SR 34 million). The gains on the hedged items attributable to the hedged risk are SR 10.7 million (2016: SR 35.3 million). Thus, the net fair value is SR 1.8 million (2016: SR 1.3 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.

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, 2017	**Within 1 year**	**1-3 Years**	**3-5 Years**	**Over 5 years**
Cash inflows (assets)	**21,413**	**41,243**	–	–
Cash outflows (liabilities)	**21,835**	**32,932**	–	–

December 31, 2016	Within 1 year	1-3 Years	3-5 Years	Over 5 years
Cash inflows (assets)	17,451	47,694	14,961	–
Cash outflows (liabilities)	21,835	43,730	11,037	–

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11. Prepayment and other receivables continued
Movements in the other reserve of cash flow hedges:

	December 31, 2017	December 31, 2016
Balance at beginning of year	**2,972**	(7,055)
(Loss)/gain on changes in fair value recognized directly in equity, net (effective portion)	**(7,707)**	10,027
Balance at end of year	**(4,735)**	2,972

12. Cash and cash equivalents

	December 31, 2017	December 31, 2016	January 1, 2016
Cash in hand	**32,989**	32,914	32,075
Cash at bank – current account	**525,454**	511,321	1,309,068
Short term deposits (Note 12.1)	**739,674**	860,573	748,839
	1,298,117	1,404,808	2,089,982

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

13. Assets and liabilities held for sale and discontinued operation
Assets and liabilities classified as held for sale comprise the following:

	Note	December 31, 2017	December 31, 2016
Assets classified as held for sale, relating to:			
– Investment in Intaj	13.1	**39,677**	80,844
– USCE	13.2	**–**	1,051,182
		39,677	1,132,026
Liabilities classified as held for sale, relating to:			
– USCE	13.2	**–**	1,014,165

13.1 During the last quarter of 2016, the investment in Intaj has been classified as held for sale pursuant to management's decision for selling the interest in Intaj. Consequently, the investment has been reclassified and written down to its recoverable amount. The determination of fair value less cost to sell was principally based on bid prices from potential buyers but also supported by detailed internal analysis of underlying investments. The Group considered the latest available Net Asset Value (NAV) report from the fund manager, and adjusted the same with the probable exit timing, appropriate EBITDA multiples and current liquidity discount. Consequently, this investment has been written down to its estimated realizable value of SR 80.8 million and an impairment loss of SR 88.4 million was recognized during the year ended 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, during the period ended December 31, 2017, the fund manager made payment amounting to SR 41.17 million representing Company's share in divestment proceeds. Consequently, the carrying value of investment in Intaj decreased to SR 39.67 million as at year end. Since the recoverable amount from the underlying investments has not significantly declined therefore, no impairment charge has been recorded for the year ended December 31, 2017.

13. Assets and liabilities held for sale and discontinued operation continued
13.2 As disclosed in note 1, on March 28, 2017 USCE issued 12.77 million shares to EBRD and it has been deconsolidated from the Group. The following assets and liabilities of USCE classified as held for sale in 2016 have now been deconsolidated.

	December 31, 2016
Assets	
Cash and cash equivalents	341,958
Accounts receivable and other receivables	194,305
Inventories	237,549
Property, plant and equipment	273,513
Other non-current assets	3,857
Disclosed as 'Assets classified as held for sale' in the consolidated statement of financial position	1,051,182
Liabilities	
Loans and borrowings	118,070
Accounts payable and other liabilities	485,333
Non-current liabilities	35,762
Subscription money received from EBRD	375,000
Disclosed as 'Liabilities classified as held for sale' in the consolidated statement of financial position	1,014,165

Details of gain/(loss) from discontinued operations for the period/year ended as follows:

	March 28, 2017	December 31, 2016
Revenues	**359,820**	1,328,627
Expenses	**(373,730)**	(1,500,975)
Loss before foreign income taxes	**(13,910)**	(172,348)
Foreign income tax	**(967)**	(3,912)
Results from operating activities, net of tax	**(14,877)**	(176,260)
Gain on sale of discontinued operation, net	**30,482**	–
Gain/(loss) from discontinued operation, net of tax	**15,605**	(176,260)
Gain/(loss) from discontinued operation attributable to:		
Owners of the Company	**21,320**	(108,556)
Non-controlling interests	**(5,715)**	(67,704)
	15,605	(176,260)
Basic and diluted earnings/(loss) per share (in Saudi Riyals)	**0.04**	0.20

The supplemental schedule of non-cash financial information relating to USCE, at the date of deconsolidation, is as follows:

	March 28, 2017
Assets classified as held for sale	**867,644**
Liabilities classified as held for sale	**789,651**

14. Share capital
At December 31, 2017, the Group's share capital of SR 5.3 billion consists of 533.981 million fully paid shares of SR 10 each (December 31, 2016, SR 5.3 billion, January 1, 2016: SR 5.3 billion consisting of 533.981 million fully paid shares of SR 10 each).

15. 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 period end.

The statutory reserve in the condensed consolidated interim financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

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

	Note	December 31, 2017	December 31, 2016
Balance at beginning of year		**(32,023)**	(618)
Share in changes in other reserve of associates	7	**57,018**	(122,164)
Fair value adjustment from investments in available-for-sale (AFS) investments		**(134,869)**	80,732
Fair value adjustment from derivative financial instruments relating to cash flow hedge		**(7,707)**	10,027
Other adjustment		**8,932**	–
Balance at end of year		**(108,649)**	(32,023)

17. Non-controlling interests
As disclosed in note 37, upon transition to IFRS, the Group reassessed its control over its investees based on which the investment in Herfy Foods Services ("Herfy") was concluded to be an 'Investment in Subsidiary' as defined under IFRS 10 and accordingly, assets and liabilities of Herfy have been consolidated in the consolidated financial statements. As a result, the balance as at December 31, 2017 includes the non-controlling interest in Herfy amounting to SR 442.09 million (December 31, 2016: SR 409.38 million, January 1, 2016: SR 370.02 million).

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, 2017	SFC	Panda	Herfy	Matoun
Non-current assets	**3,083,659**	**3,681,150**	**1,085,283**	**263,948**
Current assets	**5,146,560**	**1,745,147**	**305,394**	**53,068**
Non-current liabilities	**(755,961)**	**(1,558,261)**	**(254,981)**	**(16,615)**
Current liabilities	**(4,250,699)**	**(3,545,884)**	**(268,846)**	**(30,686)**
Net assets (100%)	**3,223,559**	**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)**	**(485)**	**–**	**–**

December 31, 2016	SFC	Panda	Herfy	Matoun
Non-current assets	2,870,249	4,309,366	1,040,120	278,575
Current assets	6,237,762	1,953,297	301,943	18,899
Non-current liabilities	(919,285)	(1,959,284)	(297,753)	(13,368)
Current liabilities	(5,136,617)	(2,961,527)	(241,601)	(28,642)
Net assets (100%)	3,052,109	1,341,852	802,709	255,464
Carrying amount of NCI	456,377	5,497	–	–
Revenue	11,886,722	13,572,374	1,156,683	55,008
(Loss)/profit	(16,134)	(811,396)	217,080	(11,183)
OCI	(956,911)	(69,752)	500	–
Total comprehensive income/(loss) (100%)	(973,045)	(881,148)	217,580	(11,183)
(Loss)/profit allocated to NCI	(142,222)	(766)	–	–
OCI allocated to NCI	(78,112)	(58)	–	–

18. 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, 2017	December 31, 2016	January 1, 2016
Non-current liabilities			
Secured bank loans	**162,550**	300,468	484,930
Unsecured Sukuk (Note 18.4)	**1,500,000**	1,500,000	1,500,000
Unsecured bank loans	**1,866,884**	2,655,488	2,792,916
	3,529,434	4,455,956	4,777,846
Current liabilities			
Current portion of secured bank loans	**35,322**	36,188	25,691
Current portion of unsecured bank loans	**843,109**	935,063	1,502,052
Secured bank loans	**221,585**	164,561	91,732
Unsecured bank loans	**2,664,825**	3,334,731	3,241,632
Bank overdrafts	**102,587**	141,537	238,336
	3,867,428	4,612,080	5,099,443
	7,396,862	9,068,036	9,877,289

Geographical analysis of loans and borrowings is as follows:

	Long term loans		Short term Loan		Total loans & borrowing	
Location	2017	2016	2017	2016	2017	2016
Saudi Arabia	**4,176,140**	5,019,456	**2,294,124**	3,083,819	**6,470,264**	8,103,275
Egypt	**211,389**	366,022	**318,268**	297,312	**529,657**	663,334
Iran	**–**	–	**100,075**	23,727	**100,075**	23,727
Turkey	**15,619**	26,031	**83,769**	52,812	**99,388**	78,843
Sudan	**4,717**	9,462	**40,323**	50,701	**45,040**	60,163
Morocco	**–**	–	**38,812**	48,784	**38,812**	48,784
Algeria	**–**	6,236	**113,626**	83,674	**113,626**	89,910
	4,407,865	5,427,207	**2,988,997**	3,640,829	**7,396,862**	9,068,036

18.1 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 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.

18.2 Property, plant and equipment amounting to SR 435.35 million (December 31, 2016: SR 440 million, January 1, 2016: SR 1,434.7 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.

18.3 Inventories amounting to SR 43 million (December 31, 2016: SR 0.14 million, January 1, 2016: SR 366.8 million) are pledged with foreign banks as collateral against the bank borrowing facilities of certain overseas subsidiaries.

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

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19. 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, 2017	December 31, 2016	January 1, 2016
Present value of defined benefit obligation	**663,732**	609,251	543,115

An independent actuarial exercise has been conducted as at January 1, 2016, December 31, 2016 and December 31, 2017 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.

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, 2017	December 31, 2016
Balance at beginning of year	**609,251**	543,115
Included in profit or loss		
Current service cost	**81,706**	71,513
Interest cost	**22,950**	27,025
	104,656	98,538
Included in other comprehensive income		
Re-measurement loss:		
Actuarial loss	**13,746**	25,060
Effect of movement in exchange rates	**(8,443)**	(9,446)
Benefits paid	**(56,386)**	(45,668)
Adjustment related to transferred employees	**908**	2,054
Classified within 'liabilities associated with assets held for sale'	**–**	(4,402)
Balance at end of year	**663,732**	609,251

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	December 31, 2017	December 31, 2016	January 1, 2016
Discount rate	**4% - 20.25%**	4% - 20.4%	3.95% - 20.3%
Future salary growth/expected rate of salary increase	**6% - 21%**	6% - 21%	7% - 21%
Mortality rate	**0.1% - 0.5%**	0.1% - 0.5%	0.1% - 0.5%
Employee turnover/withdrawal rates	**6% - 17%**	6% - 17%	5% - 21%
Retirement age	**60 years**	60 years	60 years

The weighted average duration of the defined benefit obligation ranges between 4.5 to 9.65 years.

19. Employee benefits continued
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, 2017		December 31, 2016	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(47,689)**	**55,494**	(42,994)	49,960
Future salary growth (1% movement)	**56,442**	**(49,477)**	47,527	(41,648)
Inflation (1% movement)	**(9,773)**	**12,218**	(9,484)	14,485
Withdrawal rates (1% movement)	**(6,509)**	**7,231**	(10,518)	186
Future mortality (1 year set back/ forward)	**702**	**(922)**	494	(171)

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.

20. Deferred tax
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	**–**	–	**(58,749)**	(49,124)	**(58,749)**	(49,124)
Provisions	**1,854**	1,413	**(1,003)**	(1,428)	**851**	(15)
Other items	**6,030**	13,734	**(6,816)**	(5,389)	**(786)**	8,345
Tax carry-forwards	**20,412**	13,546	**–**	–	**20,412**	13,546
Net tax asset/(liabilities)	**28,296**	28,693	**(66,568)**	(55,941)	**(38,272)**	(27,248)

The movement in deferred tax liability-net, is as follows:

	Balance at Jan 1, 2016	Recognized in profit or loss	Recognized in OCI – CTR	Balance at Dec 31, 2016	Recognized in profit of loss	Recognized in OCI – CTR	Balance at Dec 31, 2017
Property, plant and equipment	(99,573)	(15,538)	65,987	(49,124)	(5,959)	(3,666)	**(58,749)**
Provisions	1,110	(252)	(873)	(15)	777	89	**851**
Other items	(6,423)	20,779	(6,011)	8,345	(9,595)	464	**(786)**
Tax carry-forwards	58,200	(17,577)	(27,077)	13,546	6,631	235	**20,412**
	(46,686)	(12,588)	32,026	(27,248)	(8,146)	(2,878)	**(38,272)**

21. Trade payable

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Third parties		**2,264,473**	2,368,313	3,126,411
Related parties	26	**206,648**	127,435	87,379
		2,471,121	2,495,748	3,213,790

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22. Accrued and other liabilities

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Accrued expenses		**440,042**	362,746	326,485
Accrued zakat and tax	23	**253,265**	282,863	265,481
Payable to government authorities	22.1	**224,820**	251,122	80,310
Employee related accrual		**184,482**	204,581	168,289
Payable to contractors		**174,651**	50,370	89,333
Marketing related accruals		**167,648**	159,096	222,903
Accrued utilities		**132,887**	158,947	121,115
Negative fair value of derivatives	11.2	**51,697**	109,000	215,140
Accrued financial charges		**51,642**	141,342	167,586
Unclaimed dividend	22.2	**48,037**	51,640	35,232
Payable to Margarine Company	22.3	**46,864**	63,438	51,592
Accrued rent		**39,448**	15,003	15,046
Dividend payable to non-controlling interest		**36,116**	6,349	23,520
Advances from customers		**29,516**	26,841	50,244
Insurance related liabilities		**16,168**	30,154	33,399
Change in fair value of hedged item (firm commitments)		**15,838**	18,660	19,431
Due to related parties	26	**10,278**	21,242	5,232
Other liabilities		**240,621**	283,142	133,038
		2,164,020	2,236,536	2,023,376

22.1 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.

22.2 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.

22.3 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.

23. Zakat and income taxes

Zakat and taxes included in the consolidated statement of profit or loss comprises of the following:

	December 31, 2017	December 31, 2016
Current foreign income-tax charge	**50,972**	110,851
Zakat	**12,807**	29,583
	63,779	140,434
Deferred foreign income-tax charge: (Note 20)	**8,146**	12,588
	71,925	153,022

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

	December 31, 2017	December 31, 2016
Balance at beginning of year	**282,863**	265,481
Charge for the year	**63,779**	140,434
Transferred to 'liabilities classified as held for sale' (Note 13)	**–**	(5,104)
Currency translation adjustment	**(23,241)**	(24,013)
Payments/adjustment during the year	**(70,136)**	(93,935)
Balance at end of year	**253,265**	282,863

(a) Zakat status

The Company has finalized 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 Saudi Riyals 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 87.6 million. The Company has objected the GAZT claim. The Company also filed the Zakat returns for the years 2013 to 2016.

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 17.7 million (2016: SR 42.7 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 advances tax determined on prior year tax liability bases.

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

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

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24. Contingencies and commitments

	December 31, 2017	December 31, 2016	January 1, 2016
	Amounts in millions		
Letters of credits	91	258	82
Bank guarantees	239	273	201
Corporate guarantee (note 24.1)	102	102	102
Commitments to buy raw sugar	345	98	313
Commitments to sell refined sugar	694	549	855
Investment commitments	–	49.6	49.6
Capital commitments	257	394	672
	Quantity in Metric tonnes		
Commitments to buy raw sugar	262,300	48,750	284,950
Commitments to sell raw sugar	360,478	243,695	409,851

24.1 The Company has also issued a corporate guarantee, amounting to SR 102 million (December 31, 2016: SR 102 million, January 1, 2016: SR 102 million), to Saudi Industrial Development Fund for their loan to an associated company.

24.2 Also see note 18 with respect to guarantees given for certain loans and note 23 with respect to Zakat contingencies.

24.3 The Group has various operating leases for its offices, warehouses and production facilities. Future rental commitments under these operating leases are as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Within one year	**760,860**	760,852	704,351
Between two and five years	**2,623,012**	2,739,285	2,850,170
More than five years	**4,726,507**	4,842,851	5,850,076
Total	**8,110,379**	8,342,988	9,404,597

25. Earnings per share
Basic earnings per share for the year ended 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 533.981 million (December 31, 2016: 533.981 million) during such periods.

Diluted earnings per share for the year ended December 31, 2017 and December 31, 2016, 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.

26. 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.

26. Related parties continued
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 25.07 million for the year ended December 31, 2017 (December 31, 2016: SR 25.23 million).

Board of Directors' remuneration for the year ended December 31, 2017 amounting to SR 2.2 million (December 31, 2016: SR Nil) has been calculated in accordance with the Company's By-laws and is considered as appropriation shown in the consolidated statement of changes in equity. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 2.77 million (December 31, 2016: SR 2.60 million) are charged to expenses and included under administrative expenses.

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 favorable 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.

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26. Related parties continued
Transactions with key management personnel continued

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:

Name	Relationship	Nature of transactions	Amount of transactions December 31, 2017	Amount of transactions December 31, 2016	Closing balance December 31, 2017	Closing balance December 31, 2016
Due from related parties – Trade receivables						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	**308,900**	207,508	**31,054**	49,078
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	**79,755**	131,937	**9,129**	40,992
Almarai	Associate	Trade	**79,432**	83,426	**5,014**	7,855
USCE	Associate	Trade	**31,646**	–	**–**	–
Western Bakeries Company Limited	Affiliate	Trade	**26,391**	25,515	**1,852**	2,882
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	**–**	1,407	**–**	68
Seafood International One	Associate	Trade	**8,325**	23,467	**–**	–
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Trade	**1,736**	3,506	**–**	937
Others			**77**	142	**3,525**	1,730
					50,574	103,542
Due from related parties – Prepayments and other receivables						
Kinan (Note 26.1)	Associate	Non-trade	**53,020**	41,403	**82,363**	149,390
Intaj	Associate	Non-trade	**16,076**	–	**–**	27,200
Seafood International One	Associate	Non-trade	**12,761**	42,810	**14,907**	19,346
Seafood International Holdco.	Joint venture	Non-trade	**6,011**	–	**6,011**	–
Bonus Foods Company Limited	Associate	Non-trade	**1,104**	–	**1,104**	–
Joussour Holding Company	Investee	Non-trade	**3,750**	–	**–**	–
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	**–**	9,171	**–**	1,393
Del Monte Saudi Arabia Limited	Affiliate	Non-trade	**3,349**	2,500	**150**	–
USCE	Associate	Non-trade	**45,254**	–	**168**	–
					104,703	197,329
Due from related parties – Long-term receivables						
Kinan (Note 26.1)	Associate	Non-trade	–	–	69,075	–
Shareholder of USC – Net	Shareholder of a subsidiary	Trade	–	–	–	3,966
					69,075	3,966
Due to related parties – Trade payables						
Almarai	Associate	Trade	**541,645**	514,611	**82,163**	55,202
Mayar Food Company	Affiliate	Trade	**234,643**	233,759	**57,080**	40,864
Nestle Saudi Arabia Limited	Affiliate	Trade	**332,696**	324,564	**40,453**	5,199
Hail Agricultural Development Company	Affiliate	Trade	**104,544**	91,946	**15,373**	12,759
Del Monte Saudi Arabia Limited	Affiliate	Trade	**100,386**	133,989	**4,468**	6,506
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	**11,869**	17,126	**4,181**	3,221
Al Manhal Water Factory Company Limited	Affiliate	Trade	**23,382**	19,834	**2,587**	3,684
Others			**5,044**	–	**343**	–
					206,648	127,435
Due to related parties – accrued and other liabilities						
Arabian Centers Company	Shareholder of a subsidiary	Non-trade	**43,901**	44,248	**8,221**	19,730
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	**11,161**	–	**266**	–
Others			**10,335**	12,423	**1,791**	1,512
					10,278	21,242

26. Related parties continued
Transactions with key management personnel continued

26.1 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.

27. Operating segments
The Group has four 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.

Investments – includes real estate activities, investments in associates, available-for-sale investments and other investments.

The segments which do not meet any of the quantitative thresholds for determining reportable segments in 2017 and 2016, 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, 2017	**Food Processing**	**Retail**	**Food services**	**Investments**	**Discontinued operations**	**Others/ Eliminations**	**Total**
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	**(9,653,571)**	**(9,317,363)**	**(816,048)**	**–**	**–**	**347,010**	**(19,439,972)**
Segment net profit/(loss)	**591,065**	**(1,016,022)**	**199,921**	**1,249,446**	**15,605**	**(14,397)**	**1,025,618**
Segment assets	**8,230,219**	**5,426,297**	**1,390,677**	**13,039,070**	**–**	**(4,877,443)**	**23,208,820**
Segment liabilities	**5,006,660**	**5,104,145**	**523,827**	**3,841,310**	**–**	**(975,102)**	**13,500,840**

	Reportable Segments						
December 31, 2016	Food Processing	Retail	Food services	Investments	Discontinued operations	Others/ Eliminations	Total
External revenues	11,634,852	13,567,933	1,128,017	–	–	–	26,330,802
Inter segment revenue	251,871	4,441	28,666	55,008	–	(339,986)	–
Segment Revenue	11,886,723	13,572,374	1,156,683	55,008	–	(339,986)	26,330,802
Cost of revenues	(10,017,294)	(11,219,627)	(809,080)	–	–	368,163	(21,677,838)
Segment net profit/(loss)	302,348	(810,631)	217,579	206,694	(176,260)	(103,017)	(363,287)
Segment assets	8,056,829	6,262,663	1,342,063	13,609,069	1,051,182	(5,034,410)	25,287,396
Segment liabilities	5,041,737	4,920,811	539,354	5,002,496	1,014,165	(481,001)	16,087,562

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28. Cost of revenues

	December 31, 2017	December 31, 2016
Inventories	**17,783,414**	20,041,307
Salaries, wages and benefits	**615,474**	617,609
Overheads	**607,499**	580,308
Depreciation and amortization	**268,991**	267,187
Freight & handling	**164,594**	171,427
	19,439,972	21,677,838

29. Administrative expenses

	December 31, 2017	December 31, 2016
Salaries, wages and benefits	**437,022**	481,405
Depreciation and amortization	**94,853**	60,047
Professional fees	**55,314**	47,854
IT related cost	**37,451**	23,637
Insurance	**25,210**	29,309
Public relations and advertising	**20,456**	11,193
Rent	**17,169**	17,379
Utilities, telephone and communication cost	**17,559**	14,473
Traveling	**11,566**	9,994
Repairs and maintenance	**10,293**	5,315
Training	**5,387**	5,575
Other	**35,393**	54,475
	767,673	760,656

30. Selling and distribution expenses

	December 31, 2017	December 31, 2016
Salaries, wages and benefits	**1,308,745**	1,350,119
Rent	**715,536**	851,171
Advertisement	**300,230**	385,297
Depreciation and amortization	**441,448**	391,850
Utilities	**297,288**	300,686
Maintenance	**71,967**	87,710
Insurance	**53,892**	50,861
Commission	**43,949**	51,778
Communication	**17,059**	11,535
Others	**103,440**	66,804
	3,353,554	3,547,811

31. Impairment losses

As part of Group's assessment exercise of the Fair values of available for sale securities and recoverable amounts of certain assets, including a disposal group and intangibles at the year end; the Group has recognized a cumulative impairment loss of SR 222.02 million (December 31, 2016 SR: 573.89 million).

The breakup of the amount by class of assets is provided below:

	December 31, 2017	December 31, 2016
Impairment loss on:		
– recoverable amount of non–financial assets including goodwill (Note 'a' below)	**222,024**	301,623
– fair valuation of AFS Investment (Note 'b' below)	**–**	183,869
– re-measurement of an associate held for sale (Note 'c' below)	**–**	88,400
Total impairment losses	**222,024**	573,892

31. Impairment losses continued

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

The Group has reviewed the carrying amounts of its non financial assets including goodwill to determine whether their carrying values 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 (disclosed as key assumptions in the table below).

Following is the breakup of impairment loss on goodwill for the year ended:

	Impairment loss		
CGU	December 31, 2017	December 31, 2016	Key assumptions
Geant operations	**222,024**	–	• Budgeted EBITDA margin -3.7% to 2.1% • Discount rate 13.9% Terminal value growth rate 2.6%
El Maleka for Food Industries Company	**–**	41,550	• Budgeted EBITDA growth rate 19.26% (2016: 33.7%) • Discount rate 27.01% (2016: 24.86%) • Terminal value growth rate 5% (2016: 5.5%)
El Farasha for Food Industries Company	**–**	3,627	• Budgeted EBITDA growth rate 14% (2016: 17.51%) • Discount rate 27.01% (2016: 24.86%) • Terminal value growth rate 5.5% (2016: 5.5%)
Savola Industrial Investment Company – USCE	**–**	39,338	• Budgeted EBITDA growth rate -1.08% (2016: -1.08%) • Discount rate 12.8% (2016: 12.8%) • Terminal value growth rate 3% (2016: 3%)
Alexandria Sugar Company, Egypt (ASC)	**–**	17,908	• Budgeted EBITDA growth rate Nil (2016: -5.7%) • Discount rate Nil (2016: 25.6%) • Terminal value growth rate Nil (2016: 5.5%)
Total	**222,024**	102,423	

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.

Other non-financial assets:

Additionally, an impairment of SR 199.2 million was recognized during the year ended December 31, 2016 on other non-financial assets. This represents the write-down of certain property, plant and equipment and other assets of Alexandria Sugar Company, Egypt (ASCE) and Alexandria United Company for Land Reclamation (AUCR) (subsidiaries) to their recoverable amounts due to unfavorable changes in sugar prices and supply dynamics; increase in the costs due to subsidy removal and sales disruptions.

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31. Impairment losses continued
(a) Impairment loss on recoverable amount of non-financial assets, including goodwill continued

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. 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 13.9% (December 31, 2016: 12.8% to 25.6%) on a post-tax basis and were projected up to the year 2022. The estimated average growth rate used to extrapolate the cash flows beyond the five-year period was 2.6% (December 31, 2016: 3% to 5.5%) and management believes that such growth rate does not exceed the long-term average growth rate for the market in which it operates. The 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

(b) Impairment loss on fair valuation of AFS investments:

The Group holds investments in equity of Swicorp, Saudi Arabia and Joussor Holding Company and classifies these under Available for Sale investments. The Group had carried out an internal study to estimate the Fair Values of these unquoted investments at December 31, 2016 using multiple valuation techniques including Price Earnings Multiples, Price to Book value and Price to Tangible Book Value the decline in the fair value was considered significant. Accordingly, impairment losses amounting to SR 48 million and SR 135.9 million have been recognized on Swicorp, Saudi Arabia and Joussor Holding Company, respectively in the comparative period.

As at December 31, 2017, the fair values were determined using the consistent approach and no further impairment losses were recognized.

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

As fully explained in note 13, during the last quarter of 2016, the investment in Intaj Capital Limited was classified as held for sale resulting its measurement at lower of carrying amount or Fair value less cost to sell. The determination of fair value less cost to sell was principally based on bid prices from potential buyers but also supported by detailed internal analysis of underlying investments. The Group considered the latest NAV report available from the Fund Manager, and adjusted the same with the probable exit timing, appropriate EBITDA multiples and current liquidity discount. Consequently, investment was written down to its estimated fair value of SR 80.8 million and an impairment loss of SR 88.4 million was recognized as at December 31, 2016. As at December 31, 2017, the fair value was determined using the consistent approach and no further impairment loss was recognized.

32. Net finance cost

	December 31, 2017	December 31, 2016
Commission income on bank deposits	**127,391**	196,083
Positive fair value of call option	**10,240**	–
Finance income	**137,631**	196,083
Financial charges on borrowings	**340,056**	369,146
Negative fair value of put option	**60,253**	–
Foreign exchange loss, net	**57,711**	353,782
Bank commission	**52,129**	22,667
Unrealized loss on remeasurement of other commodity futures, net	**7,839**	8,111
Unwinding of discount on site restoration	**4,925**	969
Finance cost	**522,913**	754,675
Net finance cost recognized in profit or loss	**385,282**	558,592

33. 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.

33. Financial risk management continued
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.

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, 2017	December 31, 2016
Fixed rate instruments		
Financial assets	**471,882**	556,693
Financial liabilities	**255,276**	303,418
Variable rate instruments		
Financial assets	**267,792**	303,880
Financial liabilities	**7,141,233**	8,760,813

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33. Financial risk management continued
Market risk continued

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 2.5 million (December 31, 2016: SR 2.9 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 60.93 million (December 31, 2016: SR 59.63 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.

Following is the gross financial position exposure (in thousands) classified into separate foreign currencies:

	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)**

	December 31, 2016				
	US Dollars	Iranian Riyals	Egyptian Pounds	Sudanese Pounds	Turkish Lira
Trade receivables	4,761	951,535,486	212,273	39,701	168,210
Other receivables	3,015	508,515,472	68,353	28,267	30,627
Cash and cash equivalents	35,673	6,039,189,228	560,324	64,082	4,095
	43,449	7,499,240,186	840,950	132,050	202,932
Trade payables	(62,622)	(860,001,733)	(197,684)	(59,573)	(102,364)
Other payables	(68,000)	(2,718,097,152)	(300,567)	(22,954)	(5,142)
Loans and borrowings	(189,631)	(192,304,052)	(1,096,735)	(312,248)	(68,128)
	(320,253)	(3,770,402,937)	(1,594,986)	(394,775)	(175,634)
Net exposure	(276,804)	3,728,837,249	(754,036)	(262,725)	27,298

33. Financial risk management continued
Market risk continued

Significant exchange rates applied during the year were as follows:

	Average rate		Spot rate	
	For the year ended December 31,		As at December 31,	
	2017	2016	**2017**	2016
Foreign currency per Saudi Riyal				
US Dollars	**0.27**	0.27	**0.27**	0.27
Iranian Riyals	**9,057**	8,105	**11,320**	8,120
Egyptian Pounds	**4.76**	2.28	**4.74**	4.9
Sudanese Pounds	**5.63**	3.98	**7.40**	5.19
Turkish Lira	**0.97**	0.81	**1.01**	0.94

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 6.9 million (December 31, 2016: SR 2.9 million).

The following table demonstrates the sensitivity to the change in exchange rates. If Foreign currency had weakened/strengthened by 1% against Saudi Riyal, with all other variables held constant, the effect on the Group's profit before zakat and income tax at December 31, 2017 and December 31, 2016 would be as follows:

	Increase/decrease in exchange rates	US Dollars	Iranian Riyals	Egyptian Pounds	Sudanese Pounds	Turkish Lira
December 31, 2017						
Saudi Riyal	**+1%**	**(3,237)**	**2,948**	**(6,002)**	**(293)**	**(349)**
Saudi Riyal	**-1%**	**3,237**	**(2,948)**	**6,002**	**293**	**349**
December 31, 2016						
Saudi Riyal	+1%	(5,459)	4,304	(1,533)	(506)	290
Saudi Riyal	-1%	5,459	(4,304)	1,533	506	(290)

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 available-for-sale 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.

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in note 8 to these consolidated financial statements. As at December 31, 2017, 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 3.79 million (December 31, 2016: SR 5.2 million) if the prices of equity vary due to increase/decrease in fair values by 1% with all other factors held constant.

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33. Financial risk management continued
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, including whether they are an individual or a legal entity, whether they are a wholesale/retail or manufacturers, their geographic location, industry and existence of any financial/economic difficulties and accordingly records provisions against those balances considered doubtful of recovery which is based on customer profile and payments history. 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, 2017	December 31, 2016
Financial assets		
Long-term receivables	**78,558**	10,751
Trade receivables	**970,618**	1,252,122
Other receivables	**357,501**	421,541
Derivatives	**64,387**	50,907
Bank balances	**1,265,128**	1,371,894
	2,736,192	3,107,215

Trade receivables are carried net of provision for doubtful receivables.

As at the reporting date, receivable overdue for more than six months amounted to SR 121.05 million (December 31, 2016: SR 148.22 million). The total allowance for credit losses at December 31, 2017 amounted to SR 80.23 million (December 31, 2016: SR 72.73 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 26. "Related Parties". Company has recorded full impairment against the said receivable balance.

Concentration Risk
The sector wise analysis of receivables, comprising trade and long-term receivables is given below:

	December 31, 2017	December 31, 2016
Wholesale/Retail	**737,053**	773,104
Manufacturing	**177,251**	366,567
Exports	**96,784**	90,015
Others	**118,326**	105,921
	1,129,414	1,335,607
Less: Provision for doubtful trade debts	**(80,238)**	(72,734)
	1,049,176	1,262,873

33. 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, 2017	December 31, 2016
Saudi Arabia	**682,102**	945,966
Iran	**119,384**	144,321
Turkey	**145,127**	134,290
Egypt	**123,114**	59,691
Other Regions	**59,687**	51,339
	1,129,414	1,335,607
Less: Provision for doubtful trade debts	**(80,238)**	(72,734)
	1,049,176	1,262,873

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, 2017, the Group has unused bank financing facilities amounting to SR 4.7 billion (December 31, 2016: SR 3.7 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, 2017	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	**7,396,862**	**3,643,577**	**461,275**	**3,364,077**	**366,272**	**–**
Trade payables	**2,471,121**	**2,471,121**	**–**	**–**	**–**	**–**
Accrued and other liabilities	**1,786,358**	**1,786,358**	**–**	**–**	**–**	**–**
Unclaimed dividends	**258,473**	**258,473**	**–**	**–**	**–**	**–**
	11,912,814	**8,159,529**	**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	**7,974**	**7,974**	**–**	**–**	**–**	**–**
	211,676	**46,073**	**467**	**9,831**	**–**	**162,400**

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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33. Financial risk management continued
Liquidity risk continued

December 31, 2016	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	9,068,036	4,057,334	626,508	2,056,892	2,575,912	80,000
Trade payables	2,495,748	2,495,748	–	–	–	–
Accrued and other liabilities	1,768,339	1,768,339	–	–	–	–
Unclaimed dividends	258,473	258,473	–	–	–	–
	13,590,596	8,579,894	626,508	2,056,892	2,575,912	80,000
Derivative financial liabilities						
Interest rate swaps used for hedging	(2,972)	(2,131)	(2,252)	3,965	3,924	–
Derivative contracts used for hedging	15,127	11,272	3,855	–	–	–
Other Derivative contracts	93,873	89,530	4,343	–	–	–
	106,028	98,671	5,946	3,965	3,924	–

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 maximize the use of relevant observable inputs and minimize 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 available-for-sale 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.

33. 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 doesn't 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: Designated at fair value	Fair value hedging instruments	Available for sale	Fair Value: Level 1	Level 2	Level 3	Total
December 31, 2017							
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	–	–	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)
December 31, 2016							
Financial assets measured at fair value							
Future exchange contracts used for hedging	–	50,907	–	–	50,906	–	50,906
Other future exchange contracts	–	–	–	–	–	–	–
Equity securities	–	–	612,421	519,994		92,427	612,421
	–	50,907	612,421	519,994	50,906	92,427	663,327
Financial liabilities measured at fair value							
Interest rate swaps used for hedging	–	(2,972)	–	–	(2,972)	–	(2,972)
Future exchange contracts used for hedging	–	(15,127)	–	–	(15,127)	–	(15,127)
Other future exchange contracts	(93,873)	–	–	–	(93,873)	–	(93,873)
	(93,873)	(18,099)	–	–	(111,972)	–	(111,972)

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33. 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 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

34. 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, 2017 and December 31, 2016 is as follows:

	December 31, 2017	December 31, 2016
Total liabilities	**13,500,840**	16,037,562
Less: Cash and cash equivalents	**(1,298,117)**	(1,404,808)
Adjusted net debt	**12,202,723**	14,632,754
Total equity	**9,707,980**	9,249,834
Less: Hedging reserve	**(4,735)**	2,972
Adjusted equity	**9,712,715**	9,252,806
Adjusted net debt to adjusted equity ratio	**1.25**	1.58

35. Dividends
Subsequent to year end, the Company's Board of Directors have recommended final dividend amounting to SR 533.98 million representing Saudi Riyal 1 per share for the approval by the shareholders.

36. New standards, amendments to standards and standards issued but not yet effective
36.1 New Standards, Amendment to Standards and Interpretations already effective
The Group has adopted, as appropriate, the following new and amended IASB Standards, effective January 1, 2017.

(a) Disclosure Initiative (Amendments to IAS 7)
The amendments require disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Group's financing activities, as disclosed in Consolidated Statement of Cash Flows, represents only cash flow changes, except for finance cost paid for which non cash change is reflected in cash flow from operating activities.

(b) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

Group does not hold any debt instruments measured at fair value; therefore, there is no impact of this amendment on Financial Statements.

(c) Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities)
The amendments clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. There is no impact of this amendment on Financial Statements.

36.2 Standards issued but not yet effective
Following are the new standards and amendments to standards are effective for annual periods beginning after January 1, 2018 or later and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. The Group is in the process of evaluating the impact of these standards.

(a) IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 9 Financial Instruments
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group is in the process of evaluating the impact of application of IFRS 9.

Classification – Financial assets
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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36. New standards, amendments to standards and standards issued but not yet effective continued
36.2 Standards issued but not yet effective continued

Impairment – Financial Assets and Contract Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:
- 12-month ECLs are those that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Classification – Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:
- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income
- the remaining amount of change in the fair value is presented in profit or loss.

Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9.

IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognized.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

36. New standards, amendments to standards and standards issued but not yet effective continued
36.2 Standards issued but not yet effective continued

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:
- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- New hedge accounting requirements should generally be applied prospectively. However the Group may elect to apply the expected change in accounting for forward points retrospectively.

(c) IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes 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 optional 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'.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:
- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Group can either apply the standard using a:
- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on January 1, 2019. The Group has not yet determined which transition approach to apply.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

(d) Annual Improvements to IFRSs 2014–2016 Cycle
- IFRS 1 First-time Adoption of IFRS – Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after January 1, 2018.
- IAS 28 Investments in Associates and Joint Ventures – A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.
- A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after January 1, 2018; early application is permitted.

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36. New standards, amendments to standards and standards issued but not yet effective continued
36.2 Standards issued but not yet effective continued
(e) Other amendments

The following new or amended standards which are not yet effective and neither expected to have a significant impact on the Group's consolidated financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) Amendments respond to industry concerns about the impact of differing effective dates.
- Transfers of Investment Property (Amendments to IAS 40) – A property asset is transferred when, and only when, there is evidence of an actual change in its use.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – clarifies the transaction date used to determine the exchange rate.

37. Explanation of transition to IFRSs
As stated in note 2 (a), these consolidated financial statements as at and for the year ended December 31, 2017 are the Group's first annual consolidated financials prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. Further, the Group's opening Statement of Financial Position was prepared as at January 1, 2016, being the date of transition to IFRS Standards.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the years ended December 31, 2017, December 31, 2016 and in the preparation of an opening IFRS statement of financial position as at January 1, 2016 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with generally accepted accounting standards as issued by SOCPA (pre-convergence GAAP). An explanation of how the transition from pre-convergence GAAP to IFRS has affected the Group's financial position, for the respective periods, is set out in the following tables and the notes that accompany the tables.

Certain comparative amounts under pre-convergence GAAP have been reclassified to conform to the IFRS presentation.

37. Explanation of transition to IFRSs continued
Reconciliation of consolidated statement of financial position

		December 31, 2016			January 1, 2016		
	Note	Pre – convergence GAAP	Effect of transition to IFRS	IFRS	Pre – convergence GAAP	Effect of transition to IFRS	IFRS
Assets							
Property, plant and equipment	a, b, k	6,864,808	1,101,814	7,966,622	7,852,712	965,999	8,818,711
Intangible assets and goodwill	a, c, d	661,669	25,329	686,998	1,113,720	(48,982)	1,064,738
Investment property	a	–	34,256	34,256	–	30,638	30,638
Investments in equity accounted investees	e	7,915,016	(416,418)	7,498,598	7,720,958	(403,767)	7,317,191
Available for sale investments		612,421	–	612,421	709,275	–	709,275
Long-term receivables		10,751	–	10,751	177,207	–	177,207
Deferred tax asset	j	28,693	–	28,693	69,763	–	69,763
Total non-current assets		16,093,358	744,981	16,838,339	17,643,635	543,888	18,187,523
Inventories	a, f, g	3,204,482	112,646	3,317,128	4,853,454	156,260	5,009,714
Trade receivables	a, g	1,228,616	23,506	1,252,122	920,620	(92,529)	828,091
Prepayments and other receivables	a, h	1,302,308	40,665	1,342,973	1,669,208	41,600	1,710,808
Cash and cash equivalents	a	1,331,524	73,284	1,404,808	2,067,074	22,908	2,089,982
		7,066,930	250,101	7,317,031	9,510,356	128,239	9,638,595
Asset classified as held for sale		1,132,026	–	1,132,026	–	–	–
Total current assets		8,198,956	250,101	8,449,057	9,510,356	128,239	9,638,595
Total assets		24,292,314	995,082	25,287,396	27,153,991	672,127	27,826,118
Equity							
Share capital		5,339,807	–	5,339,807	5,339,807	–	5,339,807
Share premium		342,974	–	342,974	342,974	–	342,974
Statutory reserve		1,774,085	–	1,774,085	1,774,085	–	1,774,085
General reserve		4,000	–	4,000	4,000	–	4,000
Fair value reserve	a, e	(22,093)	(9,930)	(32,023)	3,784	(4,402)	(618)
Effect of transactions with non-controlling interest without change in control		(171,375)	–	(171,375)	(171,375)	–	(171,375)
Foreign currency translation reserve	m	(1,941,088)	1,014,801	(926,287)	(1,019,087)	1,019,087	–
Retained earnings		3,157,057	(1,271,214)	1,885,843	4,275,841	(1,337,559)	2,938,282
Total equity attributable to shareholders of the Company		8,483,367	(266,343)	8,217,024	10,550,029	(322,874)	10,227,155
Non-controlling interests	a	634,279	398,531	1,032,810	956,037	352,902	1,308,939
Total equity		9,117,646	132,188	9,249,834	11,506,066	30,028	11,536,094
Liabilities							
Loans and borrowings	a	4,217,478	238,478	4,455,956	4,581,902	195,944	4,777,846
Employee benefits	a, i	439,381	169,870	609,251	412,220	130,895	543,115
Deferred tax liabilities	j	50,551	5,390	55,941	102,932	13,517	116,449
Deferred income	l	158,217	(158,217)	–	175,314	(175,314)	–
Long-term payables		215,581	–	215,581	232,497	–	232,497
Long-term lease rentals		–	202,248	202,248	–	160,307	160,307
Provision against assets restoration	k	–	92,326	92,326	–	97,083	97,083
Total non-current liabilities		5,081,208	550,095	5,631,303	5,504,865	422,432	5,927,297
Loans and borrowings	a	4,486,198	125,882	4,612,080	5,011,713	87,730	5,099,443
Trade payables	a, f	2,415,503	80,245	2,495,748	3,118,747	95,043	3,213,790
Current maturity of lease rentals		–	47,730	47,730	–	26,118	26,118
Accrued and other liabilities	a	2,177,594	58,942	2,236,536	2,012,600	10,776	2,023,376
		9,079,295	312,799	9,392,094	10,143,060	219,667	10,362,727
Liabilities classified as held for sale		1,014,165	–	1,014,165	–	–	–
Total current liabilities		10,093,460	312,799	10,406,259	10,143,060	219,667	10,362,727
Total liabilities		15,174,668	862,894	16,037,562	15,647,925	642,099	16,290,024
Total liabilities and equity		24,292,314	995,082	25,287,396	27,153,991	672,127	27,826,118

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37. Explanation of transition to IFRSs continued
Reconciliation of consolidated statement of profit or loss and other comprehensive income

	Note	For the year ended December 31, 2016 Pre – convergence GAAP	Effect of transition to IFRS	IFRS
Continuing operations				
Revenues	a, g, l	25,105,954	1,224,848	26,330,802
Cost of revenues	a, h, i, k	(20,891,572)	(786,266)	(21,677,838)
Gross profit		4,214,382	438,582	4,652,964
Share of results in investment in equity-accounted investees, net of zakat and tax and dividend income	e	782,576	(80,565)	702,011
Administrative expenses	a, b, c, i	(739,584)	(21,072)	(760,656)
Selling and distribution expenses	a, b, i	(3,424,964)	(122,847)	(3,547,811)
Impairment losses		(573,892)	–	(573,892)
Results from operating activities		258,518	214,098	472,616
Finance income	a, k	196,083	–	196,083
Finance cost	a, k	(745,792)	(8,883)	(754,675)
Net finance cost		(549,709)	(8,883)	(558,592)
Loss before zakat and income tax		(291,191)	205,215	(85,976)
Zakat and income tax expense	a, j	(156,900)	3,878	(153,022)
Loss from continuing operations		(448,091)	209,093	(238,998)
Discontinued operation				
Loss from discontinued operation, net of tax		(176,260)	–	(176,260)
Loss for the year		(624,351)	209,093	(415,258)
Other comprehensive income				
Items that will never be classified to profit or loss				
Re-measurements of the defined benefit liability	i	–	(25,060)	(25,060)
Items that are or may be reclassified to profit or loss*				
Foreign operations – foreign currency translation differences		(1,001,602)	–	(1,001,602)
Investment in equity accounted investees – share of Other Comprehensive Income		(122,164)	–	(122,164)
Cash flow hedges – effective portion of changes in fair value		10,027	–	10,027
Available for sale financial assets – net change in fair value		87,015	–	87,015
Other comprehensive loss		(1,026,724)	(25,060)	(1,051,784)
Total comprehensive loss for the year		(1,651,075)	184,033	(1,467,042)

* Under the pre-convergence GAAP, the Other Comprehensive Income movement was included as part of consolidated statement of changes in equity.

37. Explanation of transition to IFRSs continued
Reconciliation of retained earnings

	Note	December 31, 2016	January 1, 2016
Retained earnings under pre-convergence GAAP		3,157,057	4,275,841
Property, plant and equipment	b	26,966	(21,220)
Intangible assets	c, d	–	(57,682)
Investment in equity accounted investees	e	8,051	(16,893)
Sales to distributors	g	–	(33,976)
Operating lease arrangement – lease rentals normalization	h	(253,277)	(213,807)
Employee benefits	i	(98,368)	(68,532)
Deferred tax liability	j	(5,799)	(13,517)
Assets restoration cost	k	(44,470)	(35,392)
Deferred income	l	114,770	142,547
Reclassification of currency translation reserve	m	(1,019,087)	(1,019,087)
Decrease in retained earnings		(1,271,214)	(1,337,559)
Retained earnings under IFRS as at end of the year		1,885,843	2,938,282

(a) Consolidation of an entity previously recognized as an associate under SOCPA

Under the pre-convergence GAAP, the Group had a policy of recognizing an entity as a subsidiary if the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. Under IFRS, an entity controlled by the Group is considered as a subsidiary, where the Group is exposed to or has rights to the variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Upon transition to the IFRS, the Group has reassessed its control over its investees based on which it was concluded that the Company has control over Herfy Food Services Company ("Herfy") as per the requirements of IFRS 10. Accordingly, assets and liabilities of Herfy have been consolidated in this consolidated financial statements. Resultantly, net assets amounting to SR 725.53 million as reported in the audited financial statements as at `January 1, 2016 (December 31, 2016: SR 802.71 million) have been included, after required IFRS adjustments, in these consolidated financial statements. This has resulted in the recognition of goodwill amounting to SR 25.33 million (included under intangibles assets) as at January 1, 2016 in accordance with IFRS 1. Further, a non-controlling interest amounting to SR 370.02 million has also been recognized as at the date of transition (December 31, 2016: SR 409.38 million).

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37. Explanation of transition to IFRSs continued

(a) Consolidation of an entity previously recognized as an associate under SOCPA continued

The assets and liabilities included in these consolidated financial statements as a result of consolidation of Herfy are as follows:

	December 31, 2016	January 1, 2016
Non-current Assets		
Property, plant and equipment	1,005,863	910,078
Investment property	34,256	30,638
Total non-current assets	1,040,119	940,716
Current Assets		
Inventories	101,762	108,946
Trade receivables	29,513	23,204
Prepayments and other receivables	97,441	85,343
Cash and cash equivalents	73,226	22,908
Total current assets	301,942	240,401
Total assets	1,342,061	1,181,117
Liabilities		
Non-current Liabilities		
Loans and borrowings	238,478	198,750
Employee benefits	59,276	53,269
Total non-current liabilities	297,754	252,019
Current Liabilities		
Loans and borrowings	125,881	88,901
Trade payables	61,875	57,541
Accrued and other liabilities	53,844	57,127
Total current liabilities	241,600	203,569
Total Liabilities	539,354	455,588

The operating results included in these consolidated financial statements as a result of consolidation of Herfy are as follows:

	December 31, 2016
Revenues	1,156,683
Cost of revenues	(809,080)
Gross profit	347,603
Administrative Expenses	(70,856)
Selling and Distribution Expenses	(47,503)
Results from operating activities	229,244
Net finance cost	(7,914)
Profit before zakat	221,330
Zakat expense	(4,250)
Net profit for the year	217,080

37. Explanation of transition to IFRSs continued

(b) Property, plant and equipment

(i) Upon transition to IFRS, the Group separately accounts for significant components of items of property, plant and equipment that have useful lives which are materially different from that of the overall item or other component. Based on management's detailed analysis such significant components were identified in the operating plants of the Group. As at January 1, 2016, the carrying values of the identified significant components were determined in proportion to the components' fair values, without adjusting the overall carrying values.

As a result of above, the Group has recorded a reversal in depreciation amounting to SR 59.26 million for the year ended December 31, 2016.

(ii) Under the pre-convergence GAAP, any major repairs and maintenance conducted with respect to plant were expensed in the period in which related costs were incurred. Upon transition to IFRS, the Group assesses major repairs and maintenance in respect of eligibility for capitalization. Since the Group has opted for allocating the carrying values based on the fair value as at the date of transition, the impact of such previously incurred repairs and maintenance, eligible for capitalization, has not been accounted for separately.

(iii) Under the pre-convergence GAAP, the retail business of the Group had capitalized certain maintenance expenditure based on a quantitative threshold policy. Under IFRS, the Group has adopted a policy of recognizing subsequent costs like maintenance expenditure as a capital expenditure only if it is probable that the associated future economic benefits will flow to the Group. Accordingly, the Group has derecognized previously capitalized expenditures amounting to SR 23.31 million with a corresponding decrease in retained earnings and non-controlling interests by SR 21.22 million and SR 2.09 million respectively.

(c) Intangible assets

Under the pre-convergence GAAP, the Group had adopted a policy of amortizing marketing and recruitment expenses for new stores over a period not exceeding three years. Under IFRS, such cost are not eligible for capitalization on account of not meeting the capitalization criteria. At the date of transition, such cost amounted to SR 21.5 million were expensed. Further, the deferred cost representing the pre-operating/start-up cost capitalized by the Group amounting to SR 48.08 million does not meet the capitalization criteria under IFRS. Accordingly, the Group has derecognized deferred charges amounting to SR 69.59 million with a corresponding decrease in retained earnings by SR 57.68 million.

Additionally, the amortization of such deferred charges recognized under pre-convergence GAAP amounting to SR 68.2 million for the year ended December 31, 2016 has been reversed for the said year.

(d) Intangible assets recognized under past business combinations

On transition to IFRS, the Group elected not to apply IFRSs retrospectively to any past business combination. Accordingly, Goodwill recognized under SOCPA shall continue to be recognized under IFRS subject to the change on account of sub-summation of certain intangible assets like brands within goodwill, in accordance with the IFRS 1 requirements. Accordingly, Goodwill has increased by SR 242.87 million with a corresponding decrease in carrying amounts of brands classified within intangibles.

(e) Investment in equity accounted investee

The Group's associates have recognized retained earnings losses resulting from their respective transition to IFRS. Such adjustment has resulted in the reduction in investment in associate balance by SR 16.89 million with the corresponding decrease in the Group's retained earnings as at the date of transition.

Additionally, the share of profit of equity accounted investees for the year ended December 31, 2016 has been adjusted by SR 80.56 million.

Further, as disclosed in note "a" above, the consolidation of Herfy has resulted in the derecognition of carrying value of Group's investment in Herfy amounting to SR 391.74 million as at the date of transition (December 31, 2016: SR 428.97 million).

Notes to the Consolidated Financial Statements
For the year ended December 31, 2017
(Expressed in thousands of Saudi Riyal unless otherwise stated)

37. Explanation of transition to IFRSs continued

(f) Inventories
Under the pre-convergence GAAP, the Group accounted for certain strategic spare parts and stand-by/servicing equipment as inventory. Upon transition to IFRS, such assets, upon meeting the relevant criteria have been classified as a separate component of property, plant and equipment. Accordingly, at the date of transition, such strategic spare parts and equipment amounting to SR 28.82 million have been reclassified from inventories into property, plant and equipment. Resultantly, the depreciation on strategic spare parts and equipment amounting to SR 2.89 million has been recorded for the year ended December 31, 2016.

(g) Sales to distributors
Under the pre-convergence GAAP, the Group was recognizing revenue for the inventory sold to its distributors considering the related risk and rewards to be transferred on dispatch basis. Under IFRS, the conditions to recognize such revenue were not being met. Accordingly, on the date of transition, inventory in transit has increased by SR 69.42 million with a corresponding decrease of SR 105.11 million in trade receivables. The adjustment has also resulted in the decrease in retained earnings by SR 33.98 million. During the year ended December 31, 2016, such sales were recognized and the resultant impact was included in the consolidated statement of comprehensive income for the said year.

(h) Operating lease arrangements
Under the pre-convergence GAAP, the Group adopted a policy of recognizing the lease expense at amounts and in the period in which these fall due. Under IFRS, the Company has recognized the lease expense other than contingent rent expense on a straight-line basis over the lease term. Accordingly, on the date of transition, the prepaid lease expenses included in the prepayments and other receivables has decreased by SR 48.48 million and lease rentals liabilities have increased by SR 186.42 million with a corresponding decrease in retained earnings by SR 213.81 million.

Further, the Group's lease expenses have increased by SR 60.75 million during the year ended December 31, 2016.

(i) Employee benefits
Under the pre-convergence GAAP, the Group accounted for obligations under employees' end of service benefits with reference to the mode of computation stipulated under the corresponding labor law. Upon transition to IFRS, the Group accounts for such end of service benefits as defined benefit obligations. Accordingly, the Group has appointed an independent actuary for the computation of the IFRS transitional defined benefit liability as at January 1, 2016 and onwards. As at the date of transition, employees' end of service benefit liability has increased by SR 77.63 million with the corresponding decrease in retained earnings by SR 68.53 million.

Moreover, the Group's employees' end of service benefit charge has decreased by SR 7.8 million during the year ended December 31, 2016.

Further, under the pre-convergence GAAP, the Group recorded its liability under Employee benefits based on regulatory requirements. In order to determine the liability under IFRS Standards, the Group performed detailed actuarial valuation of its Employee Benefits. Consequently, actuarial loss amounting to SR 25.06 million has been recognized in Other Comprehensive Income with a corresponding increase in the liability for the year ended December 31, 2016. The Group's share of the said actuarial loss amounts to SR 21.67 million which has been recognized in the retained earnings as at year ended December 31, 2016.

(j) Deferred tax
Under the pre-convergence GAAP, the Group did not recognize deferred tax on undistributed profits of subsidiaries. Under IFRS, deferred tax liability is required to be recognized on such undistributed profits. Accordingly, on the date of transition, additional deferred tax liability amounting to SR 13.5 million has been recognized with the corresponding decrease in retained earnings by SR 13.5 million.

In addition to above, upon transition to IFRS, the Group has separately classified deferred tax asset amounting to SR 69.76 million which was included in the Prepayments and other receivables prior to the date of transition.

37. Explanation of transition to IFRSs continued

(k) Provision against asset restoration
Under the pre-convergence GAAP, the Group had adopted a policy of recognizing asset restoration expense in relation to assets taken on operating lease as and when incurred. Upon transition to IFRS, the Group has adopted a policy of recognizing the contractual obligation of asset restoration liability on the date leasehold improvements are made. Accordingly, on the date of transition, the Group has recognized the asset restoration liability of SR 97.08 million with the resulting increase in cost of leasehold improvement by SR 84.68 million and related accumulated depreciation by SR 26.45 million. The adjustment has reduced the retained earnings and non-controlling interest by SR 35.39 million and SR 3.46 million respectively.

The Group's depreciation charge on restoration cost has increased by SR 14.56 million during the year ended December 31, 2016. Further, the decommissioning charges have increased by SR 3.69 million during the year ended December 31, 2016.

(l) Deferred income
Under the pre-convergence GAAP, the Group adopted a policy of recognizing a deferred gain or loss for any gain or loss arising from a sale and leaseback transaction in the nature of operating lease. Further, such deferred gain was amortized over the lease term. Under IFRS, the Group has adopted a policy of recognizing any gain or loss on the date of sale for leaseback transaction for sale at a fair value price for leases in the nature of operating lease. Accordingly, on the date of transition, the Group has de-recognized the deferred gain amounting to SR 175.31 million with a corresponding increase in retained earnings and non-controlling interest by SR 142.55 million and SR 32.76 million respectively.

Further, deferred gain amortized during the year ended December 31, 2016 amounting to 34.49 million has been reversed.

(m) Foreign currency translation reserve
In accordance with IFRS 1, the Group has elected to deem all the foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations as nil as at date of transition. Resultantly, as at the date of transition, the Group's retained earnings has reduced by SR 1,019 million with the corresponding decrease in the foreign currency translation reserve.

38. Date of authorisation for issue
These financial statements were authorized for issue by the Company's Board of Directors on Rajab 9, 1439H, corresponding to March 26, 2018.

Contacts

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

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

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