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SAVOLA

Annual Report 2019

Value Built on Values
Ascending Towards the Future

40

A RENEWED COMMITMENT TO OUR RETAIL AND FOOD BUSINESS. A DRIVE TO BUILD, AND INVEST IN, WORLD-CLASS BRANDS WHICH ENJOY CONSUMER TRUST AND ARE MARKET LEADERS.

Strategic Report

Contents

Savola at a Glance

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

Major/Manufacturing Markets

Saudi Arabia	Central Asia	Egypt	Algeria	Sudan	Turkey	Morocco	Iraq	UAE

Export Markets

Angola	Comoros	Ghana	Liberia	Morocco	Rwanda	Spain	Uganda
Bahrain	Congo	Iraq	Libya	Mozambique	Senegal	Sudan	United Kingdom
Benin	Djibouti	Jordan	Madagascar	Netherlands	Sierra Leone	Sweden	USA
Burundi	Eritrea	Kazakhstan	Malawi	North Macedonia	Somalia	Syria	Yemen
Cameron	Ethiopia	Kenya	Mali	Oman	South Africa	Tanzania	
Canada	France	Kuwait	Mauritania	Pakistan	South Korea	Turkey	
Central Asia	Germany	Lebanon	Mauritius	Palestine	South Sudan	UAE	

Throughout 40 years of excellence, Savola maintains a diverse and expanding portfolio of assets. Across our verticals in food and retail, we operate the largest grocery store chain in Saudi Arabia, and produce much-loved everyday household products including edible oil, sugar, pasta, bakery products, and frozen foods distributed to more than 50 countries. We believe in creating "Value Built on Values"; we are Savola. Since 1979, investors have chosen Savola for its strong performance and specialist market knowledge.

Food Investments

Our food vertical includes investments in large branded categories across the MENAT region. Savola Foods is a leader in basic branded consumer packaged goods, which are produced in more than 9 countries and offered in more than 50 markets. We are proud to say that many of our products are market leaders in their respective categories. We continue to build on our range of established products by expanding into higher-value items and diversifying our portfolio. We also generate profits through our long-term strategic investments. We are the largest shareholder in the Middle East's leading food manufacturer and distributor, Almarai Company, with a 34.52% stake in the business, and in 2018 acquired a majority stake in Al Kabeer Group of Companies, one of the region's leaders in frozen foods manufacturing and distribution.

43% of Group Revenue

34.52% stake in Almarai

51% stake in Al Kabeer

Retail Investments

Panda Retail is the largest modern grocery chain in Saudi Arabia with 205 stores serving more than 106 million customers annually. Panda boasts a proud history, a leading market share and formidable geographic reach. We are the largest shareholder in Herfy Food Services Company, one of the leading restaurant, industrial bakery and meat processing businesses in Saudi Arabia, with a 49% stake in the business.

57% of Group Revenue

205 Panda stores in 40+ cities

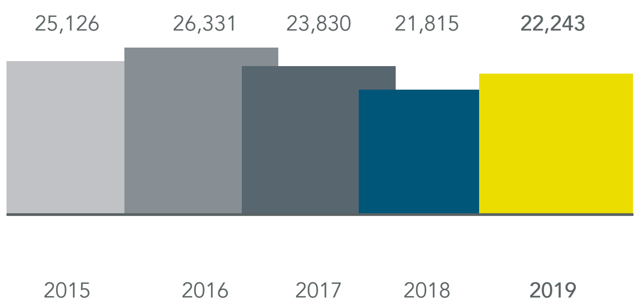
394 Herfy stores in 50+ cities

Strategic And Financial Highlights

A Year of Resilience and Recovery

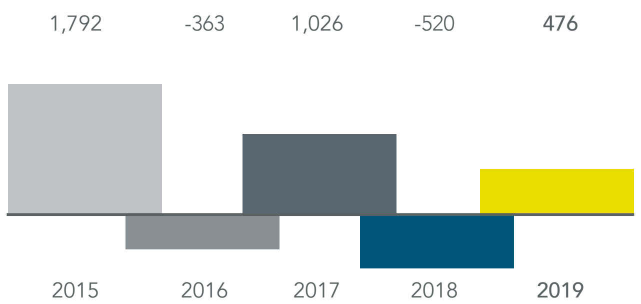
Revenues (SAR millions)

22,243



Net Profits (SAR millions)

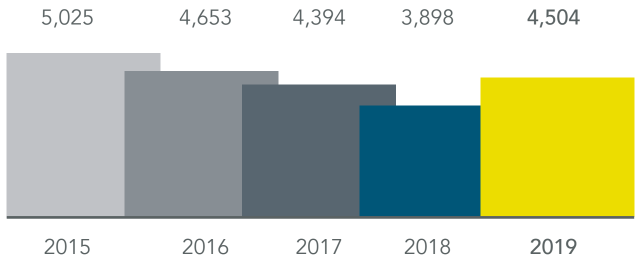
476



Savola Group has seen its key operating companies perform strongly in the face of market challenges during 2019. This, combined with an emphasis on streamlined operations, restructuring, and the focus on inter-group synergies, means that Savola Group emerges from 2019 ready to capitalise on new opportunities while helping its operating companies and investments not only maintain but rather grow market share leadership.

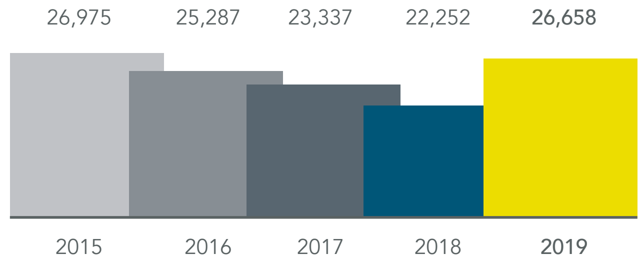
Gross Profits (SAR millions)

4,504



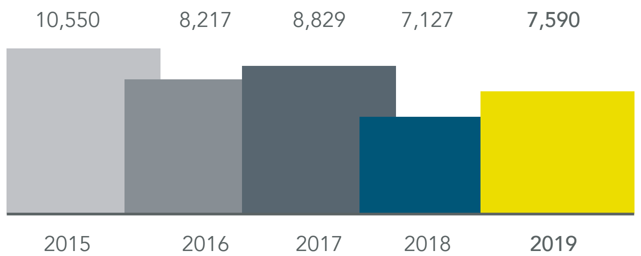
Total Assets (SAR millions)

26,658



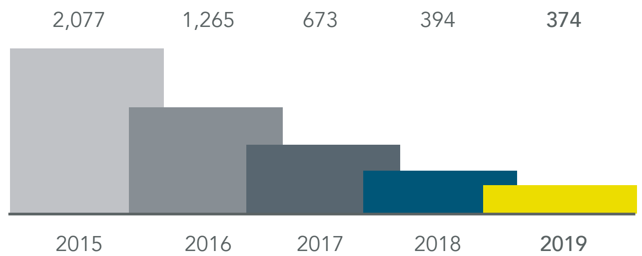
Shareholders' Equity (SAR millions)

7,590



Capital Expenditure (SAR millions)

374



2019 was a year of renewed focus and strong performances for the Group's core businesses. Meanwhile, consumer confidence rebounded in the Group's home market of Saudi Arabia. Substantially enhanced performances led to a net Group profit of SAR 475.6 million for 2019, reversing a net loss of SAR 520.4 million for the year before. The increased profit figures were driven by higher sales and better margins, with retail business transformation and restructuring proving effective across core group businesses.

Core retail and food businesses performed in a strong manner. Savola Group's food, restaurant and retail brands enjoy brand awareness, equity, recognition and consumer loyalty in key markets. This led to resilience in the face of competition, changing consumer preferences and other macroeconomic challenges due to extraneous factors.

Overall, consumer habits are evolving, and costs of doing business are increasing across regional markets. Nevertheless, the Group's focus on restructuring, growth avenues including inter-group synergies and drive for innovation has resulted in streamlined core businesses that are improving while recapturing or stabilizing market shares.

Savola Foods benefitted from a "Restore Greatness" strategy that has recaptured market share by rebasing costs, refocusing the organisation and realigning its products. Despite marginal volume drop compared to 2018, a leaner Savola Foods improved gross margins to 14.9 percent for 2019, from 12.5 percent in 2018.

The Group's retail brand Panda posted robust results despite challenging conditions. The brand refocused entirely on its hypermarket and supermarket portfolio, initiating a strategy of emphasizing the value proposition for consumers which yielded strong results. Basket size and footfall all rose, on a like-for-like basis, generating revenues of SAR 11.5 billion, a growth over last year despite store closures.

Overall, Savola Group, together with its core businesses, emerges from 2019 as a leaner, more agile organisation better suited to supporting its core businesses, and seizing tomorrow's opportunities.

A Year of Optimism and Results

Sulaiman A. Al Muhaidib
Chairman

On behalf of the Board of Directors, I am pleased to present Savola Group's Annual Report for 2019.

The Savola Group's transition strategy demonstrated tangible results, with our key businesses showcasing stories of resilience, success and excellence. Our flagship businesses outperformed in the face of market headwinds and macro-economic uncertainty regionally, with single-minded implementation of focused strategies paying dividends.

We continued through the path paved over the past four decades emphasising our strengths in food and retail, playing a crucial role in safeguarding food security and contributing positively to people's daily lives through our businesses.

Consumer confidence has rebounded thanks to the initiatives put forward in the annual plan of the year 2019. While uncertainty persisted in some of our overseas markets, our businesses confronted these challenges with agility and drive, maintaining their leadership positions and recapturing market share.

Internally, our teams are more agile and cohesive. Our core businesses have undertaken restructuring where required, and have optimised cost and decision-making structures. These initiatives have not only borne results for 2019 but also hold the Group in excellent stead for taking advantage of future opportunities. We have strengthened our relationship with our subsidiaries, associates, companies that we hold stakes in, and also with global institutional investors. Savola Group is now represented to global investors through its inclusion in MSCI's Emerging Market Index.

We are also a responsible corporate citizen, and seek to benefit all our stakeholders in the markets we operate in. We firmly believe that employee engagement, community health and facing up to environmental challenges make the Group a stronger corporate performer. 2019 saw strides in transparent reporting and corporate governance at all levels of business, including our sustainability and CSR activities. With employee volunteering now a key part of our corporate culture, our teams continue making a beneficial impact on people's lives.

Savola Group is proud of its unique corporate governance system. Risk management continues to improve, as our integrated enterprise risk management framework continues integrating with daily operations and informed decision-making across the Group.

During 2019, the Board of Directors' office term came to an end, where shareholders elected members for the new term during that year as well as electing Audit Committee members effective during July 2019. Hence, and upon commencing their duties, the newly elected Board of Directors restructured the remaining Board committees to enhance the Group's decision-making process.

2019 was also an encouraging year financially, and one where the Group witnessed a growth in top line while posting positive net income compared to a net loss the year before. These results came from an increase in food profitability, and lower retail losses. Our results are testament to our turnaround strategy, which is bearing fruit thanks to the dedication of our teams and the experience of our management. Meanwhile, the oversubscription of our refinanced sukuk in 2019 was a mark of investor confidence in Savola Group's track record and its prospects. Promising profit figures saw our Board recommend a SAR 160.2 million shareholder dividend for 2019.

On behalf of the Board of Directors, I wish to express our deep appreciation to the Saudi government, our shareholders and our stakeholders for their continued support and trust in Savola. We are also grateful to our employees and executive management, who have played a critical role in implementing our strategy and creating a culture of excellence that has yielded positive results this year. I am pleased to say Savola Group emerged from 2019 as a forward-looking, future-minded entity that is poised for continued and growth. We look forward to exploring new opportunities in Saudi Arabia and region-wide, while continuing to benefit our stakeholders and communities.

Sulaiman A. Al Muhaidib
Group Board Chairman

2019 was a year that saw us build momentum, resilience and excellence as we challenged the status quo while implementing and reinforcing a strategy first chalked out in 2018.

Board of Directors

Non-Executive Members of the Board of Directors:

Mr. Sulaiman A. Al Muhaidib
Chairman of the Board; Non-Executive

Current positions: Chairman of the Board, Abdulkader Al Muhaidib & Sons Co., Board member of many companies that are Almarai Co., Rafal Real Estate Co, Amwal AlKhaleej Commercial Investment Co., Al Muhaidib Holding Co.
Previous positions: Chairman of the Board, Middle East Paper Co. (MEPCO), Chairman of the Board Al Oula for Real Estate Development Co., Thabat Construction Co.
Qualifications: Second Class, Faculty of Medicines, King Saud University, Saudi Arabia.
Experience: Business, industrial and banking management, as well as investment management and real estate development and contracting. He also sits on a number of other Boards and Committees.

Mr. Bader Abdullah Al Issa
Vice Chairman of the Board; Non-Executive

Current positions: CEO, Assila Investment and Chairman of Savola Foods Company as well as his Board memberships in several Savola Group Companies.
Previous positions: CFO, Assila Investment.; CEO, Amias Holding; Investment Portfolio Manager, HSBC Saudi Arabia Limited; Financial & Marketing Analyst, SABIC America; Financial Analyst, JP Morgan.
Qualifications: Master of Business Administration, Rice University, USA; Bachelor of Economics, University of Virginia, USA; 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 & Committees of listed and private companies

Dr. Adnan Abdulfattah Sofi
Non-Executive Board member

Current Position: Founder and Managing Partner of DAS Partners. Member of NCB Capital Board. Chairman of the Advisory Committee of the CMA Board.
Previous positions: Member of the Board of Commissioners of the Capital Market Authority (CMA), a Royal Decree appointment. CEO of SEDCO Holding. Dean of the Faculty of Economics and Administration; Professor of Business Administration and International Finance at King Abdulaziz University (KAU). a Senior Associate Member of Oxford University's (St. Antony's College) in 2005
Qualifications: He is a Fulbright scholar, who holds a Ph.D. in Business Administration and International Finance from the George Washington University,USA.
Experience: an executive strategist leader, specialized in corporate governance as well as business development, institutional investment and managing transformations. In addition to membership in the boards of a number of companies and committees.

Mr. Abdulaziz Khaled Al Ghufaily
Non-Executive Board member

Current positions: Retired – Public Sector and a Board member in some companies and committees.
Previous positions: General Director, Local Shares Dept, Hassana Investment Co.; Director, Direct Investments Dept., General Organization for Social Insurance (GOSI).
Qualifications: Masters of Economics, Western Illinois University, 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 and Committees.

Mr. Essam Abdulkader Al Muhaidib
Non-Executive Board member

Current positions: Chief Executive Officer, Abdulkader Al Muhaidib & Sons Co. and Board member of some companies and committees.
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.

Eng. Mutaz Qusai Alazawi
Non-Executive Board member

Current positions: Managing Director of his Group of Companies, Vice Chairman of Riyadh Bank, Chairman of Qatrana cement, and Board member of: Mobily, Arabian Cement Co., Herfy Foods Co. SICEP Co. ST&T Co. and Wusataa Co.
Previous positions: Running his group of companies, Director of Merrill Lynch KSA.
Qualifications: Bachelor of Computer Engineering, King Saud University, Saudi Arabia.
Experience: Investment, Trade, Financial Markets, Construction Management, Banking, M&A and sits on a number of other Boards and Committees.

Mr. Mohammed Ibrahim Al Issa
Non-Executive Board member*

Current positions: CFO, Assila Investments; Board Member at Kinan International for Real Estate.
Previous positions: Head of Balance Sheet Management and Investment Saudi British Bank (SABB)
Qualifications: Bachelors of Commerce, Finance option, Sauder School of Business, University of British Columbia Vancouver, Canada.
Experience: Has a wealth of experience in the fields of financial management, investments and financial markets. He also served as a member of the Board of Directors of Sukoon Real Estate Company and Al Aqeeq Real Estate Company.

** Mr. Mohammad Ibrahim Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member at Kinan International Real Estate Development Co., which has a related party transaction with one of our subsidiaries.*

Independent Members of the Board of Directors:

Mr. Fahad Abdullah Al Kassim
Independent Board member

Current positions: Chairman, Amwal Financial Consultants; Executive Board member at Al Rajhi United Investment Co.
Previous positions: CEO, Amwal Financial Consultants; GM, Al Othaim Trading Group; Managing Partner, KPMG International; The Executive Director, Dallah Hospital; and Partner, Al-Qasim Office Certified Public Accountants.
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 , Executive Management in a health institution, Executive Management in retail and wholesale and sits on other Boards and committees.

Mr. Abdulrahman Mohammed Ramzi Addas
Independent Board member

Current positions: Board and Executive Committee member at Alinma Bank, Chairman of the board of Diyar Al Khayyal Real Estate Development Co., Chairman of the Board and member of the Risk Committee at Tunisian Saudi Bank (TSB), Board member of ARCOMA Group, Board member at Al Rabie Saudi Foods Co. Ltd., Board member at Mohammad Ahmed Saleh Baeshen & Co., Board member of Environment Fund, Risk Management Committee member at Saudi Ground Services Co. and Risk & Compliance Committee member at General Authority of Zakat and Tax.
Previous positions: 28 years of banking experience at NCB during that period he held several senior executive positions, he has 3 years' experience as Managing Director in charge of the real estate investments in SEDCO as well as a member in the executive committee and the strategy committee.
Qualifications: MBA, Univ. of Denver, Colorado, USA, Major in Finance, Bachelor degree of Business Administration from King Abdul Aziz University, Jeddah, Saudi Arabia.
Experience: Extensive experience in banking, risk management, strategic management and investment.

Mr. Bader Hamad Al Rabiah
Independent Board member

Current positions: Vice Chairman of Board and CEO of Noor Al-Salhiya Real Estate Co., a Board and Audit Committee member of Mezzan Bank and member of the Board and Audit committee & Chairman of Risk Management Committee of Noor Finanicla Investment Co. He is also the Vice-Chairman of Al-Manar Finance and Leasing Companu Board and a member of the Executvie Comittee.
Previous positions: Supervisor of Real-Estate Financing in Kuwait Finance House, Head of Real Estate Investment at Noor Financial Investment Company and Chairman of Nakheel Agricultural Production Company.
Qualifications: Bachelor of Accounting, Kuwait University, 2003, and he is a member of Kuwait Association of Accountants & Auditors and Kuwait Economic Society.
Experience: He has wide experience in business management, financial auditing, risk management and real estate investment.

Mr. Rakan Abdulaziz Al Fadl
Independent Board member

Current positions: Founder & Director of London Realty Limited (London, UK), Executive Director and Board Member at Alfadl Group, Board Member and President & CEO of Sahara Building Contractors, Board Member and Executive Committee Member at Rabya, Board Member and Investment Committee Member at Alfadl Investments, Board Member and Investment Committee Member at Alfadl Real Estate, and Board Member and Investment Committee Member at Al-Takamul Group.
Previous positions: Running his group of companies.
Qualifications: BA Finance and Economics; Babson College, Massachusetts, USA.
Experience: Held several managerial & leadership positions and board memberships in Al Fadl Group of Companies, He also sits on a number of other Boards & Committees.

Group CEO's Message

A Year of Positive Change

Anees Ahmed Moumina
Group Chief Executive Officer

The year 2019 was a positive transition year for Savola Group, where we built momentum toward a sustainable growth path while implementing initiatives to deliver key milestones.

We are pleased to note that 2019 was a strong year for many of our core businesses. The year marked a significant improvement in the Group's performance, moving from losses to profit in a remarkable turnaround. The Group achieved a net income of SAR 475.6 million compared to a net loss of SAR 520.4 million in the previous year. Revenues rose to SAR 22.24 billion compared to SAR 21.81 billion the year before. We successfully reissued SAR 1 billion sukuks which were oversubscribed as institutional investors took the opportunity to participate in our offerings, banking on our growth prospects.

We renewed our commitment to our retail and food business, while simultaneously focusing on optimising our asset allocation, and adapting our investment strategy to dynamic markets in Saudi Arabia and abroad. Our restructuring approach, which prioritised innovation while also focusing on group-wide cost rationalisation and efficiencies, yielded results throughout the year. This was reflected in increased shareholder confidence, with Savola Group stock price outperforming the market – increasing 28.2 percent during the fiscal year 2019, out pacing Tadawul's performance.

Business Improvements

Our Panda retail business continues to show improvement, with like-for-like growth in customer count and basket size supporting an increase in top-line for 2019. Savola Foods maintained market leadership positions in most of its global territories, while registering higher profitability compared to last year. We continue focusing on growth strategy, organisational uplift and institutionalisation efforts.

Internally, it was a year dedicated to ensuring strong focus on stakeholder value creation, including Panda's recovery milestones and Savola Foods' growth strategy. Our Group companies continue to find innovative ways to improve operations and introduce new products in support of growth priorities. Savola Group emphasised synergy while streamlining decision-making and resource allocation. These internal improvements supported growth and value-creation projects in line with strategic priorities.

Attracting Foreign Investment

2019 was also the year Savola Group became one of the key companies from Saudi Arabia included in MSCI's Emerging Market Index. The inclusion makes Savola Group a conduit for foreign investment as encouraged by the Saudi Vision 2030. In support of our inclusion, and the nation's Vision, we focused on investor outreach and communication through the year. We introduced ourselves to global institutional investors, building confidence and relationships while showcasing the world-class Saudi business opportunities to the world. Our efforts saw our foreign investor shareholding rise from 2 percent at the beginning of 2019 to 9 percent by the end of the year, with both passive and active investors choosing our stock.

Our People

Our employee engagement continued bearing fruit, with a group-wide survey showing an increase in satisfaction and engagement. We are proud to have been certified as a "Great Place to Work". Our people and teams are an integral part of our success, and it is their commitment that powers us to stronger growth. As mandated in the Saudi Vision 2030, we are committed to Saudization while diversifying our workforce through the inclusion of women.

Corporate Social Responsibility

Savola Group continued its commitment to sustainability, safeguarding corporate performance along with community well-being and environmental health. Savola World, our global outreach programme for socially responsible behavioural change was registered as a Foundation, allowing new avenues of funding and partnership-building. Through the year, we also addressed food waste reduction through our "Negaderha" initiative. We also joined hands with the world's largest food retailers in the World Resources Institute's 10x20x30 initiative, which brings together 10 of the world's biggest food retailers to each engage with 20 of their priority suppliers, with the aim of halving rates of food loss and waste by 2030. Our "Makeen" programme continued making strides towards the inclusion of persons with disabilities into the workforce. 2019 also saw corporate volunteering take centre-stage, involving Group employees in social initiatives while promoting personal and professional growth.

Looking to the future

We look forward to the future with optimism. In 2020 and beyond, we will focus on delivering outperformance to our shareholders. We continue to support the Saudi Vision 2030 through focusing on consumer health and greener operations. In closing, I would like to thank all our shareholders, customers, employees, and partners for their support as we build a stronger Savola Group which continues to create value for all stakeholders, for years to come.

Eng. Anees Ahmed Moumina
Group Chief Executive Officer

Executive Management

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

Eng. Anees Ahmed Moumina
Group CEO, Savola Group

Previous positions: CEO of SEDCO Holding Group. He has also worked with the Samba Financial Group where he advanced to roles including General Manager and Senior Credit Officer. He also worked with Proctor & Gamble Co.
Qualifications: Master of Science in Engineering Administration with honors and a Bachelor of Science in Civil Engineering with honors, both from The George Washington University, United States.
Experience: More than 25 years of experience in the private sector and the financial services industry and his career has given him experience across a variety of business sectors including investments, retail, manufacturing, and real estate. He also serves as a Board member in a number of companies.

Mr. Sameh Hassan
CEO, Savola Foods Co.

Previous positions: Chief Portfolio Officer of Al-Faisaliah Group, Chief Executive Officer of Saudi Tadawi Healthcare Co., Chief Operating Officer of Basamh Trading & Industries Group. Served as a Board member in a number of companies.
Qualifications: Bachelor's Degree in Economics, American University, Cairo, Egypt.
Experience: Vast experience in leadership, planning and management of foods and industrial multinational companies and other diverse sectors.

Dr. Bander Talaat Hamooh
CEO, Panda Retail Co.

Previous positions: CEO of Al Nahdi Medical Company; General Supervisor of Public Affairs at the Ministry of Health.
Qualifications: Bachelor's Degree in Pharmaceutical science, King Saud University, Saudi Arabia.
Experience: More than 30 years' experience in retail, pharmaceutical and food industries, he held several positions in both private and public sectors. He also serves as a Board member in a number of companies.

Mr. Nouman Farrukh Muhammad Abdussalam
Chief Financial Officer

Previous positions: CFO Savola Foods Co.; CFO Attieh Group; CFO Emaar The Economic City; Deputy CFO Savola Group; Director Finance Savola Group; Senior General Manager Finance and IT Savola Foods Co.; Finance Manger Savola Bahrain Co.; Assistant Manager Cost and Budget at Pakistan based cement manufacturer.
Qualifications: Holds professional qualifications in cost and management accountancy, and taxation management; an Associate of the Institute of Cost and Management Accountants; Fellow of the Institute of Taxation Management; Bachelor of Finance, Karachi University, Pakistan.
Experience: More than 20 years' experience in the field of financial management, financing and accounting with Savola Group and its subsidiaries.

Mr. Mohammad Nasr
Executive Director, Investment

Previous positions: Prior to joining Savola in 2019, 19 years of experience in Private Equity, M&A, and Consulting with leading global and regional companies such as Credit Suisse, Gulf Capital and Al Mal Capital (an investments subsidiary of Dubai Investments PJSC). He led its investment strategy and transactions across MENA, Europe, and Asia.
Qualifications: Master's in Business Administration, London Business School, UK and Bachelors in Industrial and Manufacturing Systems Engineering, Lehigh University USA.
Experience: Experience in investment and operational strategy leadership, deal origination, restructuring, M&A, managing investment portfolios and exit plans across several sectors.

Mr. Elnour Ali Saad
Executive Director, Corporate Governance, Compliance and Legal Affairs and Board Secretary

Previous positions: Since joining Savola in 1999, he has held a number of positions in Savola Group including: Executive Director of Corporate Governance, Compliance and Legal Affairs, Director of CG and Board Affairs for Savola and its subsidiaries including (Foods and retail Sectors), Senior Manager of Corporates, Board Affairs and Communication.
Qualifications: Master of Laws (LLM), University of Cumbria, UK, and bachelors and MBA, Sudan University of Science and Technology - Khartoum. Certified CG, Board, and committees Secretary.
Experience: More than 18 years of extensive experience in corporate governance, compliance, legal, board of directors' and committee's affairs, investor relations and shareholders' matters and corporate communication.

Mr. Tarik Mohammed Ismail
Executive Director, CSR & Sustainability

Previous positions: Executive Director, Corporate Affairs & Sustainability, and Savola Board Secretary; Director, Corporate Communications and CSR; Senior Manager, Communication and CSR in Panda Retail Co.; Senior Manager, Investment and Marketing, Aayan Group; VIP department Manager at Emaar The Economic city
Qualifications: Bachelor's degree in Management, University of Dubai, UAE; Certificate in Corporate Governance International Directors Program, INSEAD – France, Honorary Doctorates in Sustainability from United Nations.
Experience: Experience in communication, marketing, CSR, real estate, investment, and board and committees affairs.

Mr. Morhaf Mohammed Alsamman
Executive Director Human Resources and Corporate Services

Previous positions: Joined Savola in 2016 as the Head of Talent Acquisition. Prior to joining Savola, he worked in different local and multinational companies, including Emaar Economic City, NCB and Cristal Global.
Qualifications: A certified Professional in Human Resources – Internationalism (PHRi) from the HR Certification Institute, Master's degree in Business Information Technology from DePaul University, Chicago, USA.
Experience: Over 12 years of experience in the field of HR Management, mainly: HR business partnership, staffing and recruitment, organization development, performance management, training and development, Saudization programs, and HR policy and procedure.

40 YEARS

Growing Market Leading Brands

Over forty years, Savola Group has established itself as a premier investment holding company focusing on retail and food. There are many milestones worth highlighting along this journey.

A Rebuilding Model that aims for Sustainable Growth

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

Our Strengths

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

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

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

Our Challenges

- **Challenging macro-environment in operating countries**
- **Change in consumer behaviour**

How we add Value

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

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

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

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

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

Our recent rebuilding journey has been focused largely on recovery of returns by investing in the turnaround of Panda and allocating capital to a vertical which we believe, despite recent challenges, is a core and robust segment within our Group. We, also, looked at and studied various possible opportunities to ensure the best capital allocation.

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

Our recent acquisition of Al Kabeer Group, cementing our position in the frozen foods segment with one of the market leaders in the GCC. Propelled by an increased focus on convenience, female participation in the workforce and expected growth in consumption through the HORECA channel, we expect Al Kabeer to provide a growth avenue for Savola in years to come, as its revenues witnessed an increase of more than 7% during 2019.

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

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

Our Corporate Values

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

Personal Values

Tawado: Confident Humility; Having the confidence to perform our responsibilities while having the humility to minimize our ego

It'qan: Relentless pursuit of perfection; The ability, willingness desire and intention to do our best to ensure that work is completed to the best standards

Azm: Fierce Resolve; Apply what we learn to improve ourselves

Iq'tida: Apprenticeship; To seek out, interact with, and learn from those who are more knowledgeable than us

Group Values

Ihsan Al-Dhan: Trusting; Trusting others intentions without doubting it

Qabool: Acceptance; Endure the views of others by going beyond tolerance or acceptance

Iq'bal: Approaching; Improve what we do by using what we have learned from the interaction with others

Mu'azarah: Caring; Provide support to our colleagues to help enable their success

Corporate Values

Amanah: Honesty; Is the fulfillment of our responsibilities towards investors

Taqwa: Conscientiousness; Fulfillment of our responsibility toward external parties

Birr: Caring Justice; Fulfillments to our responsibility toward our colleagues and the employee of the company

Mujahadah: Personal control; Achieving the personal discipline necessary to fulfill our responsibilities

40 Year Journey

A Strong History of Sustainable Growth

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

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

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

1991
Acquisition of a 40% shareholding in Almarai (diluted after IPO in 2005). Savola's stake then increases to 36.5% in 2013 (then Savola sold 2% during 2017, the current stake in Almarai is 34.52%)

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

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

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

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

Afia International Egypt is formed through the merger of Savola Egypt and SIME Derby Egypt

Savola acquires 50% of the merged operation. In 2009, Savola Foods' stake increases to 99%

Savola Foods establishes an edible oil factory in Egypt

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

Savola gains a 70% stake in Herfy through the Panda merger. Herfy was listed on the Saudi Stock Exchange, with Savola retaining a 49% stake (2010)

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

2003
Savola Foods establishes edible oil businesses in Morocco and Sudan

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

Savola achieves its "Triple 5" strategic goal 12 months ahead of target: SAR 5bn sales, SAR 500m profit within 5 years

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

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

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

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

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

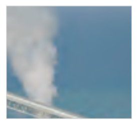
2006
Savola invests in King Abdullah Economic City (KAEC) and Knowledge Economic City as a founding shareholder

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

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

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

Panda acquires Géant Stores and opens its first central distribution center in Riyadh



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

2010
Savola Group launches its first CSR program 'Makeen' to train and to empower people with disability

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 Central Asia

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

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

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

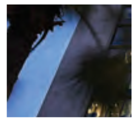
2014
Alexandria Sugar Company begins production of sugar from beet and establishes an agro-cultivation company

2015
Acquisition of 90% of Notrika, manufacturing Pech Pech confectionery products in Central Asia

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

Savola Foods launches Afia Distribution Company in Saudi Arabia

Panda opens its second central distribution center in KAEC



2016
Savola unveils a new brand identity, symbolizing its evolution toward becoming a strategic investment holding company

Savola receives the Sa'afa Award from the Integrity and Transparency Foundation

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

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

Savola Group launches its second CSR program 'Negaderha'

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

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

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

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

2019
Savola issued Sukuks for the 2nd time pursuant to a new program in an aggregate amount of SAR 1 billion

Savola celebrated 40 years of operations through various internal and external activities

Savola was announced among the 31 companies added to MSCI (Morgan Stanley Capital International), as part of Saudi Stock Exchange (Tadawul) inclusion into the MSCI Emerging Market Index

Standard & Poor's, the Hawkamah Institute and the International Finance Corporation ranked Savola 4th in governance and transparency

Investing in and Growing Market Leading Brands

Savola Group builds world-class brands in food and retail. The Group's brands are market leaders which enjoy strong brand equity and consumer wallet share.

Savola Group focuses on building and investing in strong brands across the retail and food sectors in the MENACA region. 2019 was a strong year for the Group's brands, which enjoyed consumer recognition and high trust levels.

Savola foods' Afia corn and olive oils, Al Arabi frying oil and speciality fats business gather momentum building on the trust of the manufacturer's on its quality products sold under the brand name "Margarina". Al Osra sugar also maintained its market leadership by resisting the commoditisation of sugar to maintain excellent brand equity and consumer loyalty. Savola Foods' pasta business, concentrated in Egypt, saw flagship brand El Maleka continue its leadership of the packed pasta market.

Panda recaptured consumer loyalty, with increased footfall and basket sizes across its supermarket and hypermarket properties, on a like-for-like basis.

Meanwhile, restaurant chain Herfy continued being a consumer favourite in Saudi Arabia, backed by product and menu innovation. Herfy's baked products remain popular with consumers.

Al Kabeer, the frozen food brand, benefitted from integration focused work streams including governance and institutionalization initiatives, as well as strategic planning exercises to augment Al Kabeer's activities and positioning, setting up the company for future growth.

Almarai, the world's largest vertically integrated dairy company, of which Savola Group owns 34.52 percent, maintained market share leadership across dairy, poultry, bakery and foods. The brand's products are trusted, and enjoy consumer market recognition.

FOOD INVESTMENTS

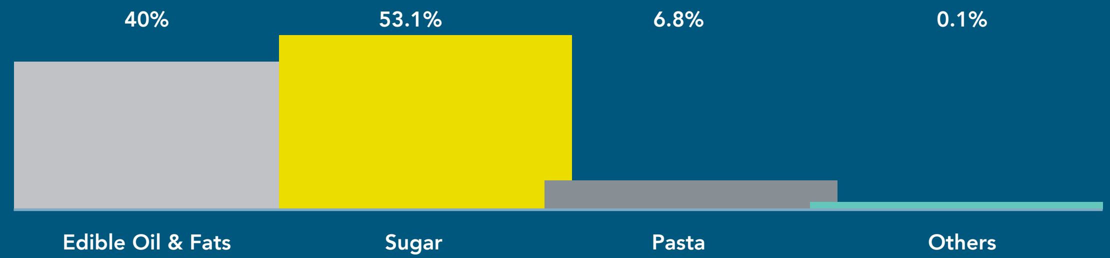
Food Security and Trust

Savola Group's portfolio of food brands are market leaders in the countries they operate in.

Revenue Breakdown (SAR millions)

Edible Oil & Fats	Sugar	Pasta	Frozen Foods	Almarai	Others
6,187	3,708	510	620	14,351	78

2019 Sales Volume by Business Line (%)



Food Investments

A Story of Resilience and Excellence

Savola Foods is a leading producer of high-quality products including edible oils, vegetable ghee, sugar, pasta, seafood and baked goods. Savola Foods offers branded products, and specialty fats across more than 50 countries, and is a leader by market share in key markets throughout the Middle East, North Africa and Turkey (MENAT) Region.

Strategic Overview

2019 was a dynamic year in Savola Foods' journey, with a strategy to improve performance. While boasting a track record spanning some forty years, Savola Foods has in recent times been faced with rapid changes in geopolitical factors, consumer preferences and price competition by the second tier brands in edible oils and sugar. While the company has in previous years been able to defend its premium brands and market share while maintaining strong brand equity, 2019 was the continuation of onslaught on our brands as we changed gears from defence to offence to protect leading position.

The 2019 strategy "Restoring Greatness" is designed to bring Savola Foods back to its heyday of outperformance over the medium-term. The strategy rests on two core pillars: Refocusing the business and Realigning the organisation.

Refocusing the Business

Savola Foods refocused its business on its key categories; Edible Oil, Sugar, and Pasta. The focus has been on reenergizing the key categories dominance through stronger communication with the consumer, reemphasising premium brands, and continuing to excel in product quality and market share growth.

In 2019, Savola Foods began anchoring its current brands towards younger consumers by overhauling marketing and packaging. There was a focus on innovation, with research into new product formulations that younger consumers value. Market research was commissioned to better understand changing preferences. Innovation led to new products being introduced in both B2C and B2B categories; with fine sugar, wider range of spray oils, and new speciality fat products a few examples.

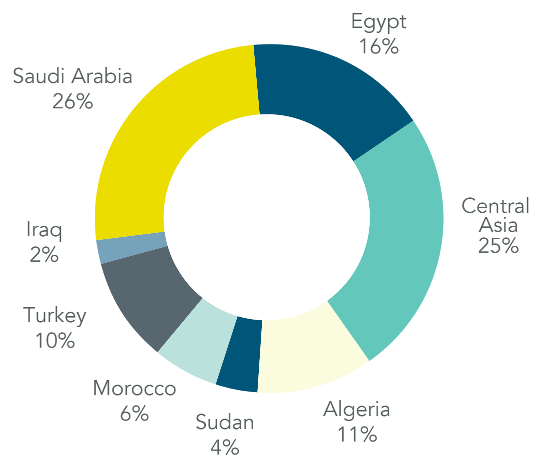
The refocus also emphasises promising B2B lines, such as Savola Foods' growing speciality oils and fats business, and a new food service offering that targets the HORECA sector.

Food Investments

MT* Total sales volume (millions)

1.6

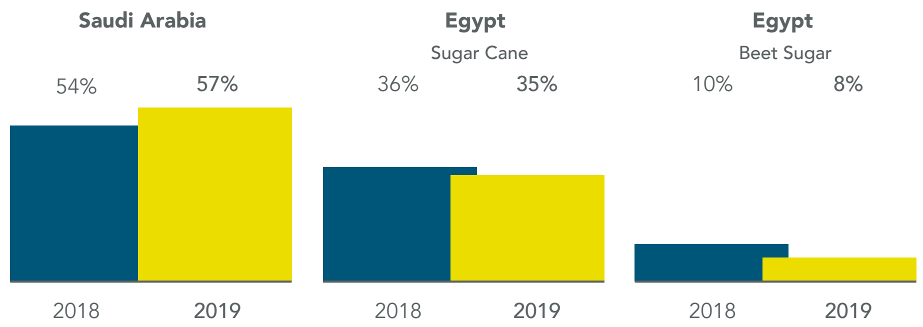
Edible oil sales volume by country (including exports)



MT* Total sales volume (including exports) (millions)

2.2

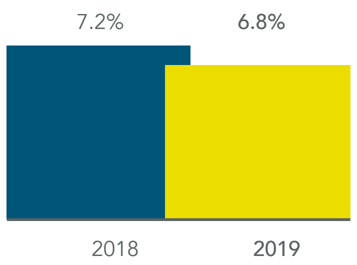
Sugar sales volume by country (including exports)



MT* Total sales volume (including exports)

279,336

Pasta sales volume (including exports)



* Metric Tonnes

+50% Edible Oils market share in Arabia

+70% Al Osra brand market share

8% Pasta revenue increase in Egypt

Realigning the Organisation

In 2019, Savola Foods began changing its internal structure to support the outreach and innovation its new strategy demanded. The previous geographically devolved manufacturing structure was replaced by a central Product Supply vertical led by a Chief Product Supply Officer. This centralisation of expertise and oversight aims to deliver best practice sharing, economies of scale and more efficient use of manufacturing facilities across Savola Foods' global presence. Some other functions, including export, were also centralised to benefit from synergy and economies of scale.

The internal realignment also saw the creation of a B2B vertical in 2019 to support the food services and speciality fats business. The new vertical aims at increasing Savola Foods presence in this important and growing part of the market.

By end 2019, the "Restore Greatness" strategy was already demonstrating results. Gross margins also improved to 14.9 percent for 2019, from 12.5 percent in 2018.

While macroeconomic conditions across key territories coupled with geopolitical turbulence in other markets resulted in a slight drop in volume in 2019, the broad-based efficiencies and a disciplined approach led to EBITDA improvement to SAR 741 million in 2019, compared to SAR 553 million the year before.

Segment Overview

Edible Oil

Edible oil is a leading business line for Savola Foods, and in 2019 continued its robust performance. Savola Foods maintained its market share leadership in Arabia, Turkey, Central Asia, Sudan and Egypt, and competed strongly for top spot in Algeria and Morocco.

In Saudi Arabia, Savola foods' Afia brand (corn oil and olive oil), Al Arabi frying oil and Shams sunflower oil continued performing strongly. Regionally, Savola Foods maintained leadership in Central Asia while growing its consumer base despite temporary supply challenges due to geopolitical developments. While Middle Eastern markets continued showing market volatility, brand equity and a focused strategy facilitated strong performance across the board.

Savola Foods also moved to establish a B2B stronghold in Saudi Arabia through the ramp up of speciality fats segment. International Food Industries (IFI), Savola Foods' state of the art speciality oils and fats facility in Jeddah, reached 31,000 metric tonnes of production in 2019, up from 20,000 the year before. The business line is gearing up to supply partners in the baking, biscuits, confectionary, dairy and culinary industries.

In Turkey, Savola Foods consolidated its leadership in the branded oil market through its key brands including Yudum, Egemden and Sirma. Market share was gained while achieving record sales volumes, despite unfavourable market conditions brought on by very volatile interest rates and currency fluctuations, particularly in the first half of the year.

Savola Foods continues to lead in olive oil exports from Turkey. While historically a B2C player in Turkey, Savola Foods' pivot towards speciality B2B products held it in good stead for further market growth, powered by a new manufacturing facility commissioned in 2018. By end 2019, the plant had moved to 60% of full margarine and shortening production capacity utilization as demand for the quality products increased backed by ever-increasing customer base.

Edible oils drove growth for Savola Foods across the board. In Algeria, market share grew despite macroeconomic and other challenges. In Egypt and Morocco, the edible oils business enjoyed a stable year of foundation-building and growth. In Sudan, logistical barriers and macroeconomic concerns did not deter Savola Foods from maintaining leadership in the market.

Sugar

Sugar had a strong year. In Saudi Arabia, Savola Foods' Al Osra brand maintained its market leadership by resisting the commoditisation of sugar and maintaining excellent brand equity. Sugar's positive performance came despite market headwinds brought on by a reduced expatriate population and new taxation schemes. While the overall sugar market in Saudi Arabia declined, Savola Foods' sugar business delivered an increase in net profit in the territory. Key factors powering sugar's performance included effective hedging, backed by strong brand equity, and price management through 2019.

Sugar's outperformance was also catalysed by ongoing product innovation. Since 2017, Savola Foods has been defending its leadership against commodity pricing competition by introducing new products, including sugar cubes and brown sugar. In 2019, innovation continued apace with sachets and fine sugar varieties introduced to the market to cater for the needs of ever changing consumer demands.

Pasta

Savola Foods' pasta business is concentrated in Egypt, where the company has acquired, and boosted brand equity in flagship brand El Maleka. The brand currently leads the packed pasta market.

Despite a historically strong position, Savola Foods' market share has been under pressure in recent years. In 2019, Savola Foods took decisive action to maintain its premier position in pasta. A renewed focus on product-based marketing has been put in place aiming to restore market share growth by 2020. A total of 279,336 metric tonnes of pasta were the sales volume in 2019.

There was also emphasis on diversifying through the development of export markets via new reseller and distributor relationships. The pasta business is focusing on the African continent as a high-potential destination, and is actively evaluating opportunities in that target geography. The pasta business should also benefit from an organisation-wide centralisation of export activities, with the function creating synergies between all food products exported to over 30 markets worldwide. Export centralisation should boost reach and growth by cross-selling through existing channels while developing new ones.

Bakery

Savola Foods operates a ready-to-eat baked goods line in Central Asia under its Pech Pech brand. In 2019, Pech Pech built on previous growth to register a 2 percent increase in sales. The bakery line is a rapidly growing business in a territory where a young population is looking for convenient alternatives to traditional foods. The brand was recognized in 2019 as the "Most Beloved Brand" in the snacks category by a national survey of 2.5 million plus consumers.

Towards the Future

In 2020 and beyond, Savola Foods will continue its focus on its core products and brands. The company is driving cost efficiencies while retaining its focus on innovation and new product introduction. There is an emphasis on finding new opportunities across the region in the B2C sphere. Savola Foods is also growing its B2B product offerings, focusing on food service and food ingredients through its specialty fats lines.

Food Investments

Almarai

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

About Almarai

Founded in 1977, Almarai is now the world's largest vertically integrated dairy company, with primary lines encompassing dairy, juices, bakery, poultry and infant nutrition. Headquartered in Riyadh, Almarai's production and distribution footprint covers the GCC, Egypt and Jordan. With its 42 million plus consumer reach, Almarai is one of Saudi Arabia's strongest brands, and also one of the Middle East's most recognised names.

2019 Financial and Strategic Highlights

2019 was a year where the market returned to growth for Almarai after the previous year's performance had been buffeted by macroeconomic and demographic headwinds. Almarai maintained market share leadership across the majority of key segments, with dairy, poultry, bakery and foods registering particularly strong growth in the second half of 2019. Revenues from all product lines increased compared to a 2018 baseline, with dairy and juice revenues rising 2.9%, bakery 6.6% and poultry 18%. Poultry's outperformance came as Almarai expanded its food services segment and continued to enhance its innovation pipeline of new products, as well as, expanding the range of dedicated products for the food service segment.

Saudi Arabia remained the best performing territory in terms of revenue growth for Almarai in 2019, followed by Egypt and Kuwait. Jordan, UAE and Oman also registered revenue growth.

Revenue for 2019 rose 5.9% over 2018, but operating profits witnessed a marginal decline on the back of higher feed costs, marketing spend and labour costs. On a positive note, free cash flow more than doubled compared to 2018, as Almarai continues to focus on asset utilization after a strong investment and growth phase.

Almarai also maintained a strong brand equity, and was once again feted as a top brand by the YouGov BrandIndex. Brand Finance called it the world's 7th most valuable dairy brand worldwide in 2019. Almarai also made Forbes' 2019 list of Global 2000: The World's Best Regarded Companies.

Revenues (SAR millions)

14,351

2015	2016	2017	2018	2019
13,795	14,339	13,936	13,558	**14,351**

Net Profits (SAR millions)

1,812

2015	2016	2017	2018	2019
1,916	2,148	2,182	2,012	**1,812**

1.83
Earnings per share SAR

34.52%
Savola Group shareholding

Food Investments

Al Kabeer Group of Companies

Simply...a matter of good taste!

Savola Group has a 51% stake in Al Kabeer Group of Companies, one of the region's leading frozen food manufacturers and distributors.

About Al Kabeer Group of Companies

Founded in 1974 as a family business, Al Kabeer has become one of the leading frozen food suppliers in the GCC. The brand has three manufacturing facilities in the UAE and Saudi Arabia, and an in-house distribution network that services over 11,000 outlets through a fleet of over 300 vehicles backed by 9 cold stores in the region. The company manufactures over 200 products region wide, including frozen processed poultry, beef, seafood, popular snacks and ready-to-eat meals.

2019 Strategic and Financial Review

2019 cemented the collaboration between Savola Group and Al Kabeer towards strengthening corporate governance, business planning and strategic exercises and alignment.

Al Kabeer posted healthy revenue increases with growth for the year above 7%, partly due to a 2018 decision to move production for popular "Zing" or spicy products in-house. This alleviated supply chain disruption and boosted availability, as well as, had a positive impact on profitability on a normalized basis. However, a disruption to imported poultry operations in Saudi Arabia significantly impacted raw material prices, which in turn had a dampening effect on profitability.

Saudi Arabia was the fastest growing geography in Al Kabeer's portfolio, representing about two thirds of sales. The remainder of GCC countries, including UAE, Oman and Bahrain, posted positive growth during the year.

In 2019, opportunities persisted in the modern trade segment, while traditional trade remained challenging, especially in Saudi Arabia. However, the HORECA and food services segment offered growth opportunities given the sector's rapid growth in the Kingdom. The year also saw a focus on working capital management.

In 2020 and beyond, Al Kabeer is looking to tap new opportunities in the HORECA and food services segments. The Company is also looking to introduce new product ranges catering for a wider set of taste preferences, as well as, enter new markets. Financial prudence through 2019 has strengthened the balance sheet, allowing the business the leeway of exploring both organic and inorganic growth opportunities.

+200
Manufactured frozen products including poultry, beef, and seafood

11,000
Outlets Served through a fleet of +300 vehicles

51%
Savola Group shareholding

RETAIL INVESTMENTS

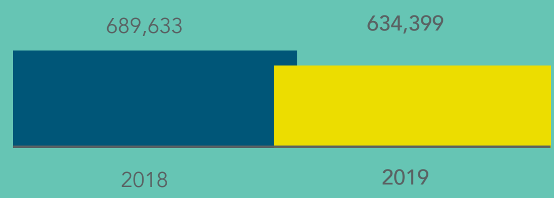
Brands that consumers trust

The Savola Group has invested in retail brands that consumers trust. In 2019, the Group's portfolio of brands performed strongly to reclaim sales while setting the stage for future growth.

Total number of Panda Stores

Total number of Herfy Restaurants

Panda selling area (m^2)

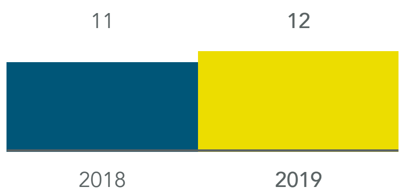


Retail Investments

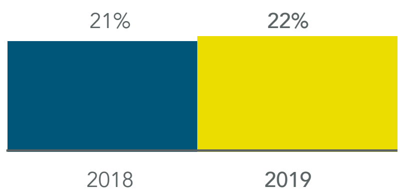
A Turnaround Story

Panda Retail is the Middle East's largest grocery retailer, with over 106+ million sales transactions through a chain of hypermarkets and supermarkets across the Kingdom. With 205 stores in more than 42 cities throughout Saudi Arabia, as well as a presence in Egypt, Panda continues to be one of the leading players in the Kingdom's grocery retail sector.

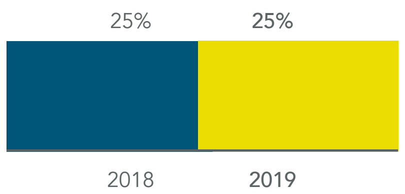
Panda revenues (SAR billion)



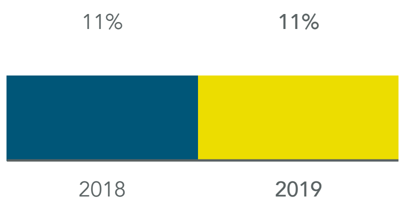
Panda gross margin (%)



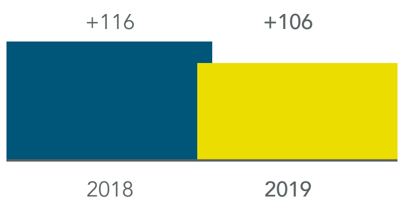
Market share modern trade (%)



Market share of total grocery retail (%)



Customer count 2019 (millions)



Strategic Overview

2019 saw Panda Retail continue a turnaround process first started in 2017, when the company began feeling the impact of a reduction in Saudi Arabia's expatriate population coupled with consumer price sensitivity brought on by the implementation of VAT. The transformation commenced with a new 2019 strategy resting on four key pillars:

- Fresh products as a driver of footfall, coupled with quality and availability
- Optimised store workforce structure
- Footprint optimisation
- Improving shelf availability for key products

The strategy began demonstrating rapid results, with an encouraging boost to financials by year closing. Gross profit improved by 10 percent compared to the year before, while EBITDA also turned positive (pre-IFRS 16 adjustment), up from a loss in 2018. The positive financial results were driven primarily by like-for-like growth in basket size, and increased customer count. They were a reflection of internal efficiencies and performance improvements, but also of a changing consumer market where buyer confidence is returning. The market liberalisation and diversification mandated by the Saudi Vision 2030 has rejuvenated longer-term confidence, resulting in freer spend on groceries and consumables.

Retail Investments

Tactical Implementation

In 2019, Panda Retail translated its strategy into a number of tactical initiatives to boost customer satisfaction, drive down costs and free up capital for long-term investment.

Towards Freshness
Panda Retail focused on delivering freshness straight to consumer baskets, emphasising the quality of its produce and ensuring availability. A strategy of serving local markets with local produce served to cut transition times and increase shelf freshness. Product quality took centre stage, with clear product specifications driving better control. Strategic partnerships with suppliers enabled Panda to ensure a consistent supply of quality products for its customers.

Improving Availability
Panda emphasised higher product availability, coupled with optimising distribution and supply chains. The aim was to list new items in grocery non-food products, roll all items out to a larger number of stores, and ensure that products were made available on shelves for consumers to access. In 2019, product availability rose to 91 percent, from 79 percent the year before. Corresponding increases in footfall and basket sizes provided evidence of this strategy making a positive difference.

Customer-centricity
The company put customers at the heart of its operations, focusing on understanding customer needs and satisfying them. Panda employees were a core focus on transformation given their direct impact on sales growth and customer satisfaction. Continuous improvement in Panda's staffing, training and personnel target-setting was initiated to transform the way the company's 18,000 plus employees serve customers.

Footprint Optimisation
2019 saw Panda Retail complete its pivot away from smaller Pandati corner shops to focus on optimising its supermarkets and hypermarkets. All existing properties were analysed for performance, with some closed and others relocated. The remaining Pandati corner shops were divested from, while capital was freed up by closing some 9 supermarket and 6 hypermarket units. The resulting footprint optimisation drove like-for-like sales 9 percent higher than in 2018, while also improving footfall and basket size.

Creating Cost Efficiencies
Panda Retail focused on lowering overheads to free up capital. Manpower was optimised through a new workforce structure at store level, backed by calibrated deployment lists. Overheads were optimised despite labour costs increasing, with this optimisation driving Panda Retail's financial turnaround.

Sound Capital Deployment
Panda Retail focused on creating cost efficiencies, and freeing up capital for longer-term optimisation. In 2019, Panda Retail invested considerably in store refit and maintenance to create a better consumer journey. The company also invested in supply chain optimisation to support product availability and freshness. Information Technology was another focus of investment, with capital expenditure on datacentres and ERP implementation in support of procurement and retail. IT investment will continue through 2020, driving efficiencies, and further streamlining the business's procurement and supply chain.

Towards the Future

Panda continues to face a challenging market in Saudi Arabia. Under its new leadership and executive team, Panda has started work on key areas for improvement. In 2020 and beyond, Panda will continue a customer-centric turnaround strategy where footprint, product availability, freshness and people are the core focus. Panda's aim is to improve productivity while maintaining its current footprint in terms of size. Meanwhile, footprint optimisation will see stores change based on geographic location and consumer preferences. The coming years will build on Panda's recent emphasis on customer satisfaction, retention and loyalty.

Panda will address gaps in its product range, creating a compelling offering that caters to evolving customer preferences. Well-designed displays will create an exciting shopping experience. Strategic supplier partnerships will boost planning and improve availability. Product availability and freshness will remain centre stage as the brand looks forward to breaking even in 2021.

Panda's outlook for its home market in Saudi Arabia is expected to improve further, with recovering consumer confidence coupled with the successful implementation of turnaround initiatives. The company is laying the foundation for sustainable growth in the years to come.

60 Hypermarkets

145 Supermarkets

Retail Investments

Herfy
Food Service Company

With a 49% stake, Savola Group is the largest shareholder in Herfy Food Services Company. Herfy is one of Saudi Arabia's most popular and recognised fast food restaurant brands.

About Herfy

Established in 1981, Herfy Food Services Company owns and operates Saudi Arabia's leading fast food chain, "Herfy", with 383 branches in the Kingdom. Also, the company franchises restaurants in Kuwait and Bangladesh. In addition, it operates pastry shops and has established itself as one of the Kingdom's first fully-integrated food services companies, with its own bakery, cake, rusk and meat processing factories.

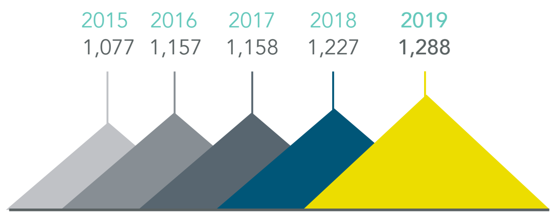
2019 Financial and Strategic Highlights

In 2019, Herfy recorded sales of SAR 1.3 billion, a 5.0% increase over 2018. The top line boost came in a competitive environment where F&B operators were struggling with increased raw material costs and taxation on fizzy drinks. Gross profit of SAR 392.6 million was 13.8% higher than the previous year, while net profit reached to SAR 196.1 million impacted by higher selling & marketing expenses, general & administration expenses and finance cost due to IFRS 16 implementation.

Herfy maintained its excellent brand equity through 2019 by investing in product and menu innovation along with promotional campaigns. Despite a rising cost base and new market dynamics, Herfy's organizational transformation, cost rationalization and menu innovations hold it in good stead as it looks to the 2020 and beyond.

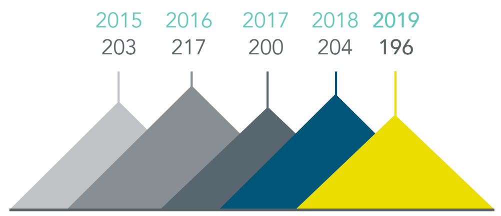
Revenues (SAR millions)

1,288



Net Profits (SAR millions)

196



49%
Savola Group shareholding

3.03
Earnings per Share SAR

OUR PEOPLE

Developing Exceptional People

The exceptional people working across all levels of the Group, and its subsidiaries, are crucial to Savola Group's long-term success and ethos of sustainable growth.

Our People

Building Sustainable Value for the Long-term

Savola Group remains focused on attracting, engaging, and retaining the best talent to power sustainable success with over 26,000 employees, including more than 20,000 employed in Saudi Arabia. The Group also invests in professional and personal development for employees, while ensuring that engagement remains high and lines of communication open.

The Group's Human Capital value proposition is to create a healthy working environment which produces positive outcomes and offers industry-leading benefits. Meanwhile, a wide range of programs ensured employee welfare, recognized individual achievement, and promoted a positive and transparent work environment. 2019 also saw a focus on talent management, with plans put in place for key positions.

Groupwide Synergies

2019 was a year of streamlining and restructuring across Savola Group's operating companies as we aim to rationalize cost, introduce new leadership, and create centralized verticals for improving synergies across common functions. At Group level, portfolio manager roles were strengthened to focus more on strategic and investment matters.

The portfolio managers were tasked with proactively engaging with portfolio companies to ensure synergy attainment as well as performance analysis and business feasibility. This hands-on engagement created a follow-through on central Group strategy, and also ensured that the Savola Group's values and workplace culture were propagated across the entire Savola ecosystem.

These formal steps were bolstered by activities to build collaboration, cooperation, and lateral communication. An integrated internal communications plan outlined a roadmap for cultural initiatives in Group operating companies, with frequent committee meetings creating follow-up and reinforcement. This year saw several team building initiatives conducted in co-operation with Group operating companies which include classroom and field training for various professional skills.

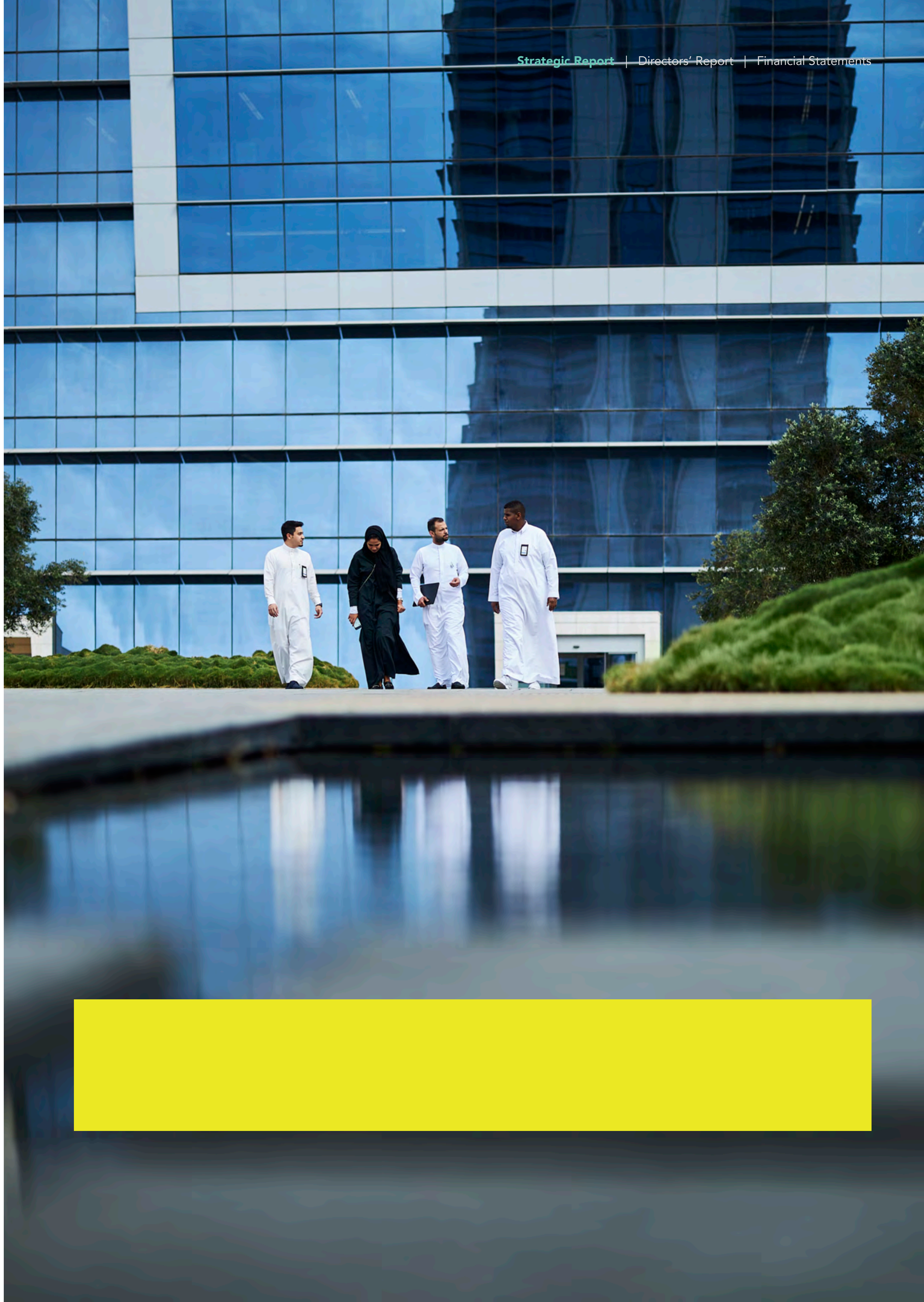
Nationalization

The Savola Group continued its commitment to Saudization maintaining its Platinum Zone in Nitaqat rating in 2019. Operating company Savola Foods also maintained its Platinum Zone, while Panda continued making strides in increasing Saudi nationals to the workforce at all levels, maintaining its Green Zone.

Being an Employer of Choice

Savola Group believes that the exceptional people working across all levels of the Group and its subsidiaries are crucial to the Group's long-term success and sustainable growth. Savola Group also wants to be the employer of choice for the food and retail industries, believing that an investment in human capital holds immense value for the organization and the shareholders.

As part of this mandate, the Group designs policies to attract and sustain the best available talent, develop a highly-skilled workforce, enhance its employer brand, adhere to the nationalization directives within its home market, and promote an engaged environment which supports productivity and welcomes change. In 2019, an enhanced onboarding process helped foster engagement with new employees. All new hires were offered mentoring and communications to help familiarize themselves with their new workplace.



Our People

The year saw increased social media outreach on platforms such as LinkedIn, with potential job seekers targeted with Savola Group news, communication and employment opportunities.

In 2019, Savola Group's insistence on creating a favourable work culture resulted in the certification of "Great Place to Work". Great Place to Work® is the global authority that focuses on building, sustaining, and recognizing outstanding high-trust, high-performing workplace cultures.

Towards Greater Engagement

Savola Group measures, benchmark and improves employee engagement through its Tawer program, a group wide employee engagement survey initially introduced in 2016.

In 2019, the Tawer employee engagement survey results showed a 78% engagement rate, which was a 7% improvement over the 71 percent indicated in 2018. The enhanced engagement came about as a result of several new programs and initiatives. The Group introduced serval measures to improve communication both vertically and horizontally.

Diversity

Diversity in employment is crucial to the Group's strong corporate performance and ethos of sustainability. Savola Group is widely recognized for female workforce inclusion and empowerment with a total number of 1,200 females, representing a growth of 47% in KSA's female workforce compared to last year.
The Group's Makeen program continued making strides towards empowering and including Persons with Disability (PwD), as outlined in the report's section on CSR and Sustainability.

Makeen's importance and effectiveness is reflected in the current employment of more than 300 PwD across the Group in the Kingdom. Makeen continued both internal and external outreach through 2019. Feedback sessions were arranged with differently-abled employees from across the Savola Group, to gather suggestions on enhancing the workplace for them. Multiple training sessions and job opportunity drives were also held. The Group continued its efforts in ensuring a friendly and accessible workplace.

Improving Workplace Culture

2019 saw Savola Group undertake ecosystem-wide activities to encourage a healthy work-life balance, while creating an approachable culture of communication, camaraderie and performance. A highlight was the "The Happiness Campaign" that aimed to boost positivity and create a friendly working environment.

The importance of family was emphasized through the Sela program which brought employees and their families together offsite at informal gatherings several times through the year. Additionally, children were invited to The Group offices to create memorable experiences with their parents, while special "Back to School" events also celebrated the education aspect.

Savola continued providing its employees with a range of unique benefits, such as an employee home loan scheme for Saudi employees, Takaful insurance to support families in the case of death or disability, and (Tawoon) fund to assist junior staff in dealing with financial emergencies. The Group also obtained discounted corporate employee rates with leading brands and corporates including those in sectors such as healthcare, retail, restaurants, hotels, and many others through the introduction of a branded mobile application.

Savola Group is also committed to safeguarding employee well-being and improve their work-life balance. In 2019, Savola Group organized health conferences for employees to increase health awareness as well as launching campaigns around specific wellness themes such as breast cancer.

Employee Volunteering Activities

Employee volunteering took center stage in 2019, with the Savola Group creating volunteering opportunities through its network of civil society partners. As part of its efforts to ensure serving the community, the Group introduced the participation in volunteering activities to its employees' initiatives. The Group also partnered with non-profit organizations and charitable establishments to create channels for Group employees to donate towards charitable causes during the holy month of Ramadan.

98%
Participated in "Tawer Program" in the Group employee engagement survey

7%
"Tawer Program" engagement increase

47%
Female workforce increase in KSA

CSR & SUSTAINABILITY

An Interconnected World

Savola Group recognises its role in an interconnected world where corporate actions impact commercial performance, the well-being of the community, and the health of the environment.

An Interconnected World

Savola Group believes in a deeply interconnected world, where corporate actions impact commercial performance, the well-being of the community, and the health of the environment. The Group champions a sustainability approach that safeguards both company success and stakeholder well-being. Savola Group's approach to sustainability is embedded in its commitment to deliver "values built on values".

Savola Group CSR Strategy (Overarching Theme)

	COMMUNITY	EMPLOYEES	ENVIRONMENT	SECTOR
CAUSE	Excess Food Management	Maximise Youth Talent Potential	Direct Resource Management	Empower PWD to Become Productive in their Sector
PROGRAM	Ex. Awareness Product Reuse & Shelf Policies	Ex. Young Leaders Development Program	Ex. ISO 14001 or 3R (Reduce, Reuse, Recycle)	Ex. Reforming Makeen as a Learning & Development Hub

■ Aligned with core competency ■ CSR best practices & potential for impact ■ Real social issue in the Saudi society

SAVOLA WORLD | Negaderha

Savola World becomes a Foundation

Launched in March 2017 with the aim of promoting socially and environmentally responsible practices, Savola World works towards an internationally recognized role model for sustainability and CSR in business practices. Savola World reaches out to promote socially responsible behavioral change among customers and stakeholders across the four pillars of Community, Employees, Environment and Sector. In late 2019, Savola Group increased and formalized the importance of sustainability and CSR by transforming Savola World to a standalone private foundation called Savola World Foundation. The new legal structure empowers Savola World Foundation to seek funding, and form partnerships with government and private sector entities. This enables it to more effectively champion the sustainability and social development objectives of the Saudi Arabia Vision 2030. In 2019, the Foundation commenced operating as a not-for-profit concern to financially sustain its activities.

Stakeholder engagement remained a priority for Savola World in 2019, with input from external parties shaping the Foundation's planning and strategic objectives. The Foundation continued working alongside highly-qualified, internationally-acclaimed experts to maximize programs impact. Savola World Foundation focuses on social awareness campaigns, coaching and consultancy, training, events management, research and studies, social impact, and accreditation.

In 2020 and beyond, Savola World Foundation will accelerate its current sustainability strategy based on a new vision, and will create sectoral-based CSR programs that converge with its new strategic direction, the priorities enumerated in the Saudi Arabia Vision 2030, and the UN's Sustainable Development Goals.

Tackling Food Security and Waste

The idea of resource preservation and reducing food waste is a key element of Savola Group's sustainability efforts. Food wastage is also an issue of national importance as laid out in the National Strategy for Food Security. In response to this, Negaderha (The Food Waste Management Program) was established. February 2019 saw Savola Group sign an MoU with the Saudi Grains Organization (SAGO), a national institution safeguarding the supply of the nation's most important food commodities. The MoU was signed during the launch of Saudi Arabia's Index of Food Waste & Loss in the Kingdom. The partnership calls for joint programs bringing together multi-sectoral stakeholders to address food security and wastage.

Later in the year, Savola Group joined the world's largest food retailers under a World Resources Institute (WRI) initiative to optimise supply chains in the fight against food loss and waste. The initiative – termed "10x20x30 – convened the world's 10 biggest food retailers to work with 20 of their top suppliers to halve their rates of food loss and waste by 2030. The commitment is a significant advancement toward the UNSDG Target 12.3, which calls for a 50 percent reduction in food loss and waste by 2030 worldwide. Savola Group actively reaches out to local stakeholders with its Negaderha Program, highlighting the importance of preventing food waste in the Kingdom.

CSR & Sustainability

Negaderha conducts research to obtain an in-depth understanding of the drivers, actors and volumes of food waste in Saudi Arabia. It then creates frameworks and action plans to spark sustainable behavioural change.

In 2019, Negaderha continued engaging with two crucial stakeholders: individual households and HORECA businesses. A number of informative short videos were produced to offer tips on food storage, portion planning and grocery shopping for households. The Negaderha mobile app was also launched during the year, and made available on both Android and iOS platforms. The app increases Negaderha's outreach, and offers users a suite of tools, interactive media and tips. It encourages mindful grocery shopping habits, offers tips on food storage techniques, and also offers recipes to transform leftovers into delicious new dishes. A portion planner eliminates the guesswork from estimating food requirements, so households can cook only what is needed.

For HORECA stakeholders, Negaderha produced a manual on food waste management targeting restaurants, hotels and cafes. The manual raises awareness of food waste, and helps HORECA owners and workers to optimize food usage at every point of the consumption cycle. The manual was compiled in association with global institutions, nutritional experts, chefs and business owners from around the world. Negaderha planned to reach out to younger audiences during 2019 - engaging with children between 6-10-year-old via a cartoon superhero which empowers them to reduce food waste. Two interactive comic books were also created, showcasing the superhero's waste-busting adventures. 2020 will see this campaign gain further traction, supported by an on-the-ground campaign.

SAVOLA WORLD | Makeen

Makeen and Inclusion for People with Disability
Savola Group has long been a regional pioneer in recruiting persons with disabilities (PWDs), and promoting their participation in the broader socio-economic fabric. In 2017, Savola Group became Saudi Arabia's first company to become a member of the International Labour Organization (ILO) Global Business and Disability Network. Savola Group is also one of the founders of the Qaderoon Business Disability Network and holds a gold category Mowaamah certificate for the advancement of PWD. Makeen program is the centerpiece of the company's commitment to PWD rights, and the vehicle through which the group promotes employment, inclusion and awareness opportunities for PWD. 2019 was a busy year for Makeen, with numerous initiatives taken to promote PWD rights. The Savola Group website was enhanced in line with W3C Visual Accessibility standards to make it easier to peruse for the visually impaired. The first edition of the Makeen Newsletter was produced to create another channel of communication between the program and its beneficiaries. An initiative on Saudi Arabia's Southern border secured various job opportunities for PWD in the region. Internally, steps continued being taken for a more inclusive and representative workplace across Savola Group and its subsidiaries. Feedback sessions were arranged with our employees with disability from across the Savola ecosystem to gather suggestions for enhancing the workplace for them.

Meanwhile, Makeen's Mentor and Buddy program, which offers support in creating an inclusive work environment for PWD, received a content and training upgrade. Makeen signed an agreement with learning, development and training concern Safea to upgrade the program's content and delivery. PWDs will benefit from more effective training, while the improved content will help Mentor and Buddy qualify for accreditation from the Technical and Vocational Training Corporation (TVTC). A Mentor and Buddy session was also organized in Umm Al-Qura University during the year. Separately, a sign language training session was organized in association with Qadroon Network. Makeen celebrated a number of global occasions highlighting people with disabilities, such as Awareness about Accessibility Day and Autism Spectrum Disorder Day. International Day for PWDs was also marked with enthusiasm, with Makeen inviting and honoring the Saudi National Football Team for Intellectual Disabilities for winning the World Football Championships four times in a row.

In 2020 and beyond, we are looking to evolve a more structured volunteering program with its own brand name and a dedicated portal featuring available volunteering opportunities.

Finally, the Makeen team attended a number of symposia and forums through the year – including the Hope Smile Forum under the patronage of HRH Prince Mohammad bin Nasir bin Abdul Aziz, Governor of Jazan Province; ILO- GBDN annual conference in Genève; and a remote working workshop organized by the Ministry of Labour and Social Development in Jeddah.

Employee Volunteering

2019 saw corporate volunteering take center-stage, involving Group employees in social initiatives while promoting personal and professional growth. Savola Group's volunteering program is aligned with the Saudi Arabia Vision 2030 goal of expanding the impact of the non-profit sector.

The new corporate volunteering program partnered with several organizations – including Ita'am, Namaa Society and Dallah Academy – to create volunteering opportunities for employees. Through 2019, Savola Group employees, along with team members from subsidiary companies, organized internal workshops on special occasions relating to PWDs, undertook hospital and rehab center visits, and participated in food drives to feed those in need.

In 2020 and beyond, we are looking to evolve a more structured volunteering program with its own brand name and a dedicated portal featuring available volunteering opportunities.

Sustainability Reporting

Savola is recognized for its world-class sustainability reports, and is a national champion in preparing detailed reports according to GRI standards. Reporting was previously done biannually, but from 2018 has become an annual exercise.

Social Return on Investment Study (SROI)

Social Return on Investment (SROI) analyses was conducted for Makeen and Negaderha programs in 2019. SROI predicts the expected impact, or assesses the actual impact, of a community initiative, taking into account change theories, financial parameters, outputs, and outcomes.

The SROI study for both programs demonstrated that the two programs create measurable value for their stakeholders and the society and that they generate a positive return on investment and high financial value.

Panda Retail

As part of Savola's commitment to giving back to the community, Panda Retail's ongoing 'Leave the Change' charitable initiative encourages Panda's customers to donate the small change from their purchases at retail outlets. The amount collected from this program is allocated to a number of charities across the Kingdom.

Directors' Report

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

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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
1)	**Direct subsidiaries of the Company:**						
a.	**Operating subsidiaries:**						
1	Savola Foods Co.	Kingdom of Saudi Arabia (KSA)	Foods	Holding company that manages investment in foods sector in KSA & overseas	100%	SAR 2,200,000,000	220,000,000
2.	Panda Retail Co. (Panda)	KSA	Retail	KSA and Egypt	98.87%	SAR 1,480,000,000	148,000,000
3.	Good Food Co. (GFC)	KSA	Holding Company	KSA and some GCC countries	100%	SAR 10,000,000	100,000
4.	Al Matoun International for Real Estate Investment Holding Co.	KSA	Real Estate	KSA	80%	SAR 100,000,000	100,000
5.	Herfy Food Services Co.	KSA	Restaurants and Manufacturing Bakery Products	KSA, Bangladesh and some GCC countries	49%	SAR 646,800,000	64,680,000
b.	**Holding and Dormant subsidiaries:**						
6.	Adeem Arabia Company	KSA	Holding Company	KSA	100%	SAR 1,000,000	10,000
7.	Al Utur Arabian for Commercial Investment	KSA	Holding Company	KSA	100%	SAR 1,000,000	10,000
8.	Al Mojammat Al Mowahadah Real Estate Co.	KSA	Liquidated during 2019	KSA	100%	SAR 2,000,000	200,000
9.	Madarek Investment Co.	Jordan	Holding Company	Jordan	100%	JOD 1,000,000	1,000,000
10.	United Properties Development Co.	KSA	Dormant Company	KSA	70%	SAR 4,000,000	400

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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
2)	**Savola Foods Company**						
a.	**Subsidiaries controlled through SFC:** (% referred to SFC's direct and indirect ownership – SFC is 100% owned by Savola Group)						
11.	Afia International Co. (AIC)	KSA	Manufacturing of Edible Oils	KSA, Egypt, Iran, Turkey, Jordan	95.19%	SAR 500,000,000	50,000,000
12.	Savola Industrial Investment Co. (SIIC)	KSA	Holding Company	KSA	100%	SAR 205,907,000	205,907
13.	El-Maleka for Food Industries Co.	Egypt	Manufacturing of Pasta	Egypt	100%	EGP 268,898,960	433,708
14.	El Farasha for Food Industries Co.	Egypt	Manufacturing of Pasta	Egypt	100%	EGP 20,000,000	20,000
15.	Savola Foods Emerging Markets (SFEM)	British Virgin Islands (BVI)	Holding Company	Offshore Company	95.4%	SAR 130,000,000	13,000,000
16.	Afia International Distribution and Marketing Co.	KSA	Trading and Distribution	KSA	100%	SAR 6,500,000	6,500
17.	Savola Foods for Sugar Co.	Cayman Islands	Dormant Company	Offshore Company	100%	USD 50,000	5,000
18.	Savola Foods International Ltd. (SFCI)	UAE	Holding Company	UAE	100%	AED 500,000	500
19.	International Foods Industries Co. (IFI)	KSA	Manufacturing of Specialty Fats	KSA	100%	SAR 107,000,000	10,700,000
20.	Seafood International Two FZCO	UAE	Seafood Products Trading & Distribution	UAE	60%	AED 100,000	100
21.	Afia Foods Arabia Co.	KSA	Holding Company	KSA	100%	SAR 1,000,000	1,000
22.	Al Maoun International Holding Co. (Al Maoun)	KSA	Holding Company	KSA	100%	SAR 1,000,000	1,000
23.	Marasina International Real Estate Investment Co. (Marasina)	KSA	Holding Company	KSA	100%	SAR 200,000	200

Directors' Report

Main Activities and Financial Disclosures continued

1) The Group's Main Activities: continued

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

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

1) The Group's Main Activities: continued

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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
2)	**Savola Foods Company:** continued						
c.	**Subsidiaries controlled through SIIC:** (% referred to SIIC's ownership; SIIC is 100% owned by SFC)						
39.	United Sugar Co. (USC)	KSA	Manufacturing of Sugar	KSA	74.48%	SAR 395,000,000	395,000
Under USC: (% referred to USC's direct and indirect ownership; USC is 74.48% owned by SIIC)							
40.	Alexandria Sugar Co. – Egypt (ASCE)	Egypt	Manufacturing of Sugar	Egypt	68.01 % (71.66% including Savola %)	EGP 281,838,000	281,838
41.	Beet Sugar Industries	Cayman Islands	Dormant Company	Offshore Company	100%	USD 1,000	1,000
d. Under ASCE: (% referred to ASCE ownership; ASCE is 73.14% owned by SFC directly and indirectly)							
42.	Alexandria United Co. for Land Reclamation (AUCR)	Egypt	Agro Cultivation	Egypt	100%	USD 22,500,000	225,000
e. Subsidiaries controlled through SFEM: (% referred to SFEM's direct and indirect ownership; SFEM is 95.4% owned by SFC)							
43.	Savola Morocco Co.	Morocco	Manufacturing of Edible Oils	Morocco	100%	MAD 46,000,000	460,000
44.	Savola Edible Oils (Sudan) Co.	Sudan	Manufacturing of Edible Oils	Sudan	100%	SDG 45,800,000	45,800,000
45.	Afia International Co. – Algeria	Algeria	Manufacturing of Edible Oils	Algeria	100%	DZD 3,028,071,000	3,028,071
f. Subsidiaries controlled through SFCI: (% referred to SFCI's ownership; SFCI is 100% owned by SFC)							
46.	Modern Behtaam Royan Kaveh Co.	Iran	Food and Confectionery	Iran	100%	IRR 1,000,000	1,000
g. Subsidiaries controlled through Al Maoun and Marasina: (% referred to Al Maoun & Marasina's ownership; both companies are 100% owned by SFC)							
47.	Alofog Trading DMCC	UAE	Trading and Distribution	UAE	100%	AED 2,000	50

Directors' Report

Main Activities and Financial Disclosures continued

1) The Group's Main Activities: continued

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

3) Subsidiaries controlled through Panda:
(% referred to Panda's direct and indirect ownership; Panda is 98.87% owned by Savola)

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
48.	Giant Stores Trading Co.	KSA	Retail	KSA	100%	SAR 500,000	500
49.	Panda for Operations, Maintenance & Contracting Services Co.	KSA	Services and Maintenance	KSA	100%	SAR 500,000	500
50.	Panda International for Retail Trading	Egypt	Retail	Egypt	100%	EGP 50,000,000	50,000,000
51.	Panda Bakeries Co.	KSA	Bakery	KSA	100%	SAR 500,000	500

Under Giant: (% referred to Giant's ownership; Giant is 100% owned by Panda)

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
52.	Lebanese Sweets and Bakeries Co.	KSA	Dormant Company	KSA	95% (99% including Savola direct %)	SAR 5,000,000	5,000

4) Al Kabeer Group Companies:
Subsidiaries Controlled through GFC: (% referred to GFC's direct and indirect ownership; GFC is 100% owned by Savola)

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
53.	Variety Foods Factory Co.	KSA	Frozen Food Manufacturing	KSA	51%	SAR 5,000,000	5,000
54.	Al Helal for Import & Export Co.	Bahrain	Trading and Distribution	Bahrain	51%	BHD 20,000	200
55.	Al Kabeer Holding Co.	UAE	Holding Company	UAE	51%	USD 100	100
56.	Best Foodstuff Trading Co.	UAE	Trading and Distribution	UAE	51%	AED 3,000,000	3,000
57.	Sahar Enterprises Co.	UAE	Trading and Distribution	UAE	51%	AED 181,500,000	181,500
58.	Sahar Food Industries Co.	UAE	Frozen Food Manufacturing	UAE	51%	AED 300,000	300
59.	Al Ahsan Trading Co.	KSA	Trading and Distribution	KSA	51%	SAR 27,000,000	27,000

a. Subsidiaries Controlled through Al Kabeer Holding Co.:
(% referred to Al Kabeer Holding direct and indirect ownership; Al Kabeer Holding is 51% owned by GFC)

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
60.	Al Sabah Foodstuff Enterprises Co.	UAE	Trading and Distribution	UAE	100%	AED 500,000	500
61.	Cascade Marine Foods Co.	UAE	Frozen Food Manufacturing	UAE	100%	AED 750,000	100
62.	Cascade Investments Limited	UAE	Investment Company	UAE	100%	USD 125,000	1,250

1) The Group's Main Activities: continued

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

Subsidiaries Controlled through Cascade Investments:
(% referred to Cascade Investments' direct and indirect ownership; Cascade Investments is 100% owned by Al Kabeer Holding)

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
63.	Best Foods Co.	Oman	Food Distribution	Oman	100%	OMR 150,000	150,000

5) Investees: (investments in sister companies)

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
64.	Almarai Co.	KSA	Fresh Food Products	KSA	34.52%	SAR 10,000,000,000	1,000,000,000
65.	Kinan International for Real Estate Development Co.	KSA	Real Estate Development	KSA	29.9%	SAR 1,694,000,000	169,400,000
66.	United Sugar Co. Egypt (USCE)	Egypt	Manufacturing of Sugar	Egypt	33.82% (Savola effective ownership)	USD 156,000,000	15,600,000
67.	Al Seera Co.for Real Estate Development	KSA	Real Estate Development	KSA	40%	SAR 20,000,000	200,000
68.	Knowledge Economic City Developers Co.	KSA	Real Estate	KSA	2.07%	SAR 830,000,000	83,000,000
69.	Intaj Capital Ltd.	Republic of Tunisia	Fund Management	Tunisia	49%	USD 260,000,000	260,000
70.	United Edible Oils Holding Ltd.	Cayman Islands	Holding Company	Offshore Company	51%	USD 50,000	50,000,000
71.	Seafood International One FZCO	UAE	Seafood Products Trading & Distribution	UAE	50%	AED 100,000	100

6) Available for sale investments: Listed:

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
72.	Knowledge Economic City	KSA	Real Estate Development	KSA	11.5%	SAR 3,393,000,000	339,300,000
73.	King Abdullah Economic City	KSA	Real Estate	KSA	0.87%	SAR 8,500,000,000	850,000,000
74.	Arab Phoenix Holdings Co.	Jordan	Real Estate Development	Jordan	5%	JOD 86,840,292	86,840,292

Unlisted:

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
75.	Joussor Holding Co.	KSA	Investment Funds (under Liquidation)	KSA	14.81%	SAR 600,000,000	60,000,000
76.	Swicorp Co.	KSA	Investment Management	KSA	15%	SAR 500,000,000	50,000,000

Directors' Report

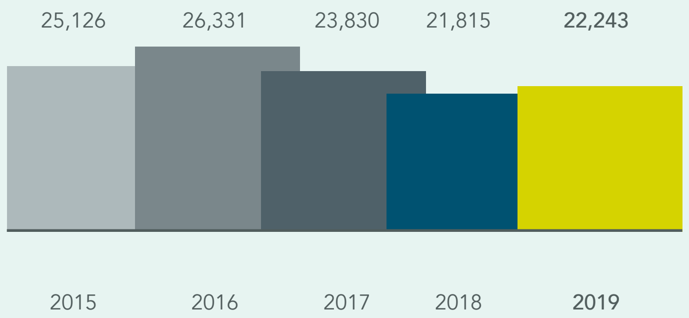
Main Activities and Financial Disclosures continued

2) Consolidated Performance of the Group

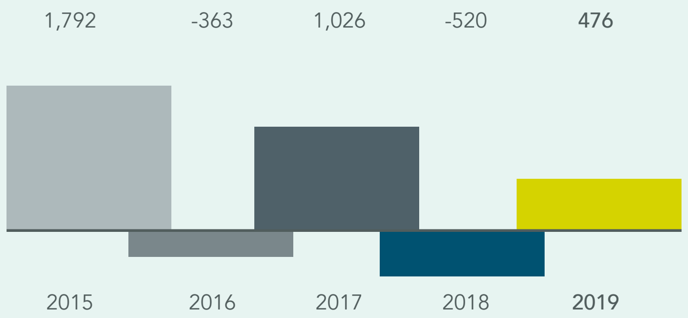
2–1) Summary of the Company's assets & liabilities and financial results for the last five years

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

Revenues



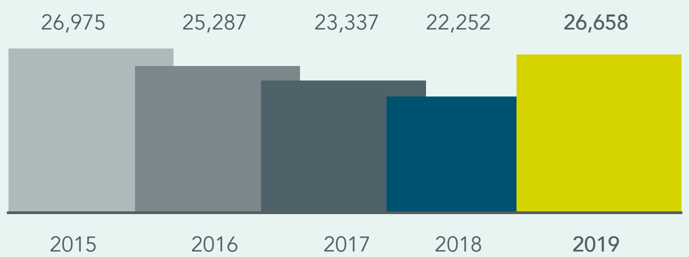
Net Profits



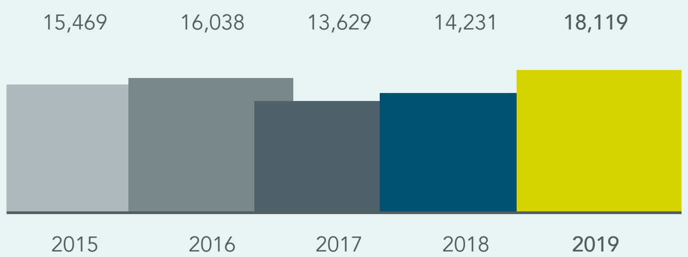
Item (SAR '000)	2019	2018	2017	2016	2015
Revenues	22,243,363	21,814,563	23,830,475	26,330,802	25,125,596
Cost of Revenues	(17,739,059)	(17,916,606)	(19,436,360)	(21,677,838)	(20,100,206)
Gross Profit	4,504,304	3,897,957	4,394,115	4,652,964	5,025,390
Net Profit (loss)	475,630	(520,380)	1,025,618	(363,287)	1,791,747

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

Assets



Liabilities



Item (SAR '000)	2019	2018	2017	2016	2015
Current assets	5,969,924	5,906,124	6,678,054	8,449,057	9,331,719
Non-current assets	20,687,787	16,346,327	16,659,276	16,838,339	17,643,635
Total assets	**26,657,711**	**22,252,451**	**23,337,330**	**25,287,396**	**26,975,354**
Current liabilities	8,863,915	8,426,642	8,642,368	10,406,259	9,967,229
Non-current liabilities	9,254,726	5,803,868	4,986,982	5,631,303	5,502,059
Total liabilities	**18,118,641**	**14,230,510**	**13,629,350**	**16,037,562**	**15,469,288**

* All 2016 related figures were reclassified according to IFRS

2) Consolidated Performance of the Group continued

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

Below is the Group's consolidated revenue for 2019 compared to the previous year, business-wise (edible oils and vegetable ghee, sugar and sweeteners, pasta, seafood, retail sector, fast food, specialty fats and frozen food), including geographical analysis based on availability of brands and products in countries:

Business line/country	Brands	2019 (SAR '000)	2018 (SAR '000)
Edible oil and vegetable ghee			
KSA, GCC and Yemen	Afia, Al-Arabi, Olite, Shams, Sun Glow, Dalal, Nakeel	1,808,170	1,917,003
Egypt, Levant	Rawabi, Afia, Ganna, Slite, Helwa	948,169	950,009
Central Asia	Ladan, Aftab, Bahar, Afia	1,150,718	1,808,636
Sudan	Al Tayeb, Sabah, Shams	250,436	211,900
Morocco	Afia, Hala	350,196	358,538
Turkey	Yudum, Sirma, Afia	725,460	724,860
Algeria	Afia, Oleor	678,241	598,460
Total edible oil and vegetable ghee revenues		**5,911,390**	**6,569,406**
Sugar and sweeteners			
KSA, GCC, and Yemen	Al Osra, Ziadah, Safaa, Nehar, Halla, Sweeva	2,199,348	2,096,484
Egypt	Al Osra	346,548	412,101
Total sugar and sweeteners revenues		**2,545,896**	**2,508,585**
Total pasta products – Egypt	El Maleka, Macaronto, Italiano	510,492	471,440
Total seafood products – Egypt & GCC	John West	39,397	60,301
Total baked food products – Central Asia	Pech Pech	38,382	37,458
Total specialty fats and margarine – KSA & Turkey	Culina, Margarina, Vala, Sava	163,656	88,281
Total foods revenues		**9,209,213**	**9,735,471**
Retail - Panda			
KSA	Hyper Panda, Panda Supermarket	11,394,578	11,016,334
Egypt	Panda Supermarket	102,127	97,907
Total retail revenues - Panda		**11,496,705**	**11,114,241**
Fast food			
Fast food and restaurants	Herfy	1,288,310	1,227,270
Total Fast food and restaurants		**1,288,310**	**1,227,270**
Frozen food products			
KSA and GCC	Al-Kabeer, Tayebat Al Emarat, Tabarruk	620,055	94,107
Total frozen food products		**620,055**	**94,107**
Others			
Real estate – KSA		43,599	47,035
Total other activities revenues		**43,599**	**47,035**
Gross revenues		**22,657,882**	**22,218,124**
Consolidated intercompany elimination		(414,519)	(403,561)
Total revenues		**22,243,363**	**21,814,563**

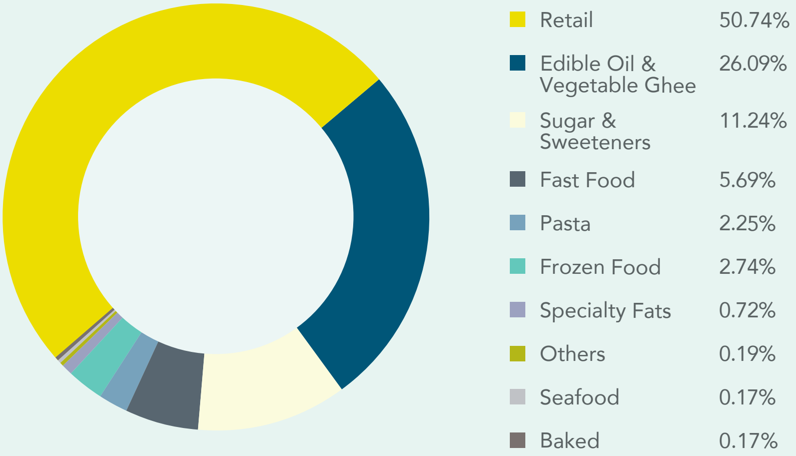
Main Activities and Financial Disclosures continued

2) Consolidated Performance of the Group continued

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

Revenues

Breakdown of sector and main Group activity contributions to 2019 consolidated revenues



Statement of any material differences in the operational results compared to the preceding year's results

Income statement	2019 (SAR '000)	2018 (SAR '000)	Variance (+) or (–) (SAR '000)	Variance %
Revenues	22,243,363	21,814,563	428,800	2.0%
Cost of revenues	(17,739,059)	(17,916,606)	177,547	-1.0%
Gross profit	4,504,304	3,897,957	606,347	15.6%
Operational revenues – Other	639,357	574,742	64,615	11.2%
Operational expenses – Other	(3,834,704)	(4,195,379)	360,675	-8.6%
Operational profit (loss)	1,308,957	277,320	1,031,637	372.0%

Declarations: The Company did not announce any financial expectations during 2019

The reasons for the change in net profit for 2019 compared to last year:
Net profit improved to SAR 475.6 million for 2019 due to substantially enhanced performance as compared to the net loss of SAR 520.4 million for previous year. The profit achieved is mainly attributed to higher gross profits due to higher sales and margins; lower operating expenses mainly due to the significant decrease in the impairment losses; higher share of profits from associates; an exceptional expense was recorded in the comparable period relating to an associate's subsidiary; and zakat and tax provision reversal relating to prior years' assessments for the subsidiaries. The net profit for the year was achieved despite of increase in the net finance cost resulting mainly from the adoption of new leasing standard (IFRS 16) applied during 2019, being partially compensated by the reduced foreign currency exchange losses.

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.

In January 2013, the Group completed its initial offering by issuing Sukuk with a total value of SAR 1.5 billion with a tenor of 7 years. The Sukuk matured in January, 2020 and accordingly has been classified as short-term loans and borrowings as at December 2019. In July, 2019, the Group completed the offering of its new Sukuk, under the new program, with a total value of SAR 1 billion with a tenor of 7 years. The Sukuk will mature in July, 2026. The issuance included SAR 507 million of the previous Sukuk, which was redeemed and exchanged. Accordingly, the nominal value of the previous Sukuk decreases from SAR 1.5 billion to SAR 993 million. Certain loans arranged by overseas subsidiaries are subject to structure and policies adopted in those countries, which may differ from those in Saudi Arabia.

Finance charges for Group loans (short-term and long-term borrowings) from various commercial banks and financial institutions during 2019 (at prevailing market rates) reached SAR 429 million compared to SAR 398.8 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 loans and a corporate guarantee for some of its subsidiaries' loans, according to the requirements of the lending banks or financial institutions.

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

Details of long-term and short-term loans of the Group and its subsidiaries obtained in the normal course of business are as follows:

a) Long-term loans of the Group and its subsidiaries, and their payment status as of 31/12/2019 (SAR '000):

No.	Borrowing company	Lender	Loan period	Date issued	Original amount	Amount paid in 2019	Balance Dec–2019	Balance Dec–2018
1	Savola Group	National Commercial Bank	5 years	Oct-16	500,000	125,000	218,750	343,750
		Gulf International Bank	2.08 years	Dec-18	480,000	–	480,000	480,000
		Samba Financial Group	7 years	Dec-18	294,000	42,000	252,000	294,000
		Bank Al Jazira	7 years	Nov-18	300,000	–	300,000	300,000
		Bank Al Jazira	2 years	Dec-18	300,000	300,000	–	300,000
		Bank Al Jazira	7 years	Dec-19	350,000	–	350,000	–
		Saudi British Bank	5 years	Sep-18	750,000	150,000	600,000	750,000
		Saudi British Bank	7 years	Feb-19	800,000	41,000	759,000	–
		Sukuk	7 years	Jan-13	1,500,000	507,000	993,000	1,500,000
		Sukuk	7 years	Jul-19	1,000,000	-	1,000,000	–
Savola Group							**4,952,750**	3,967,750
2	Panda	Banque Saudi Fransi	5 years	Mar-14	500,000	166,667	-	166,667
		National Commercial Bank	4 years	Jul-15	300,000	100,000	-	100,000
		Saudi British Bank	5 years	Dec-15	300,000	75,000	75,000	150,000
		Saudi British Bank	6 years	Dec-16	400,000	160,000	160,000	320,000
		Al Rajhi Bank	4 years	Mar-16	250,000	83,333	-	83,333
Panda Retail Co.							**235,000**	820,000
3	Afia – KSA	Saudi British Bank	5 years	Dec-14	350,000	84,375	-	84,375
	Afia – Egypt	Emirates NBD	5 years	Jan-16	13,656	17,668	-	17,668
		Emirates NBD*	5 years	Jan-16	11,386	-	9,470	8,774
		National Bank of Kuwait*	5 years	Jan-19	16,000	-	15,993	-
Afia International Co.							**25,463**	110,817
4	Savola Edible Oils (Sudan)	Bank of Khartoum	3 years	May-16	4,268	296	–	296
			3 years	May-16	4,371	293	–	293
Savola Foods Emerging Markets Co.							**–**	589
5	El Maleka for Food Industries	National Bank of Kuwait	3.5 years	Sep-14	17,744	4,019	–	4,019
			5.3 years	Dec-18	28,173	2,884	24,587	27,471
Pasta							**24,587**	31,490
6	ASC Egypt	Commercial International Bank*	13 years	Mar-10	529,937	7,621	137,280	130,368
			5 years	Jan-19	18,969	–	20,782	-
7	AUCR	National Bank of Kuwait*	4 years	Jan-18	27,473	6,714	14,986	23,488
Savola Industrial Investment Co.						–	**173,048**	153,856
8	IFI	Saudi British Bank	4.75 years	Nov-15	170,000	42,500	31,875	74,375

Directors' Report

2) Consolidated Performance of the Group continued

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

No.	Borrowing company	Lender	Loan period	Date issued	Original amount	Amount paid in 2019	Balance Dec–2019	Balance Dec–2018
International Foods Industries Co.							**31,875**	74,375
9	Herfy	Al Rajhi Bank	4-6 years	2014-2017	499,996	87,937	93,690	181,627
		Saudi Industrial Development Fund	6 years	2013-2016	42,903	10,281	17,630	27,911
		Saudi British Bank	3 years	Jan-18	15,600	1,998	13,704	15,702
		Saudi British Bank**	3 years	Oct-19	70,000	-	70,280	-
		Riyad Bank	3 years	Apr-18	20,000	20,111	-	20,111
Herfy Food Services Company							**195,304**	245,351
Total long-term loans							**5,638,027**	5,404,228

* Dec 2019 loan value changed due to currency effect
** December 2019 balance includes accrued interest.

b) Short-term loans of the Group and its subsidiaries, and their payment status as of 31/12/2019 (SAR '000):

No.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2019	Balance Dec-2018
1	Savola Group					
Savola Group					-	200,000
2	Panda					
Panda Retail Co.					-	145,000
3	Afia International Co.	Saudi British Bank	1 month	Dec-19	45,000	
		Saudi British Bank	1 month	Dec-19	100,000	
		Saudi British Bank	1 month	Dec-19	150,000	
		National Commercial Bank	1 month	Dec-19	200,000	
		Samba Financial Group	1 month	Dec-19	150,000	
		Samba Financial Group	1 month	Dec-19	140,000	
4	Afia Intl. Co. – Egypt	Hongkong and Shanghai Banking Corp.	1 year	Dec-19	40,410	
		Emirates NBD	1 year	Dec-19	40,180	
		National Bank of Kuwait	1 year	Dec-19	37,149	
		Egyptian Saudi Finance Bank (El Baraka Bank)	1 year	Dec-19	20,308	
		National Bank of Egypt	1 year	Dec-19	60	
		First Abu Dhabi Bank	1 year	Dec-19	17,036	
		Ahli United Bank	1 year	Dec-19	15,152	
		Attijari Wafa Bank Egypt	1 year	Dec-19	12,161	

2) Consolidated Performance of the Group continued

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

b) Short-term loans of the Group and its subsidiaries, and their payment status as of December 31, 2019 (SAR '000): continued

No.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2019	Balance Dec-2018
5	Behshahr Industrial Co.	EN Bank	1 year	Jan-19	887	
		Karafarin Bank	3 months	Dec-19	21,936	
		EN Bank	3 months	Sep-19	15,552	
		EN Bank	3 months	Sep-19	15,552	
		Khavarmianeh Bank	3 months	Sep-19	4,283	
		Khavarmianeh Bank	3 months	Sep-19	4,279	
		Bank Pasargad	3 months	Oct-19	4,314	
6	Savola Gida Sanayi ve Ticaret AS	Hongkong and Shanghai Banking Corp.	2 months	Nov-19	35,365	
		Hongkong and Shanghai Banking Corp.	38 days	Nov-19	6,068	
		Hongkong and Shanghai Banking Corp.	1 month	Dec-19	7,897	
		Hongkong and Shanghai Banking Corp.	1 month	Dec-19	8,321	
		Garanti Investment Credit	1 month	Dec-19	43,812	
		Ziraat Bank	6 months	Nov-19	31,565	
		Vakif Bank	1 year	Dec-19	1,064	
		Yapi ve kredi Bankasi	1 year	Dec-19	25,252	
		ISBank	1 year	Dec-19	12,624	
Afia International Co.					**1,206,227**	**1,350,398**
7	Afia Intl. Co. – Algeria	Fransabank el Djazair	6 months	Jul-19	55,710	
		Arab Bank Plc	6 months	May-19	66,375	
		Hongkong and Shanghai Banking Corp.	6 months	Jul-19	58,928	
		Societe Generale Algerie	3 months	Sep-19	30,557	
8	Savola Morocco Co.	Credit du Maroc	1 year	Dec-19	10,845	
		Credit du Maroc	1 year	Dec-19	10,885	
		Attijari Wafa Bank	1 year	Feb-19	28,199	
		Attijari Wafa Bank	1 year	Feb-19	7,059	
9	Savola Edible Oils (Sudan) Ltd.	Arab Sudanese Bank	3 months	Dec-19	994	
		Arab Sudanese Bank	3 months	Apr-19	115	
		Arab Sudanese Bank	3 months	Jun-19	284	
		Arab Sudanese Bank	3 months	Oct-19	809	
		Arab Sudanese Bank	3 months	Nov-19	710	
		Bank of Khartoum	1 year	Jul-19	725	
		Bank of Khartoum	1 year	Jul-19	243	
		Bank of Khartoum	1 year	Jul-19	387	

Directors' Report

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

	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2019	Balance Dec-2018
9.	Savola Edible Oils (Sudan) Ltd. continued	Bank of Khartoum	1 year	Jul-19	731	
		Bank of Khartoum	1 year	Sep-19	3,884	
		Bank of Khartoum	1 year	Oct-19	4,597	
		Bank of Khartoum	1 year	Nov-19	6,471	
		Bank of Khartoum	1 year	Dec-19	5,109	
		National Bank of Egypt	6 months	Dec-19	2,710	
		Industrial Development Bank	9 months	Jun-19	677	
Savola Foods Emerging Markets Co.					**297,004**	**172,548**
10	El Maleka For food Industries Co.	Emirates NBD	1 year	Nov-19	3,740	
		National Bank of Kuwait	1 year	Dec-19	27,768	
		EBE Bank	1 year	Nov-19	6,758	
		National Bank of Kuwait	1 year	Nov-19	6,147	
11	El Farasha for food Industries Co.	National Bank of Kuwait	1 year	Nov-19	4,973	
Pasta					**49,386**	**47,146**
12	United Sugar Co.	Samba Financial Group	1 month	Dec-19	120,000	
		Samba Financial Group	1 month	Dec-19	35,000	
		Saudi British Bank	1 month	Dec-19	70,000	
13	Alexandria Sugar Co.	Commercial International Bank	1 year	Nov-19	39,869	
		Hongkong and Shanghai Banking Corp.	1 year	Oct-19	23,255	
14	Alexandria UCLR	National Bank of Kuwait	1 year	Dec-19	6,078	
		National Bank of Kuwait	1 year	Dec-19	11,849	
Savola Industrial Investment Co.					**306,051**	**540,147**
15.	Seafood International Two FZCO	Hongkong and Shanghai Banking Corp.	1 year	Apr-19	5,625	
Seafood International Two FZCO					**5,625**	**22,000**
16.	Sahar Enterprises LLC.	Dubai Islamic Bank	3-4 months	Dec-19	3,831	
		National Bank of Fujairah	3-4 months	Dec-19	8,230	
		Habib Bank Limited	3-4 months	Dec-19	6,605	
		Habib Bank AG Zurich	3-4 months	Dec-19	3,668	
		First Abu Dhabi Bank	3-4 months	Dec-19	6,489	
		Standard Chartered Bank	3-4 months	Dec-19	5,444	
		Hongkong and Shanghai Banking Corp.	3-4 months	Dec-19	7,908	
Good Food Co.					**42,175**	**96,444**
Total short-term borrowing					**1,906,468**	**2,551,683**

2) Consolidated Performance of the Group continued

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

No.	Item (payments)	Paid	Due until the end of the financial period but not paid	Description	Reasons/ Justifications
1.	Customs duties	164,365	10,219	–	According to the requirements of the laws and applicable regulations
2.	Zakat	84,224	21,039	–	
3.	Income tax and withholding tax	97,633	64,030	Income and withholding tax	
4.	GOSI (for KSA) and social insurance (for outside KSA)	133,704	5,352	Employees' GOSI and social insurance	
5.	Visas and passport office fees	66,750	15,060	Iqama renewal, exit and re-entry visas	
6.	Labor office fees	105,284	335	Work permits	
7.	Other duties and government levies	23,493	433	License fees, and other fees	

3) Potential risks to Savola Group Operations:

3–1) Overview

a) Risk Management

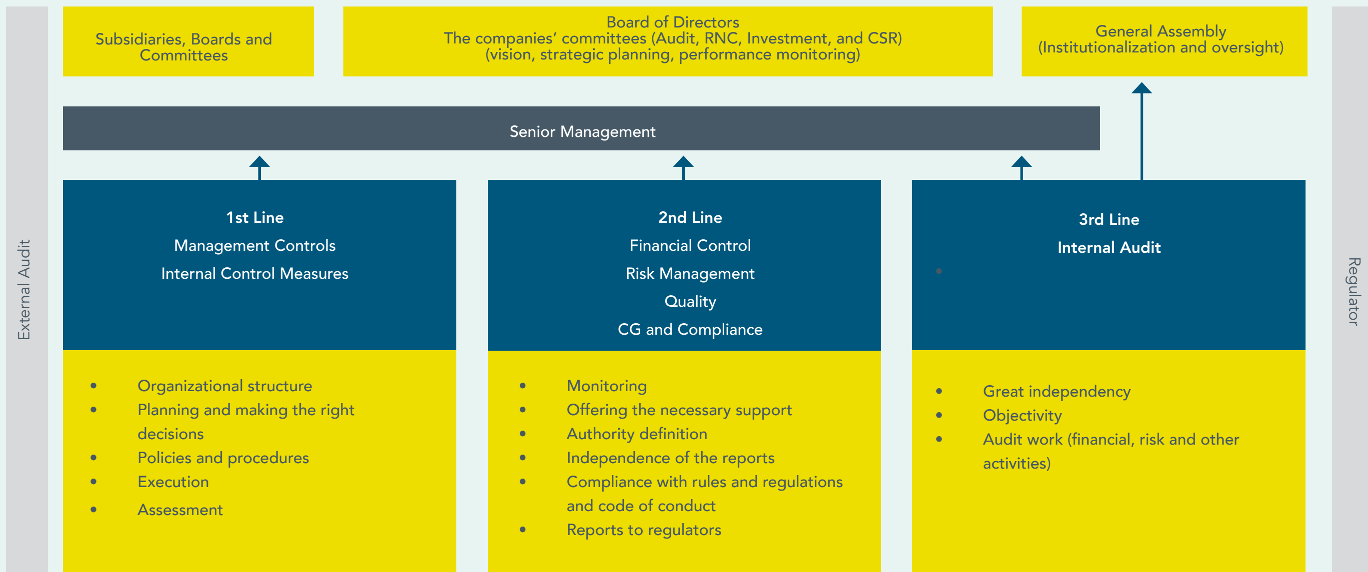
Strengthening our risk management culture and capabilities

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

Savola operates a "Three Lines of Defense" model to ensure accountability across the Group for governance, monitoring, reporting and management of risks, and the control environment.

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

3 Lines of Defense



Directors' Report

Main Activities and Financial Disclosures continued

3) Potential risks to Savola Group Operations continued

3–1) Overview continued

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

The ERM program is designed to ensure that the outcomes of risk-taking activities are consistent with Savola's strategies and risk appetite. It is designed to deliver quality, relevant and actionable information in order to:
- Optimize the cost of managing business risks
- Enable informed and conscious risk management choices on an enterprise-wide basis
- Improve overall business performance

In line with the continuous efforts to strengthen risk management culture and capabilities, Savola has:
- Established a dedicated risk management function at the group and its main subsidiaries
- Developed a risk management framework & governance policy, approved by the Board of Directors
- Launched WAEI risk guide program as part of promoting its risk management culture
- Conducted multiple risk awareness sessions across the Group and its subsidiaries
- Identified risk champions across the Group to enhance risk management accountability.
- Identified the key risk indicators and consequently in the process of developing the risk appetite statement
- Conducted a risk assessment for three key functions at the group and its main subsidiaries
- Evaluated and approved the risk assessment project for four of its key operating units: USCA, AICA, IFI and ADC.
- Proactively identified emerging external risks and communicated them with the relative functions for assessment

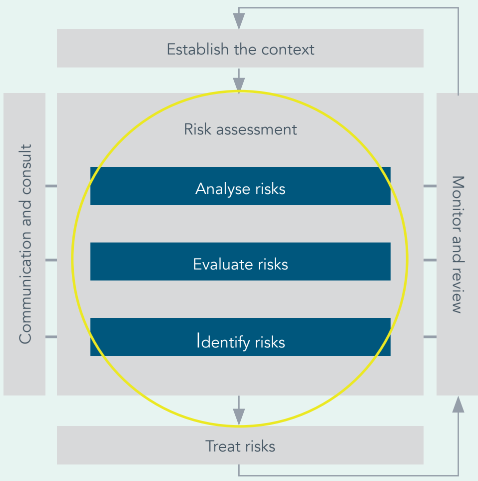
Moreover, a Governance, Risk and Compliance system is being implemented across Savola Group to effectively enhance the participation of the Board and the executive management team in the risk management process to ensure a unified vision of the risks faced by the Group. The system is now at the testing phase with a targeted go live date in Q2 2020.

Enterprise Risk Management framework

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

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

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



b) Savola's ERM framework

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

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

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

3) Potential risks to Savola Group Operations continued

3–1) Overview continued

Promoting Risk Management Culture – WAEI

In its continuing efforts to promote a risk management culture, enhance corporate excellence and bolster internal controls, Savola has launched WAEI, which is a:
- Modern method to share the knowledge of already identified and known business-related risks
- Initiative to reflect, explore and identify those risks that Savola may not fully be aware of or understand today
- Program that brings together people and expertise from across the Group to assess potential risks that Savola may face in the future
- Opportunity to review how Savola is currently managing risks and to reflect on the best and most cost-efficient ways of managing risks on a sustainable basis
- Framework that guides Savola on how to raise, share, inform and report risks to appropriate levels

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

Further risks include: fluctuation in foreign currency, exchange rates against the Saudi Riyal or other currencies of the countries that the Group operates in and inflation in the economies of countries where the Group operates; risks related to entering into new investments; and risks that might be associated with the current economic conditions and political situation in countries where the Group operates or exports its products.

The Group faces other risks from its various investment shareholdings in different companies and funds, locally and internationally. The Group and its subsidiaries manage these risks through its Board of Directors, Audit Committee, executive management and various departments and task forces within the Group. The Group is focused on continuously developing and improving a sound risk management system across the Group. The company has established a dedicated Risk Management department at holding level and its major subsidiary i.e. SFC and Panda.

3–2) Financial instruments and risk management

a) Financial risk management

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

b) Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are market risk, credit risk and liquidity risk.

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

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

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

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.

Directors' Report

Main Activities and Financial Disclosures continued

3) Potential risks to Savola Group Operations continued

3–2) Financial instruments and risk management continued

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.

c) Market risk

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

c–1) Interest rate risk:

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

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

c–2) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, United Arab Emirates Dirhams, 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 "Foreign Currency Translation Reserve" 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.

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 since the Group holds investment in certain listed equities which are classified on the statement of financial position as FVOCI 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 regularly monitors the credit exposure towards the customers whereby the customers are grouped according to their credit characteristics, payment history, whether they are an individual or a legal entity, whether they are a wholesale/retail or manufacturers, their geographic location, existence of any financial/economic difficulties including the default risk associated with the industry and country in which they operate and accordingly records impairment loss against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored. In order to cater the credit risk from debtors, the Group has also entered into insurance arrangements in certain geographies.

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.

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. 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. For further details, the same item can be reviewed in the clarification notes accompanying the Company's financial statements for 2019.

Internal Control, and Risk Team:

As part of the organizational structure, following is a summary of the internal control, Audit, and Risk team CVs, whereas a summary of the Board and Committee members and the Executive team CVs – as per the structure – were detailed in different sections of this Report as well as Ex- Board members for the period ended on 30/06/2019:

Mr. Aly Assem Barakat

Group Chief Audit Officer

Previous positions:

Senior Manager at Abu Dhabi Accountability Authority
Manager at KPMG
Manager at Ernst & Young

Qualifications:

Bachelor's degree in Commerce, University of Helwan (major Accounting), Egypt
Licensed Certified Public Accountant - USA and Chartered Global Management Accountant - Association of International and Professional Accountants

Experience:

Extensive experience over 25 years in internal and external audit, governance, risk management, compliance and financial affairs

Mr. Yasser Hassan Dahlawi

Executive Director, Risk Management

Previous positions:

Head of Regulatory Compliance, Enterprise Risk Management at The National Commercial Bank (NCB)
Senior Advisor at KPMG Saudi Arabia

Qualifications:

Master of Science, Engineering & Technology Management, Portland State University, USA

Bachelor of Science, Industrial Engineering, King Fahad University of Petroleum & Minerals (KFUPM), Saudi Arabia

Experience:

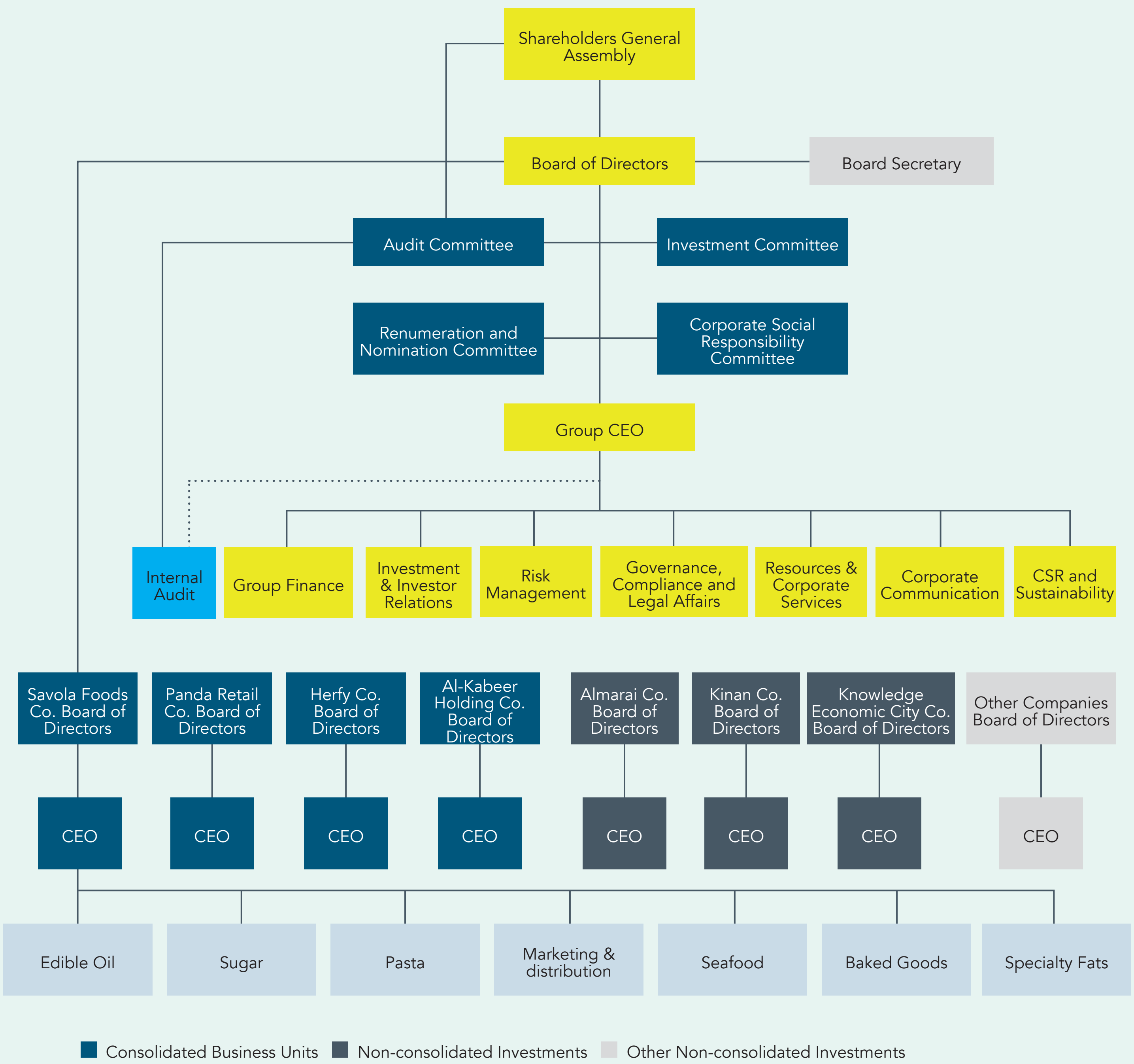
Wide experience in Risk Management, mainly:
- Enterprise Risk Management
- Risk Reporting
- Basel II/III
- Capital planning & allocation
- Risk policy & procedure

Directors' Report

Corporate Governance Report and major relevant disclosures

Corporate Governance Report and major relevant disclosures

a) Group Organizational Structure



Note: To ensure the sustainability of the CSR programs, Savola Group established Savola World Foundation (a non-profit organization under the supervision of the Ministry of Human Resources and Social Development) funded by Savola Group which will replace the CSR & Sustainability Department during 2020. The Savola World foundation will be managed though the Board of trustees instead of the CSR Committee.

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

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 roles 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, statements, 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 issued by MoCI and Corporate Governance Regulations issued by the CMA. Due to the end of the Board members 'office term on June 30, 2019 after completing three years (the period set out in the company's bylaws for the Board membership duration), a new Board was elected for the current term that began on July 1, 2019 for the period of three years ending June 30, 2022. All the elected members are either non-executive or independent (to review the qualifications, experience of the members and their classification please refer to the beginning of this report).

Directors' Report

Corporate Governance Report and major relevant 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 of their current or previous board or manager in:

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

No.	Board member name	Names of the companies in 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 in which the member of the Board of Directors was 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 Abdulkadir Al Muhaidib	Savola Group	Inside	Listed	Saudi British Bank	Inside	Listed
		Almarai Co.	Inside	Listed	Nationals Industrialization Co.	Inside	Listed
		Rafal Real Estate Development Co.	Inside	Unlisted	Middle East Paper Co.	Inside	Listed
		Acwa Power International	Inside	Unlisted	Al-Oula Real Estate Development Co.	Inside	Unlisted
		Vision Invest Holding Co.	Inside	Unlisted	Swicorp Joussour Co.	Inside	Unlisted
		Al Muhaidib & Sons Co.	Inside	Limited Liability	United Mining Industries Co.	Inside	Unlisted
		Al Muhaidib Holding Co.	Inside	Limited Liability	Thabat Construction Co.	Inside	Limited Liability
		Al Muhaidib Land Transport	Inside	Limited Liability	Architectural Supplies Works Co.	Inside	Limited Liability
		Sulaiman Abdulkadir Al Muhaidib & Partners Co.	Inside	Limited Liability	International Timber Co.	Inside	Limited Liability
		Emad Abdulkadir Al Muhaidib & Partners Co.	Inside	Limited Liability	Mayar Foods Co.	Inside	Limited Liability
		Awatef Abdulkadir Al Muhaidib & Partners Co.	Inside	Limited Liability	Mayar Transport & Warehousing Co.	Inside	Limited Liability
		Maryam Abdulkadir Al Muhaidib & Partners Co.	Inside	Limited Liability	Gulf Marasy for Marine Services Co.	Inside	Limited Liability
		Tamader Abdulkadir Al Muhaidib & Partners Co.	Inside	Limited Liability	Citadel Trading & Contracting Co	Inside	Limited Liability
		Loloah Sulaiman Almudaiheem & Partners Co.	Inside	Limited Liability	Al Muhaidib for Development Co.	Inside	Limited Liability
		Essam Abdulkadir Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Amwal Al Ajial Trading Company	Inside	Limited Liability			
		Amwal Al Khaleej for Commercial Investment Co.	Inside	Limited Liability			
		Zat Al Sawary Co.	Inside	Limited Liability			
		Taj Al Awfia Co.	Inside	Limited Liability			
		Tarabot Investment & Development	Inside	Limited Liability			
		Ariz Arabian Co.	Inside	Limited Liability			
		Muhail for Operation and Maintenance Co.	Inside	Limited Liability			
		Al Shamiyah Urban Development Co. Ltd.	Inside	Limited Liability			
		Arabian Safenat for Construction Co.	Inside	Limited Liability			
		United Feed Manufacturing Co.	Inside	Limited Liability			

No.	Board member name	Names of the companies in 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 in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
2.	Mr. Bader Abdullah Al Issa	Savola Group	Inside	Listed	Knowledge Economic City Co.	Inside	Listed
		Banque Saudi Fransi	Inside	Listed	Savola Packaging Systems Co.	Inside	Unlisted
		Dur Hospitality	Inside	Listed	Kinan International Real Estate Development Co.	Inside	Unlisted
		Almarai Co.	Inside	Listed	Al Aqeeq Real Estate Development Co.	Inside	Unlisted
		Savola Foods Co.	Inside	Unlisted	Sukoon International	Inside	Unlisted
		Panda Retail Co.	Inside	Unlisted	Assila Investment Co.	Inside	Unlisted
		Afia International Co.	Inside	Unlisted			
		United Sugar 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.	Mr. Essam Abdulkadir Al Muhaidib	Savola Group	Inside	Listed	Middle East Paper Co. (MEPCO)	Inside	Listed
		Herfy Food Services Co.	Inside	Listed	Al Salam Bank Bahrain	Outside	Listed
		Bawan Co.	Inside	Listed	Al Yamamah Steel Industries Co.	Inside	Unlisted
		Panda Retail Co.	Inside	Unlisted	Al Oula for Real Estate Development Co.	Inside	Unlisted
		Abdulkadir Al Muhaidib & Sons Co.	Inside	Unlisted	Zohoor Alreef Trading Co.	Inside	Unlisted
		Masdar Building Materials Co.	Inside	Unlisted	Emdad Human Resources & Manpower Supply Co.	Inside	Unlisted
		Rafal Real Estate Co.	Inside	Unlisted	International Timber Co.	Inside	Unlisted
		National Housing Co.	Inside	Unlisted	Albalad Amin Co.	Inside	Unlisted
		International Company for Water and Energy Development	Inside	Unlisted	Rafal Real Estate Co.	Inside	Unlisted
		Tharwa City for Development & Real Estate Investment Co.	Inside	Unlisted	Bloom Invest Co.	Inside	Limited Liability

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No.	Board member name	Names of the companies in 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 in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
3.	Mr. Essam Abdulkadir Al Muhaidib continued	Saudi Tabreed Co.	Inside	Unlisted	Al Latifia Trading & Contracting Co.	Inside	Limited Liability
		Vision Invest Holding Co.	Inside	Unlisted	Amwal Al Khaleej for Commercial Investment Co.	Inside	Limited Liability
		Masdar Building Materials Co.	Inside	Unlisted	Nesaj Real Estate Development Co.	Inside	Limited Liability
		Sulaiman Abdulkadir Al Muhaidib & Partners Co.	Inside	Unlisted	Saudi Tabreed Co.	Inside	Limited Liability
		Emad Abdulkadir Al Muhaidib Co.	Inside	Unlisted	Emaar Middle East Co.	Inside	Limited Liability
		Al Muhaidib Holding	Inside	Unlisted	Thabat Construction Co. Limited	Inside	Limited Liability
		Maryam Abdulkadir Al Muhaidib & Partners Co.	Inside	Unlisted			
		Romansiah Co. Limited	Inside	Unlisted			
		Shaas for Water Services Co.	Inside	Unlisted			
		Tanmiat Al Ahlam for Construction	Inside	Unlisted			
		Mayar Transport & Warehousing 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 Abdulkadir Al Muhaidib Co.	Inside	Limited Liability			
		Lolwah Sulaiman Almudaiheem & Partners	Inside	Limited Liability			
		Essam Abdulkadir Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Nestle Water Factory Co. Ltd.	Inside	Limited Liability			
		Taj Al Awfia Co.	Inside	Limited Liability			
		Himmah Logistics Co.	Inside	Limited Liability			
		Mayar Foods Co.	Inside	Limited Liability			
		Atheel Holding Co.	Inside	Limited Liability			
		Al Manhal Water Services Factory	Inside	Limited Liability			
		Shaas for Water Services Co. Ltd.	Inside	Limited Liability			
		Spring Water Factory Co. Ltd.	Inside	Limited Liability			
		Muhail for Operation and Maintenance Co.	Inside	Limited Liability			
		Safenat Arabian Contracting Company	Inside	Limited Liability			

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No.	Board member name	Names of the companies in 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 in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
3.	Mr. Essam Abdulkadir Al Muhaidib continued	Tamader Abdulkadir Al Muhaidib Co.	Inside	Limited Liability			
		Awatf Abdulkadir Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Rivers Water Factory Co. Ltd.	Inside	Limited Liability			
		That Al Sawary Co.	Inside	Limited Liability			
		International Timber Co.	Inside	Limited Liability			
4.	Mr. Abulaziz Khaled Al Ghufaily	Savola Group	Inside	Listed	Herfy Food Services Co.	Inside	Listed
		Alrajhi Bank	Inside	Listed	Tabuk Agriculture Development Co.	Inside	Listed
		Al Rajhi Capital	Inside	Unlisted	National Medical Care Co.	Inside	Listed
		Savola Food Co.	Inside	Unlisted	The Industrialization & Energy Services Co.	Inside	Unlisted
					Riyadh Hotels & Entertainment Co.	Inside	Unlisted
					Saudi Industries Development Co.	Inside	Unlisted
					Panda Retail Co.	Inside	Unlisted
5.	Eng. Mutaz Qusai Alazawi	Savola Group	Inside	Listed	Merrill Lynch Kingdom of Saudi Arabia	Inside	Unlisted
		Herfy Food Services Co.	Inside	Listed			
		Arabian Cement Co.	Inside	Listed			
		Riyad Bank	Inside	Listed			
		Etihad Etisalat (Mobily)	Inside	Listed			
		Ready Mix Concrete & Construction Supplies Ltd.	Outside	Listed			
		Savola Foods Co.	Inside	Unlisted			
		United Sugar Co.	Inside	Unlisted			
		Afia International Co.	Inside	Unlisted			
		United Sugar Co. Egypt	Outside	Unlisted			
		Alexandria Sugar Co. Egypt	Outside	Unlisted			
		El Maleka for Food Industries Co.	Outside	Unlisted			
		El Farasha for Food Industries Co.	Outside	Unlisted			
		Qatrana Cement Co.	Outside	Unlisted			
		Afia International Co. Egypt	Outside	Unlisted			
		Saudi Industrial Construction & Engineering Projects Ltd.	Inside	Limited Liability			
		Saudi Technology and Trade Co.	Inside	Limited Liability			
		Al Wusataa for Development	Inside	Limited Liability			

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No	Board member Name	Names of the companies in which the member of the Board of Directors was 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 in which the member of the Board of Directors is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
6.	Mr. Fahad Abdullah Al Kassim	Savola Group	Inside	Listed	Albilad Bank	Inside	
		Jarir Marketing Co.	Inside	Listed	Abdullatif Al Issa Holding Group	Inside	
		Dur Hospitality	Inside	Listed	Naqel Co.	Inside	Unlisted
		Dallah Health	Inside	Listed	Al-Rajhi Alpha Investment Holding Co.	Inside	Limited Liability
		Al-Riyadh Development Co.	Inside	Listed	Raj Real Estate Co.	Inside	Limited Liability
		Fahad Bin Abdullah Al Kassim & Sons Trading & Investment Co.	Inside	Unlisted	National General Automotive co.	Inside	Limited Liability
		Saudi Heritage Hospitality Co.	Inside	Unlisted	Saudi Post	Inside	Gov. Corporation
		Dr. Mohammed Rashid Al Fagih & Associates	Inside	Unlisted			
		Rakeen Najd International Co.	Inside	Unlisted			
		Al Rajhi United Investment Holding Co.	Inside	Unlisted			
		Alargan Projects Company	Inside	Unlisted			
		Fincorp Investment Holding Co.	Outside	Unlisted			
		Areez Commercial investment Co. Ltd.	Inside	Limited Liability			
		Abdullah Ibrahim Al Subeaei Holding (AIMS)	Inside	Limited Liability			
		Al Kassim Fund for Investment & Commercial Development	Inside	Limited Liability			
		Amwal Financial Consultations	Inside	Limited Liability			
		Century 21 & Partner for Real Estate Appraisal Co.	Inside	Professional Co.			
		Fahad Abdullah Al Kassim Auditing Office	Inside	Individual entity			
7.	Mr. Mohammed Ibrahim Al Issa	Savola Group	Inside	Listed	Sukoon Real Estate	Inside	Unlisted
		Kinan International for Real Estate Development Co.	Inside	Unlisted	Al Aqeeq Real Estate	Inside	Unlisted
		Assila Investments	Inside	Unlisted			

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No.	Board member name	Names of the companies in 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 in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
8.	Mr. Abdulrahman Mohammed Ramzi Addas	Savola Group	Inside	Listed	Bank Albilad	Inside	Listed
		Alinma Bank	Inside	Listed	Al Soraie Industrial & Trading Co.	Inside	Listed
		Diyar Al Khayyal Real Estate Development Co.	Inside	Unlisted	Red Sea Markets Co. Ltd.	Inside	Limited Liability
		Ahmed Mohammed Saleh Baeshen & Co.	Inside	Unlisted	Keppel Alnumu Co.	Inside	Limited Liability
		Tunisian Saudi Bank	Outside	Joint venture for the Saudi Ministry of Finance	Sedco Capital	Inside	Limited Liability
		ARCOMA	Inside	Limited Liability	Abdulaziz Al Saghair Holding Co.	Inside	Limited Liability
		Al Rabie Saudi Foods Co. Ltd.	Inside	Limited Liability	Quantum Investment Bank	Outside	Limited Liability
		Environment Fund	Inside	Gov. Entity			
9.	Mr. Rakan Abdulaziz Al Fadl	Savola Group	Inside	Listed	-		
		Alfadl Group	Inside	Limited Liability			
		Sahara Building Contractors Co.	Inside	Limited Liability			
		Rabya Co.	Inside	Limited Liability			
		Alfadl Investments Co.	Inside	Limited Liability			
		Alfadl Real Estate Co.	Inside	Limited Liability			
		Al-Takamul Group Co.	Inside	Holding Co.			
10.	Dr. Adnan Abdulfattah Soufi	Savola Group	Inside	Listed	Bupa Arabia Co.	Inside	Listed
		Fitaihi Group Co.	Inside	Listed	Arabian Cement Co.	Inside	Listed
		Alahli Capital Co.	inside	Unlisted	SEDCO Holding Group	Inside	Unlisted
		Wadi Jeddah Co.	Inside	Unlisted	Awj Holding Co.	Inside	Limited Liability
		Panda Retail Co.	Inside	Unlisted			

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

No.	Board member name	Names of the companies in 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 in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
11.	Mr. Bader Hamad Al Rabiah	Savola Group	Inside	Listed	–		
		Al Manar Financing and Leasing Co.	Outside	Listed			
		Noor Financial Investment Co.	Outside	Listed			
		Palms Agro Production Co.	Outside	Listed			
		Meezan Bank	Outside	Listed			
		Al Durra National Real Estate Co.	Outside	Unlisted			
		Noor Al Salhiya Real Estate Co.	Outside	Unlisted			

b-4) Ex- Board members (for the term that ended on 30/06/2019):

b-4-1) Boards Memberships:

No.	Board member name	Names of the companies in 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 in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
	Eng. Abdullah Mohammed Nour Rehaimi	Arabian Cement Co.	Inside	Listed	Savola Group	Inside	Listed
		Savola Foods Co.	Inside	Unlisted	Knowledge Economic City Co.	Inside	Listed
					Almarai Co.	Inside	Listed
					Eastern Cement Co.	Inside	Listed
					National Insurance Co.	Inside	Listed
					National Commercial Bank	Inside	Listed
					Alujain Co.	Inside	Listed
					Saudi Cable Co.	Inside	Listed
					Panda Retail Co.	Inside	Unlisted
					Saudi Arabian Airlines	Inside	Unlisted
					Saudi Turkish Holding Co. for Investment	Inside	Unlisted
					Yamani Airlines co.	Outside	Unlisted
					Saudi Foundation for Developing of Entrepreneurship	Inside	Non-Profit Org.
					Social Development Bank (formerly Saudi Credit & Saving Bank)	Inside	Gov. Institute
	Mr. Mohammad Abdulqader Al Fadl	Jeddah Holding Co.	Inside	Unlisted	Savola Group	Inside	Listed
		Kinan International for Real Estate Development Co.	Inside	Unlisted			
	Mr. Omar Hadir Al-Farisi	Arabian Centres Company	Inside	Listed	Savola Group	Inside	Listed
					Gulf International Bank	Outside	Listed
	Dr. Sami Mohsen Baroum	Arabian Cement Co.	Inside	Listed	Savola Group	Inside	Listed
		Jeddah International College Co.	Inside	Unlisted	Knowledge Economic City Co.	Inside	Listed
		Arab Investment Company (Sanabel)	Inside	Unlisted	Almarai Co.	Inside	Listed
					Kinan International for Real Estate Development Co.	Inside	Unlisted
					Afia International Co.	Inside	Unlisted
					United Sugar Co.	Inside	Unlisted
					Panda Retail Co.	Inside	Unlisted
					Savola Plastic Packaging Systems Co.	Inside	Unlisted
					Al Roba'aia Co. for Real Estate Development	Inside	Unlisted
					Saudi Stock Exchange Tadawul	Inside	Unlisted
					Afia International Co. Egypt	Outside	Unlisted
					Venture Capital Bank Bahrain	Outside	Unlisted

b-4-2) Summary of CVs for Ex- Board members (for the term that ended on 30/06/2019):

No	Member name	Current positions	Previous positions	Qualifications	Experience
-	Eng. Abdullah Mohammed Nour Rehaimi	Retired – Government Official	Managing Director/CEO, Savola Group (2015-2016); President, General Authority of Civil Aviation (2003-2011); Assistant Director General, SIDF (1998-2003)	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	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. Mohammad Abdulqader Al Fadl	Chairman of the Board, Al Fadl Group	CEO, Al Fadl Group of Companies	Bachelor of Economics and Marketing, University of San Francisco, United States	More than 40 years' experience in Corporate Management through managing of Al Fadl Group of Companies, which includes many companies in various fields and sits on a number of other Boards.

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued
b) Composition of the Board and members classification continued
b-4-2) Summary of CVs for Ex- Board members (for the term that ended on 30/06/2019): continued

No.	Member name	Current positions	Previous positions	Qualifications	Experience
-	Dr. Sami Mohsen Baroum	Private Business	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)	PhD in Operation Management and Information Technology, Indiana University, United States; Master's Degree in Business Management with Honors, Wharton Management School, Pennsylvania University, United States	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.
-	Mr. Omar Hadir Al Farsi	Managing Member of Diyala Advisors LLC, New York	Investment Banker, Credit Suisse First Boston Bank, New York (2000-2004); Lawyer and Member in Financial and Commercial Corporate Department, White & Case, New York (1994-2000)	Bachelor of Economics, University of Notre Dame, United States; JD, Columbia University School of Law, United States	Experience in financing and law, investment, and mergers and acquisitions. He is also a former Board member of Gulf International Bank (Bahrain).

b) Summary of Committee members' CVs:

No	Member name	Current positions	Previous positions	Qualifications	Experience
Remuneration and Nominations Committee members:					
Remuneration and Nominations Committee members of the period started on 01/07/2019					
	Mr. Rakan Abdulaziz Al Fadl	Their current and previous positions, qualifications and experience were mentioned earlier in this Report			
	Mr. Bader Abdullah Al Issa				
	Mr. Essam Abdulkadir Al Muhaidib				
	Mr. Abdulrahman Mohammed Ramzi Addas				
	Mr. Johan Brand	Managing Director/ Owner, Johan Brand Leadership Advisory DWC-LLC (2016-present)	Senior Partner and Consultant, Egon Zehnder (1995-2016); PepsiCo, Director PCI Management Institute (1993-1995)	MSc, Business Economics, Erasmus University Rotterdam, The Netherlands; MA, Business Law, and MA, Private Law, Erasmus University Rotterdam, The Netherlands; Certified Professional Director, Hawkamah/ Mudara Institute of Directors	Has wide and independent experience as a leadership professional, and his focus is on making Boards and C-level leadership more effective. Advisor to Chairmen, Family Heads and CEOs.
Remuneration and Nominations Committee members of the period ended on 30/6/2019					
	Mr. Mohammad Abdulqader Al Fadl	Their current and previous positions, qualifications and experience were mentioned earlier in this report			
	Eng. Abdullah Mohammed Nour Rehaimi				
Investment Committee members:					
Investment Committee members of the period started on 01/07/2019					
1.	Eng. Mutaz Qusai Alazawi	Their current and previous positions, qualifications and experience were mentioned earlier in this Report			
2.	Mr. Abdulaziz Khaled Al Ghufaily				
3.	Mr. Fahad Abdullah Al Kassim				
4.	Dr. Adnan Abdulfattah Soufi				
5.	Mr. Mohammed Ibrahim Al Issa *				

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

No.	Member name	Current positions	Previous positions	Qualifications	Experience
Investment Committee members of the period ended on 30/6/2019					
-	Mr. Omar Hadir Al-Farisi	Their current and previous positions, qualifications and experience were mentioned earlier in this report			
-	Dr. Sami Mohsen Baroum				
Corporate Social Responsibility Committee members:					
Corporate Social Responsibility Committee members of the period started on 1/7/2019					
1.	Mr. Abdulrahman Mohammed Ramzi Addas	Their current and previous positions, qualifications and experience were mentioned earlier in this report			
2.	Mr. Fahad Abdullah Al Kassim				
3.	Eng. Abdullah Mohammed Nour Rehaimi				
4.	Eng. Anees Ahmad Moumina				
Corporate Social Responsibility Committee members of the period ended on 30/06/2019					
-	Mr. Mohammed Ibrahim Al Issa	Their current and previous positions, qualifications and experience were mentioned earlier in this report			
-	Dr. Mervat Ahmed Tashkandi	Executive Director for Strategic Planning – Fakeeh Care Group Dr. Soliman Fakeeh Hospital Jeddah, KSA	Advisor to the Minister for Social Empowerment of Persons with Disabilities and Females – Ministry of Economic and Planning; Advisor to the Minister for Gender Diversity, Equality & Employment of Persons with Disabilities – Ministry of Labor and Social Development; Number of Academic positions in several universities	Doctoral Degree in Special Education and Family Counseling, University of South Africa, Pretoria – Republic of South Africa; Master of Arts in Special Education – Early Childhood, Teachers College, Columbia University New York – USA; Master of Arts in Special Education – Learning Disabilities, Fairleigh Dickinson University. Teaneck – New Jersey, USA; Bachelor, Arts in Psychology, Fairleigh Dickinson University, Teaneck – New Jersey USA.	Experiences in the following fields: CSR; Empowerment programs for persons with disabilities; National and Corporate Strategic Planning
-	Mr. Ahmed Saleh Al Rammah	Senior Consultant for Social Responsibility, Aramco	Aramco and many engineering sectors inside and outside the Kingdom	University of Petroleum and Minerals, Saudi Arabia.	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.
-	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.	Corporate social responsibility, board affairs, governance, investor relations, public relations, communication, human resources and government relations.

Directors' Report

Corporate Governance Report and major relevant disclosures continued

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

b–5) Board meetings attendance record:
In order to enhance its role and responsibilities, the Board held six meetings during the year. The below schedule shows the attendance records for each meeting:

		Meetings during 2019						
		Previous Board term (Ended on June 30, 2019)		Current Board term (Began on July 1, 2019)				No of attendance
No.	Member	7 Feb	8 May	26 Sep	28 Oct	21 Dec	22 Dec	
1.	Mr. Sulaiman Abdulkadir Al Muhaidib	✓	✓	✓	✓	✓	✓	6 of 6
2.	Mr. Bader Abdullah Al Issa	✓	✓	✓	✓	✓	✓	6 of 6
3.	Mr. Essam Abdulkadir Al Muhaidib	✓	✓	✓	✓	✓	✓	6 of 6
4.	Mr. Abdulaziz Khaled Al Ghufaily	✓	✓	✓	✓	✓	✓	6 of 6
5.	Eng. Mutaz Qusai Alazawi	✓	✓	✓	✓	✓	✓	6 of 6
6.	Mr. Fahad Abdullah Al Kassim	✓	✓	✓	✓	✓	✓	6 of 6
7.	Mr. Mohammed Ibrahim Al Issa	✓	✓	✓	✓	×	×	4 of 6
8.	Mr. Abdulrahman Mohammed Ramzi Addas	NA		✓	✓	✓	✓	4 of 4
9.	Mr. Rakan Abdulaziz Al Fadl	NA		✓	✓	✓	✓	4 of 4
10.	Dr. Adnan Abdulfattah Soufi	NA		✓	✓	✓	✓	4 of 4
11.	Mr. Bader Hamad Al-Rabiah	NA		✓	✓	✓	✓	4 of 4
12.	Mr. Elnour Ali Saad (Board Secretary)	NA		✓	✓	✓	✓	4 of 4
Previous Board members (for the term that ended on 30/06/2019)								
-	Eng. Abdullah Mohammed Nour Rehaimi	✓	✓	NA				2 of 2
-	Mr. Mohammad Abdulqader Al Fadl	✓	✓	NA				2 of 2
-	Mr. Omar Hadir Al-Farisi	✓	✓	NA				2 of 2
-	Dr. Sami Mohsen Baroom	×	✓	NA				1 of 2
-	Mr. Tarik Mohammed Ismail (Ex- Board Secretary)	✓	✓	NA				2 of 2

The last meeting of the General Assembly was held on 8/05/2019 and the attendance records above reflects the attendance of the Board members during the full year before and after the General Assembly.

*Notes: * The financial results for Q2 2019 were approved by the BOD by circulation based on the Audit Committee recommendation in its meeting held on 19/08/2019.*

b–6) Board members attendance record for the General Assembly meeting:
One meeting of the Shareholders General Assembly was held during the last fiscal year. The following is a list of the members of the Board of Directors present during the meeting:

No.	Board Member	EGM No. 31 (8 May 2019)	No. of meetings attended
1.	Mr. Sulaiman Abdulkadir Al Muhaidib	✓	1 of 1
2.	Mr. Bader Abdullah Al Issa	✓	1 of 1
3.	Eng. Abdullah Mohammed Nour Rehaimi	✓	1 of 1
4.	Mr. Abdulaziz Khaled Al Ghufaily	✓	1 of 1
5.	Mr. Essam Abdulkadir Al Muhaidib	✓	1 of 1
6.	Mr. Fahad Abdullah Al Kassim	✓	1 of 1
7.	Mr. Mohammad Abdulkadir Al Fadl	✓	1 of 1
8.	Eng. Mutaz Qusai Alazawi	✓	1 of 1
9.	Mr. Omar Hadir Al-Farisi	✓	1 of 1
10.	Mr. Mohammed Ibrahim Al Issa	✓	1 of 1
11.	Dr. Sami Mohsen Baroum	×	0 of 1

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

c–1) Remuneration and Nomination Committee:

- **Meetings and role of the Committee:**
  The Remuneration and Nomination Committee (RNC) consists of five members who are independent and non-executive Board members with experience in the field of the Committee's mandates. The Committee held (6) meetings during 2019 following up its responsibilities in the field of remuneration, nominations and Corporate Governance. During 2019, the committee was re-formed after the election of a new Board of Directors for the new office that term started as of 01/07/2019. Also, the Corporate Governance role was added to the Committee's responsibilities and duties, thus the Committee Charter will be amended accordingly and presented to the nearest GA meeting for approval. A summary of the main responsibilities of the Committee, statement of its membership and attendance during the year is as follows:

- **Summary of Committee Role and Duties and Main Responsibilities:**
  The Committee shall assume responsibilities related to three areas, namely Remuneration, Nomination and Corporate Governance, and will update the Board regularly about its activities. The Committee's duties and responsibilities include:

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.

c) With regards to Corporate Governance (CG):
Ensure that the Company is in compliance with CG regulation issued by CMA and the Company's CG Manual and policies, and review; update CG Manual and rules pursuant to statutory requirements and best practices; as well as review and develop code of professional conduct representing the Company's values and other internal policies and procedures in order to fulfill the Company's requirements, and comply with best practices; Regularly inform the Board members of the developments in corporate governance and best practices. as well as all the competences stipulated in Article (94) of the CG regulation issued by CMA.

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 2019:**

		Meetings during 2019						
No.	Member	16 Jan	7 Feb	31 Mar	8 May	26 Sep	28 Oct	Total
1.	Mr. Rakan Abdulaziz Al Fadl (Chairman) (Independent Savola Board member as of 01/07/2019)	NA				✓	✓	2 of 2
2.	Mr. Essam Abdulkadir Al Muhaidib (Non-executive Savola Board member)	✓	✓	✓	✓	✓	✓	6 of 6
3.	Mr. Bader Abdullah Al Issa (Non-executive Savola Board member)	✓	✓	✓	✓	✓	✓	6 of 6
4.	Mr. Abdulrahman Mohammed Ramzi Addas (Independent Savola Board member as of 01/07/2019)	NA				✓	✓	2 of 2
5.	Mr. Johan Brand (Independent external member)	✓	✓	✓	✓	✓	✓	6 of 6
-	Mr. Morhaf Mohammed Alsamman (Committee Secretary)	✓	✓	✓	✓	✓	✓	6 of 6
Ex- Committee members form (01/01/2019 till 30/06/2019)								
-	Mr. Mohammad Abdulqader Al Fadl (Ex- Chairman) (Ex- Independent Savola Board member)	✓	✓	✓	✓	NA		4 of 4
-	Eng. Abdullah Mohammed Nour Rehaimi (Ex- Non-executive Savola Board member)	✓	✓	✓	✓	NA		4 of 4

Directors' Report

Corporate Governance Report and major relevant disclosures continued

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

c–2) Investment Committee:

- **Meetings and role of the Committee:**
The Investment Committee consists of five members, who are non-executives and independents Board members.
The Committee held (4) meetings during 2019 to enhance the role of the Board in following and implementing the strategic plans in relation to investment opportunities. During 2019, the committee was re-formed after the election of a new Board of Directors for the new office term commenced from 01/07/2019. Below is a summary of the Committee's role, responsibilities, membership, and the number of meetings held during 2019:

- **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 that are approved by the Board. In addition to review the balance sheet impact of specific proposed transactions including funding requirements and impact on the Company's liquidity and debt ratios as part of determining whether to recommend them to the Board for approval.

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

- **Statement of attendance for Committee meetings held during 2019:**

No.	Member	Meetings during 2019				Total
		7 Feb	7 May	25 Sep	27 Oct	
1.	Eng. Mutaz Qusai Alazawi (Chairman) (Non-executive Savola Board member)	✓	✓	✓	✓	4 of 4
2.	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive Savola Board member)	✓	✓	✓	✓	4 of 4
3.	Mr. Fahad Abdullah Al-Kassim (Independent Savola Board member)	✓	✓	✓	✓	4 of 4
4.	Dr. Adnan Abdulfattah Soufi (Non-executive Savola Board member as of 01/07/2019)	NA		✓	✓	2 of 2
5.	Mr. Mohammed Ibrahim Al Issa (Non-executive Savola Board member)*	NA		✓	✓	2 of 2
-	Mr. Elnour Ali Saad (Committee Secretary)	✓	✓	✓	✓	4 of 4
Ex- Committee members form (01/01/2019 till 30/06/2019)						
-	Mr. Omar Hadir Al-Farisi (Ex- Chairman) (Ex- Independent Savola Board member)	✓	✓	NA		2 of 2
-	Dr. Sami Mohsen Baroum (Ex-Independent Savola Board member)	×	✓	NA		1 of 2

*Mr. Mohammad Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member of Kinan International for Real Estate Development Co, which has a related party transaction with one of our subsidiaries.

c–3) Corporate Social Responsibility Committee:

- **Meetings and role of the Committee:**
The Corporate Social Responsibility (CSR) Committee consists of four members, each one of them has relevant experience (one executive and independents). In fulfilling its roles and responsibilities, the Committee held (4) meetings in 2019 to review the Group's CSR programs and plans as detailed in the CSR section of this Report. During 2019 the committee was re-formed after the election of a new Board of Directors for the new office term started as of 01/07/2019. Below is a summary of the Committee's role, responsibilities, membership, and the number of meetings held during the year 2019:

- **Summary of Committee Role and Duties and Main Responsibilities:**
The Committee responsibilities include promoting the CSR initiatives and programs, in addition to developing and pursuing programs that contribute to deepening the sense of social responsibility of Savola and its subsidiaries, and developing criteria and standards for monitoring implementation. Particularly, the Committee's duties and responsibilities include the following:

1. Developing the CSR strategy and achieving sustainable social impact.
2. Overseeing all CSR activities and issues including and/or health and safety activities, 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 entire 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).

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

- **Statement of attendance for Committees meetings that held during 2019:**

No.	Member	Meetings during 2019				Total
		5 Feb	7 May	24 July	28 Oct	
1.	Mr. Abdulrahman Mohammed Ramzi Addas (Chairman) (Independent Savola Board member as of 01/07/2019)	NA		✓	✓	2 of 2
2.	Mr. Fahad Abdullah Al-Kassim (Independent Savola Board member)	NA		✓	✓	2 of 2
3.	Eng. Abdullah Mohammed Nour Rehaimi (External member - Non-executive)**	NA		×	✓	1 of 2
4.	Eng. Anees Ahmad Moumina (executive member - Group CEO)	✓	✓	✓	✓	4 of 4
-	Mr. Tarik Mohammed Ismail (Committee Secretary)	✓	✓	✓	✓	4 of 4
ex- Committee members form (01/01/2019 till 30/06/2019)						
-	Mr. Mohammed Ibrahim Al Issa (Ex-Chairman) (Non-executive Savola Board member)*	✓	✓	NA		2 of 2
-	Dr. Mervat Ahmed Tashkandi (Ex-Independent, External member)	✓	✓	NA		2 of 2
	Mr. Ahmed Saleh Al Rammah (Ex-Independent, External member)	✓	✓	NA		2 of 2
	Mr. Mahmoud Mansour Abdul Ghaffar (Ex-Independent, External member)	✓	✓	NA		2 of 2

*Mr. Mohammad Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member of Kinan International for Real Estate Development Co, which has a related party transaction with one of our subsidiaries.
** Eng. Abdullah Mohammed Nour Rehaimi was a Non-Executive Board member from 01/01/2019 till 30/06/2019

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

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

During 2019, the Board adopted all of the external consultant recommendation, and it is still being implemented. There is also a periodic and continuous evaluation of the effectiveness of the discussions and decision-making during the Board and Committees meetings for all the meetings held during the year 2019 and will continue for 2020 meeting.

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

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

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

e–2) Summary of the Remuneration Policy of the Board and Committees:

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

e–3) Summary of the Remuneration Policy of the Executive Management:

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

- Basic salary (to be paid on a monthly basis at the end of each Gregorian month).
- Allowances that include, but are not limited to, housing, transportation, children education/school fees and phone allowances.
- Medical insurance benefits for all employees and executive management and eligible family members.
- Life insurance policy (including events of partial or permanent disability and natural or unnatural death).
- Annual bonus based on KPIs/SMART associated with individual annual appraisal evaluation.
- Short-term incentive plans linked with extraordinary/exceptional performance and long-term incentive plans such as stock option programs (whenever it exists).
- Other benefits include, 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).

Corporate Governance Report and major relevant disclosures continued

e–4) Remuneration of the Board Members

Below are the details of Board member's remunerations (SAR):

No.	Member name	Title	Fixed remunerations: Specific amount	Allowance for attending Board meetings	Total allowance for attending Committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member	Total	Variable remunerations: Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total	End of service award	Aggregate Amount	Expenses allowanc
First: Independent Directors:																		
1	Mr. Bader Hamad Al-Rabiah	Member	100,000	20,000	10,000	–	–	–	130,000	–	–	–	–	–	–	–	130,000	24,120
2	Mr. Fahad Abdullah Al Kassim	Member	200,000	30,000	50,000	–	–	–	280,000	–	–	–	–	–	–	–	280,000	35,045
3	Mr. Abdulrahman Mohammed Ramzi Addas	Member	100,000	20,000	20,000	–	–	–	140,000	–	–	–	–	–	–	–	140,000	-
4	Mr. Rakan Abdulaziz Al Fadl	Member	100,000	20,000	10,000	–	–	–	130,000	–	–	–	–	–	–	–	130,000	-
Second: Non-Executive Directors:																		
5	Mr. Sulaiman Abdulkadir Al Muhaidib (Not a member in any committee)	Chairman	200,000	30,000	NA	–	–	–	230,000	–	–	–	–	–	–	–	230,000	30,175
6	Mr. Bader Abdullah Al Issa	V-Chairman	200,000	30,000	30,000	–	–	–	260,000	–	–	–	–	–	–	–	260,000	38,602
7	Mr. Essam Abdulkadir Al Muhaidib	Member	200,000	30,000	30,000	–	–	–	260,000	–	–	–	–	–	–	–	260,000	42,752
8	Mr. Abdulaziz Khaled Al Ghufaily	Member	200,000	30,000	30,000	–	–	–	260,000	–	–	–	–	–	–	–	260,000	32,610
9	Dr. Adnan Abdulfattah Soufi	Member	100,000	20,000	10,000	–	–	–	130,000	–	–	–	–	–	–	–	130,000	-
10	Eng. Mutaz Qusai Alazawi	Member	200,000	30,000	20,000	–	–	–	250,000	–	–	–	–	–	–	–	250,000	32,601
11	Mr. Mohammed Ibrahim Al Issa*	Member	200,000	20,000	40,000	–	–	–	260,000	–	–	–	–	–	–	–	260,000	29,045
Third: ex-Board members of the previous office term that ended on 30/06/2019:																		
-	Mr. Mohammad Abdulqader Al Fadl	Ex-Member	100,000	10,000	20,000	–	–	–	130,000	–	–	–	–	–	–	–	130,000	–
-	Mr. Omar Hadir Al-Farisi	Ex-Member	100,000	10,000	10,000	–	–	–	120,000	–	–	–	–	–	–	–	120,000	43,517
-	Dr. Sami Mohsen Baroum	Ex-Member	50,000	5,000	5,000	–	–	–	60,000	–	–	–	–	–	–	–	60,000	–
-	Eng. Abdullah Mohammed Nour Rehaimi	Ex-Member	100,000	10,000	25,000	–	–	–	135,000	–	–	–	–	–	–	–	135,000	-
Total			**2,150,000**	**315,000**	**310,000**	**–**	**–**	**–**	**2,775,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,775,000**	**308,467**

*Mr. Mohammad Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member of Kinan International for Real Estate Development Co, which has a related party transaction with one of our subsidiaries.

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued

e–5) Remuneration of Committees Members: Below are the details of Committees members' remunerations (SAR):

No.	Committee/Member Name	Title	Fixed remuneration (excluding the allowance for attending Board meetings)	Attendance fees (5,000 per meeting)	Total	Expenses allowance
Audit Committee Members:						
1.	Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)	Chairman	150,000	20,000	170,000	Mentioned in the Board remuneration Table (e-4)
2.	Mr. Mohammed Ibrahim Al Issa (Non-executive, Savola Board member)**	Member	150,000	20,000	170,000	Mentioned in the Board remuneration Table (e-4)
3.	Mr. Bader Hamad Al-Rabiah (Independent, Savola Board member)	Member (as of 01/07/2019)	75,000	10,000	85,000	Mentioned in the Board remuneration Table (e-4)
4.	Dr. Abdul Raouf Suliman Banaja (Independent, external member)	Member	150,000	20,000	170,000	none
5.	Dr. Ammr Khalid Kurdi (Independent, external member)	Member	150,000	20,000	170,000	9,465
Ex-members (from 01/01/2019 till 30/06/2019)						
–	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	Ex-Member	75,000	10,000	85,000	Mentioned in the Board remuneration Table (e-4)
Total			**750,000**	**100,000**	**850,000**	**9,465**
Remuneration & Nomination Committee Members:						
1.	Mr. Rakan Abdulaziz Al Fadl (Independent, Savola Board member)	Chairman (as of 01/07/2019)	50,000	10,000	60,000	none
2.	Mr. Bader Abdullah Al Issa (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	Mentioned in the Board remuneration Table (e-4)
3.	Mr. Essam Abdulkadir Al Muhaidib (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	Mentioned in the Board remuneration Table (e-4)
4.	Mr. Abdulrahman Mohammed Ramzi Addas (Independent, Savola Board member)	Member (as of 01/07/2019)	50,000	10,000	60,000	none
5.	Mr. Johan Brand (Independent, external member)	Member	100,000	30,000	130,000	18,578
Ex-members (from 01/01/2019 till 30/06/2019)						
-	Mr. Mohammad Abdulqader Al Fadl (Ex-Independent, Savola Board member)	Ex-Chairman	50,000	20,000	70,000	None
–	Eng. Abdullah Mohammed Nour Rehaimi (Ex-Non-executive, Savola Board member)	EX-Member	50,000	20,000	70,000	None
Total		**500,000**	**150,000**	**650,000**	**18,578**	**18,578**

Corporate Governance Report and major relevant disclosures continued

e–5) Remuneration Of Committees Members: Below are the details of Committees member's remunerations (SAR): continued

No.	Committee/Member Name	Title	Fixed remuneration (excluding the allowance for attending Board meetings)	Attendance fees (5,000 per meeting)	Total	Expenses allowance
Investment Committee Members:						
1.	Eng. Mutaz Qusai Alazawi (Non-executive, Savola Board member)	Chairman (as of 01/07/2019)	50,000	10,000	60,000	none
2.	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	Mentioned in the Board remuneration Table (e-4)
3.	Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)	Member	100,000	30,000	130,000	Mentioned in the Board remuneration Table (e-4)
4.	Mr. Mohammed Ibrahim Al Issa (Non-executive, Savola Board member)**	Member (as of 01/07/2019)	50,000	10,000	60,000	None
5.	Dr. Adnan Abdulfattah Soufi (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	18,578
Ex-members (from 01/01/2019 till 30/06/2019)						
–	Mr. Mohammad Abdulqader Al Fadl (Ex-Independent, Savola Board member)	Ex-Chairman	50,000	20,000	70,000	None
	Eng. Abdullah Mohammed Nour Rehaimi (Ex-Non-executive, Savola Board member)	EX-Member	50,000	20,000	70,000	None
Total			**475,000**	**95,000**	**570,000**	**–**
CSR Committee Members:						
1.	Mr. Abdulrahman Mohammed Ramzi Addas (Independent, Savola Board member)	Chairman (as of 01/07/2019)	50,000	10,000	60,000	none
2.	Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)	Member (as of 01/07/2019)	50,000	10,000	60,000	Mentioned in the Board remuneration Table (e-4)
3.	Eng. Abdullah Mohammed Nour Rehaimi (External member, Non-executive)	Member (as of 01/07/2019)	50,000	10,000	60,000	None
4.	Eng. Anees Ahmed Moumina (Executive -CEO)	Member	N/A	20,000	20,000	None
Ex-members (from 01/01/2019 till 30/06/2019)						
-	Mr. Mohammed Ibrahim Al Issa (Non-executive, Savola Board member)**	EX-Chairman	50,000	10,000	60,000	Mentioned in the Board remuneration Table (e-4)
–	Mr. Ahmed Saleh Alrammah (Ex-Independent external member)	EX-Member	50,000	10,000	60,000	3,536
	Dr. Mervat Ahmed Tashkandi (Ex-Independent external member)	Ex-Member	50,000	10,000	60,000	None
	Mr. Mahmoud Mansour Abdul Ghaffar (Ex-Independent External member)	Ex-Member	50,000	10,000	60,000	None
Total			**350,000**	**90,000**	**440,000**	**3,536**

**Mr. Mohammad Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member of Kinan International for Real Estate Development Co, which has a related party transaction with one of our subsidiaries.

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued

e–6) Senior executives' compensation of Savola Group for 2019:

Compensation and benefits paid to (5) senior executives including the CEO and CFO of the Group who have received the highest remuneration during 2019 were:

No.	Description	Senior executives' (5 in total) compensation including the CEO and the CFO (SAR '000)
Fixed remuneration		
–	Salaries	13,920
–	Allowances (including housing, transportation, health insurance, education allowance, etc.)	4,872
–	In-kind benefits	533
Total of fixed remuneration		**19,325**
Variable Remuneration		
-	Periodic remuneration	-
–	Profits	-
–	Short-term incentive plans (including performance-related bonus for 2019)	12,225
–	Long-term incentive plans	-
–	The value of the Granted shares	-
Total of variable remuneration		**12,225**
–	End of service award	855
–	Total remuneration for Board executives, if any	60
Grand total		**32,465**

e–7) The Relation Between the Paid Remuneration and the Adopted Remuneration Policy:

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

Corporate Governance Report and major relevant disclosures continued

f) Description of any Interest of the Board Members, Senior Executives and Their Relatives

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

		Board members and their relatives					
		Beginning of the year		End of the year			
No.	Names of members whom the interest, contractual securities or rights issue belongs to	Shares	Debt instruments	Shares	Debt instru-ments	Net change	Percentage of change
First: Board members for the current office term that started as of 01/07/2019:							
1.	Mr. Sulaiman Abdulkadir Al Muhaidib	1,000	–	1,000	–	0	0%
2.	Mr. Bader Abdullah Al Issa	1,025	–	1,025	–	0	0%
3.	Mr. Abdulaziz Khaled Al Ghufaily	1,000	–	1,000	–	0	0%
4.	Mr. Essam Abdulkadir Al Muhaidib	2,500	–	2,500	–	0	0%
5.	Eng. Mutaz Qusai Alazawi	1,000	–	1,000	–	0	0%
6.	Mr. Fahad Abdullah Al Kassim	2,000	–	2,000	–	0	0%
7.	Mr. Mohammed Ibrahim Al Issa	1,000	–	1,000	–	0	0%
8.	Mr. Abdulrahman Mohammed Ramzi Addas	0	-	1,000	-	1,000	100%
9.	Dr. Adnan Abdulfattah Soufi	0	-	1,000	-	1,000	100%
10.	Mr. Rakan Abdulaziz Al Fadl	148,500	-	225,660	-	77,160	51.95%
11.	Mr. Bader Hamad Al-Rabiah	2,500	-	2,500	-	0	0%
Second: Relatives of Board members for the current office term that started as of 01/07/2019: NA							
Third: ex-Board members for the previous office term that ended on 30/06/2019:							
	Eng. Abdullah Mohammed Nour Rehaimi	4,000	–	4,000	–	0	0%
	Mr. Mohammad Abdulqader Al Fadl	6,304	–	6,304	–	0	0%
	Mr. Omar Hadir Al-Farisi	1,000	–	0	–	-1,000	100%
	Dr. Sami Mohsen Baroum	1,000	–	0	–	-1,000	100%
Forth: Relatives of Ex-Board members for the previous office term that ended on 30/06/2019:							
	Mr. Mohammad Abdulqader Al Fadl's wife	144	–	144	–	0	0%
	Dr. Sami Mohsen Baroum's 3 children	774	–	854	–	80	10.33%

Directors' Report

Corporate Governance Report and major relevant 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–2) Description of any interest of the senior executives and their relatives in shares or debt instruments of the Company:

	Senior Executives and their relatives:						
		Beginning of the year		End of the year			
No.	Names of Executives whom the interest, contractual securities or rights issue belongs to	Shares	Debt instruments	Shares	Debt instruments	Net change	Percentage of change
First: Senior Executives:							
1.	Eng. Anees Ahmed Moumina (Savola Group CEO)	0	–	0	–	0	0%
2.	Mr. Sameh Hassan (Savola Foods Co. CEO)	0	–	0	–	0	0%
3.	Dr. Bander Talaat Hamooh (Panda Retail Co. CEO)	26	–	26	–	0	0%
4.	Mr. Nouman Farrukh Muhammad Abdussalam (Chief Financial Officer)	0	–	0	–	0	0%
5.	Mr. Mohammed Nasr (Executive Director -Investment)	0	–	0	–	0	0%
6.	Mr. Elnour Ali Saad (Executive Director Corporate Governance & Legal Affairs and Board Secretary)	0	–	0	–	0	0%
7.	Mr. Tarik Mohammed Ismail (Executive Director – CSR & Sustainability)	10	–	10	–	0	0%
8.	Mr. Morhaf Mohammed Alsamman (Executive Director Human Resources & Corporate Services)	0	–	0	–	0	0%
Second: Senior Executive resigned during 2019*							
	Ms. Huda Al Lawati (Chief Investment Officer)	0	–	0	–	0	0%
Third: Senior executives' relatives: N/A							

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):

		Beginning of the year		End of the year			
No.	Names of Executives whom the interest, contractual securities or rights issue belongs to	Shares	Debt instruments	Shares	Debt instru-ments	Net change	Percent-age of change
First: Board members:							
1.	Mr. Essam Abdulkadir Al Muhaidib	1,960	–	1,960	–	0	0%
2.	Eng. Mutaz Qusai Alazawi	1,400	–	1,400	–	0	0%
Second: Board members relatives: N/A							
Third: executive management:							
1.	Eng. Anees Ahmed Moumina	64	–	64	–	0	0%
Forth: executive management relatives: N/A							

Corporate Governance Report and major relevant disclosures continued
g) The major Board resolutions and important events during the year, which some of them announced through Tadawul or were published in the Company website:

No	Date	Announcement
1.	10/02/2019	Savola announces the opening of nomination for membership to the Board of Directors for the next office term
2.	19/03/2019	Savola announces its annual financial results for the year ended on 31/12/2018
3.	14/04/2019	Savola invites its shareholders to attend the Extraordinary General Assembly Meeting (No.31) (First Meeting)
4.	02/05/2019	Savola announces to its Shareholders the commencement of the Electronic Voting on the Agenda of its Extraor-dinary General Assembly Meeting (No. 31) (First Meeting)
5.	06/05/2019	Savola invites its shareholders to attend the Extraordinary General Assembly Meeting (No.31) (First Meeting) (Reminder)
6.	08/05/2019	Savola announces its interim financial results for the period ending on 31/03/2019 (Three Months)
7.	09/05/2019	Savola announces the results of the Extraordinary General Meeting (No.31) (First Meeting)
8.	09/05/2019	Savola announces intent to issue Sukuk denominated in Saudi Arabian Riyals
9.	12/05/2019	Addendum Announcement from Savola regarding interim financial results announcement for the period ended on 31/03/2019 (Three Months)
10.	18/06/2019	Savola Group announces the start of offering the first issuance of Sukuk pursuant to its Sukuk program
11.	01/07/2019	Savola announces the appointment of the Chairman, Vice Chairman, and Committees Formation
12.	01/07/2019	Savola announces the appointment of Two Members in the Audit Committee
13.	09/07/2019	Savola announces the successful completion of offering a Sukuk issuance pursuant to its Sukuk program
14.	20/08/2019	Savola announces the interim financial results for the period ended on 30/06/2019 (Six Months)
15.	28/10/2019	Savola announces its interim financial results for the period ending on 30/09/2019 (Nine Months)

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 2019, 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) Procedures for informing the Board members of the shareholders' suggestions and notes on the Company and its performance:
Keeping the Board members informed of the shareholders' proposals and comments on the Company and its performance through the following procedures:

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

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

Directors' Report

Corporate Governance Report and major relevant disclosures continued

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

h–4) Savola Group equity profile as of 31/12/2019:

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)**	498,114,918
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 Exchange. Please note that the number of floated shares has been taken from Tadawul's records on 01/03/2020.

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

In accordance with international best practice in corporate governance, Savola shares the dates of key anticipated events during 2020 which may be of interest to our valued shareholders and investors:

No.	Dates	Key events for 2020
1	29 January	Audit Committee meeting to recommend to the Board approval of the financial results for the fourth quarter of 2019
2	29 January	Board of Directors' meeting regarding the financial results for the fourth quarter of 2019 which will be announced in the light of the Board's decision during the prescribed period
3	16 March	Audit Committee meeting regarding the audited financial results for 2019
4	16 -17 March	The annual financial results for 2019 will be approved by Board of Directors
5	17 – 18 March	Date of publishing the Annual financial results of year 2019 on Tadawul and then Savola website
6	18 – 31 March	Date of publishing the Savola Group Annual Report for 2019
7	29 April	Audit Committee meeting to recommend to the Board approval of the financial results for the first quarter of 2020
8	29 April	Board of Directors' meeting regarding the financial results for the first quarter of 2020 which will be announced in the light of the Board's decision during the prescribed period
9	29 April	Hold the Annual General meeting (AGM) which will be announced as per regulation (proposed date subject to the approval of the official authorities)
10	12 August	Audit Committee meeting to recommend to the Board approval of the financial results for the second quarter of 2020
11	13-14 August	Date of publishing the financial results for the second quarter of 2020 on Tadawul once approved by the Board based on the recommendation of the Audit Committee
12	28 October	Audit Committee meeting to recommend to the Board approval of the financial results for the third quarter of 2020
13	28 October	Board of Directors' meeting regarding the financial results for the third quarter of 2020 which will be announced in the light of the Board's decision during the prescribed period
14	19-20 December	Annual workshop for the Board of Directors to review the strategic and business plan for the Group and its subsidiaries and to approve the budget for 2021

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

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

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 are 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.

b) Dividends proposed for distribution for 2019 and their payment process:
In light of the above Dividends Distribution Policy, the Savola Group Board in its meeting on 29/01/2020, and in light of the achieved net profit amounted to SAR 475.6 million, recommended the distribution of SAR 160.2 million (i.e. SAR 0.30 per share) as cash dividends for the year 2019, which represents 3% of the Company nominal share value. The maturity date for these cash dividends 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 Board's recommendation. 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 dividends to be distributed for 2019:**

The following statement shows the proposed dividends to be distributed for 2019:

	Percentage of interim 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 2019	(SAR 0.30 per share) which represents 3% of the nominal value of the share	SAR 160.2 million
Total	No interim dividends were distributed during the year 2019	(SAR 0.30 per share) which represents 3% of the nominal value of the share	SAR 160.2 million

h–7) Major shareholders list:

Below are shareholders owning 5% or more of the total shares of the Group, and movements during 2019:

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

No.	Name	Nationality	Shares at the beginning of 2019	Ownership at the beginning of 2019	Shares at the end of 2019	% at the end of 2019	Shares change	Percentage change
1.	Assila Investment Co.	Saudi company	60,000,000	11.24%	60,000,000	11.24%	0	0%
2.	General Organization for Social Insurance (GOSI)	Saudi government institution	54,795,992	10.26%	35,626,085	6.67%	19,169,907-	3.59%-
3.	Abdulkadir Al Muhaidib & Sons Co.	Saudi company	43,966,110	8.23%	43,966,110	8.23%	0	0%
4.	Mr. Abdullah M.A. Al Rabiah	Saudi	43,892,500	8.22%	43,892,500	8.22%	0	0%
5.	Al Muhaidib Holding Co.	Saudi company	33,980,684	6.36%	33,980,684	6.36%	0	0%

Declaration: Regarding the declaration of movements in major shareholders' ownership in accordance with listing rules, the Group confirms that it has not received any written notification during 2019 from any of its major shareholders indicating any changes or movement in their ownership percentages. The disclosed information is based on the Saudi Stock Exchange (Tadawul) records on 31/12/2019.

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued

h) Shareholders rights and investor relations continued

h–8) Numbers of Company's requests of shareholders records, dates and reasons thereof for 2019:

No.	Date of request	Reason
1.	May 8, 2019	To determine the eligibility for attending the Extraordinary General Assembly Meeting (No. 31)
2.	3-10-17-24-31) Jan, (7-14-21-28) Feb, (7-14-21-28) Mar, (4-11-18-25) April, (2-9-16-23-30) May, (13-20-27) June, (4-11-18-25) July, (1-8-22-29) Aug, (5-12-19-26) Sep, (3-10-17-24-31) Oct, (7-14-21-28) Nov, (5-12-19-26) Dec	(50 reports) 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
Total		**51**

i) Transactions with related parties that took place during 2019, these transactions will be ratified in the upcoming AGM meeting as per laws and regulation in this regard:

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

1) Transactions and contracts with a direct or indirect interest between the Company and Abdulkadir Al Muhaidib & Sons Co. and Al Muhaidib Group 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 2019	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 Abdulkadir 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 641.42 million.					
1.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Mayar Foods Co.	SAR 134.73 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.)	Annually	Mr. Sulaiman Abdulkadir Al Muhaidib who is also the Chairman of Abdulkadir Al Muhaidib & Sons Co. as well as the chairman of Savola, in addition to, Mr. Essam Abdulkadir Al Muhaidib who is the Managing Director of Abdulkadir Al Muhaidib & Sons Co. as well as a board member in Savola. Business and commercial contracts between Abdulkadir Al Muhaidib & Sons Co. and its subsidiaries are executed with some of Savola subsidiaries in the Food and Retail Sectors. Also, Abdulkadir Al Muhaidib & Sons Co. owns 8.23% of Savola shares.
2.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Del Monte Saudi Arabia.	SAR 70.80 million			
3.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Nestle Group and its subsidiaries	SAR 383.24 million			
4.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Manhal Water Factory Co. Ltd.	SAR 5.79 million			
5.	Leasing spaces by Panda Retail Co. (a subsidiary of Savola) from Abdulkadir Al Muhaidib & Sons Co.	SAR 6.78 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.).		
6.	Leasing spaces to sell its products along with trading foods products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Almehbaj Alshamiyah Trading Co.	SAR 30.20 million			
7.	Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Del Monte Saudi Arabia.	SAR 3.30 million			
8.	Scrap Sales by Panda Retail Co. (a subsidiary of Savola) to Waste Collection & Recycling Company	SAR 5.94 million			
9.	Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Zohoor Alreef Co.	SAR 482 thousand			
10.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from AL Jazirah Dates & Food Factory	SAR 164 thousand			
Total		**SAR 641.42 million**			

Corporate Governance Report and major relevant disclosures continued

i) Transactions with related parties that took place during 2019, these transaction will be ratified in the upcoming AGM meeting as per laws and regulation in this regard: 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 2019	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 852.82 million.					
1.	Purchasing consumer foods goods by Panda Retail Co. (a subsidiary of Savola) from Almarai Co. and its subsidiaries	SAR 740.20 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including product quality, payment method, pricing, delivery, delay penalties, etc.	Annually	Almarai, a listed company in which Savola Group owns 34.52%. Three of Savola Directors are members of Almarai's Board (Mr. Sulaiman Abdulkadir Al Muhaidib, Mr. Bader Abdullah Al Issa) as well as Eng. Anees Ahmed Moumina Group CEO.
2.	Selling sugar by United Sugar Company (a subsidiary of Savola Foods Co.) to Almarai Co. and its subsidiaries	SAR 62.95 million			
3.	Selling specialty fats products by International Company for Food Industries (a subsidiary of Savola Foods Co.) to Almarai Co.	SAR 43.27 million			
4.	Selling edible oil products by Afia International (a subsidiary of Savola Foods Co.) to Al Marai Co.	SAR 6.40 million			
Total		**SAR 852.82 million**			

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

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2019	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 40.95 million.					
1.	Leasing shops and retail purchases of food products by Panda Retail Co. (a subsidiary of Savola) to/from Herfy Food Services Co.	SAR 32.81 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.)	Annually	Herfy Food Services Co., a listed company, in which Savola Group owns 49% (directly and indirectly); Savola has (3) representatives on Herfy's Board: Mr. Essam Abdulkadir Al Muhaidib, who is the chairman of Herfy Board, and Eng. Mutaz Qusai Alazawi who are also Board members of Savola Group, as well as Eng. Anees Ahmed Moumina Group CEO.
2.	Selling edible oil products by Afia International (a subsidiary of Savola Foods Co.) to Herfy Food Services Co.	SAR 2.23 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including product quality, payment method, pricing, delivery, delay penalties, etc.)		
3.	Selling sugar by United Sugar Co. (a subsidiary of Savola Food Co.) to Herfy Food Services Co.	SAR 2.18 million			
4.	The sale of Specialty Fats products by the International Co. for Food Industries Co. (a subsidiary of Savola Foods Co.) to Herfy Food Services Co.	SAR 3.73 million			
Total		**SAR 40.95 million**			

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued

i) Transactions with related parties that took place during 2019, these transaction will be ratified in the upcoming AGM meeting as per laws and regulation in this regard: continued

4) Transactions and contracts with a direct or indirect interest between the Company and other companies:

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2019	The conditions of the transaction or contract	The duration of the transaction or contract	Name of the Board member/ Senior executive or any person related to any one of them
1.	Leasing of shop by Panda Retail Co. (a subsidiary of Savola) from Dur Hospitality Co.	SAR 10.50 million	In the ordinary course of business and general commercial terms worked without any preferential treatment including renewal, payment methods, maintenance, insurance, etc.	Annually	Dur Hospitality Co., where Mr. Badr Abdullah Al-Issa is a board member and he is also a Board member of Panda Retail Co. (a subsidiary of Savola)
2.	Leasing of shops by Panda Retail Co. (a subsidiary of Savola) from Kinan International for Real Estate Development Co.	SAR 31.13 million			Kinan International for Real Estate Development Co., of which Savola owns 29.99%, and Savola has two members on Kinan's Board: Mr. Mohammed Ibrahim Al-Issa a Savola Board member, and Eng. Anees Ahmad Moumina Group CEO.

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:

No.	Related party	Relationship	Transaction	Duration	Value/Amount
1.	Certain shareholders of USC	Shareholder of a subsidiary	Trade	During 2019	SAR 131.02 million
2.	Certain shareholders of AIC	Shareholder of a subsidiary	Trade	During 2019	SAR 70.74 million
3.	Intaj – Savola investments	Associate	Non-trade	During 2019	SAR 6.81 million
4.	Arabian Centers Company – Al Hokair	Shareholder of a subsidiary	Non-trade	During 2019	SAR 52.2 million
5.	Seafood International One FZCO – SFC	Associate	Trade	During 2019	SAR 28.46 million
			Non-trade	During 2019	SAR 147 thousand
6.	Khairat Al Sharq for General Trade and Manufacturing Foodstuff Company	Associate	Non-trade	During 2019	SAR 19.85 million
7.	United Sugar Co. Egypt – SFC	Associate	Trade	During 2019	SAR 14.16 million
			Non-trade	During 2019	SAR 49.06 million
8.	Knowledge Economic City (KEC)	Associate, and Eng. Anees Ahmed Moumina (Savola Group CEO) is a Board member in KEC.	Non-trade	During 2019	SAR 468 thousand

Corporate Governance Report and major relevant disclosures continued

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

k–1) Board Declaration according to CMA CG Regulations for 2019:

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 2019 does not contain any reservations on the relevant annual financial statements. The Board is committed to provide the CMA with any additional information as may be required in the event of auditors expressing any reservations on the annual financial statements.
2.	The Company's books and records comply with the accounting standards issued by SOCPA.
3.	There was no recommendation by the Board of Directors to replace the external auditors (KPMG), appointed for the fiscal year of 2019 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 2019 and did not receive any fees in this regard.
5.	The Board of Directors did not receive any request from the external auditor to convene a General Assembly.
6.	The Company has not granted any cash loans whatsoever to any of its Board members or rendered guarantees with respect to any loan entered into by a Board member with third parties.
7.	There were no penalties or precautionary attachments imposed on the Company by the Capital Market Authority, or by any other supervisory, regulatory or judicial body.
8.	The Company has avoided taking any action that might hamper the use of shareholders' voting rights.
9.	The Company did not receive any request to convene a General Assembly or a request to add one or more items to the agenda upon its preparation from a number of shareholders whose shareholdings represent at least 5% of the equity share capital.
10.	The Company confirms that during 2019 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. However, on 29/01/2020 Savola Group announced on the Saudi Stock Exchange its intention to purchase its shares to retain them as Treasury Shares under the Employees Long-Term Incentive Program after obtaining the Extraordinary General Assembly Consent on the Purchase.
11.	The Chairman of the Board did not receive a written request to call for an unscheduled meeting from any two or more of the Board members during 2019.
12.	The Board of Directors did not waive any of the Company's debts during the year 2019.
13.	There is no interest, contractual documents and subscription rights that belong to the members of the Board of Directors and their relatives in the shares or debt instruments of the subsidiaries except as mentioned in this Report in (f–3) regarding the ownership of some of them in Herfy Food Services Co.
14.	There is no interest, contractual documents and subscription rights of senior executives and their relatives in the shares or debt instruments of subsidiaries. Note: The Company has disclosed the conflict of interest for Board Members and Senior Executives and their relatives.
15.	The Company confirms that there are no treasury shares held by the Company for any purpose and accordingly there are no details to be disclosed regarding the uses of the Company treasury shares. However, on 29/01/2020 Savola Group announced on the Saudi Stock Exchange its intention to purchase its shares to retain them as Treasury Shares under the Employees Long-Term Incentive Program after Obtaining the Extraordinary General Assembly Consent on the Purchase.
16.	There are no debt instruments issued to Savola Group and its subsidiaries except as detailed in this Report in the loans section.
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.

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued

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

No.	Declaration/Confirmation
20.	There are no interests in any class of voting shares for anyone (except to the Board members and senior executives and their relatives) who have notified the Company with these interests, and any changes in these rights during the last fiscal year.
21.	A description of waiving any salary or compensation by an arrangement or agreement with: A Director: (applicable): Mr. Sulaiman Abdulkadir Al Muhaidib (the Chairman of the Board of Directors), has waived his annual Board remuneration, attendance allowance, expenses allowance for the fiscal year 2019 and donated his total remuneration of SAR 260,175 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 issued during January 2013 the first tranche of the Sukuk Program to a number of investors in an aggregate amount of SAR 1.5 billion and in July 2019, issued other Sukuk pursuant to a new Program in an aggregate amount of SAR 1 billion, some were issued for monetary consideration, and some in exchanged with the previous Sukuk issued in 2013; while the remainder issued under the previous Program was redeemed on its original maturity date (due in January 2020).

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

- The Group has a Corporate Governance (CG) Manual which was developed and approved for the first time in 2004, and has been updated in line with the CG regulations issued by the CMA and international best practice in CG and transparency. The Company has reviewed and updated its CG framework and policies during 2017-2019 following the issuance of the Corporate Governance Regulations in February 2017 and the amendment issued in 2018, and all updates were approved by the competent administrative bodies, whether the Board of Directors or the General Assembly (where applicable).
- The CG role was added to the RNC committee responsibilities and duties as of 01/07/2019. Also the Board of Directors and the executive management monitor the Corporate Governance requirements. In addition, the Compliance Officer has a support team at Group-level to monitor CG code implementation and compliance, ensure proper implementation of the Board's resolution regarding CG and submit regular reports to the Board. The Group Board and CEO supervise the overall implementation and development of the governance code in general.
- The Group appoints from time to time CG Experts Firms in order to enhance its CG practices to meet regional and international best practices in this field.
- The Group shares its CG experience with local, regional and international rating agencies and institutions with the objective to identify its strengths and weaknesses and accordingly develop a plan for improvement.
- The Group has disclosed its CG framework and all policies in this respect on its website (www.savola.com).

Corporate Governance Report and major relevant disclosures continued

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

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 not adopting optional items
1.	Article 70 (optional)	Composition of the Risk Management Committee: "The Company's Board shall, by resolution therefrom, form a committee to be named the (Risk Management Committee). The Chairman and majority of its members shall be Non-Executive Directors. The members of that Committee shall possess an adequate level of knowledge in risk management and finance."	The Board postponed the formation of Risk Management Committee (RMC) till the infrastructure of risk management department is completed, currently the risk management department was established under the leadership of a specialized risk management officer and the Risk Management policy was approved by the Board. The Risk Officer is currently working on forming the department and appointing a specialized team to carry out the Risk Management role, activities, and procedures. In addition, the Company is using an external entity specialized in the Risk area. Also the Company is working on implementing a Governance, Risk and Compliance system across Savola Group to effectively enhance the participation of the Board and the executive management team in the risk management process to ensure a unified vision of the risks faced by the Group and its subsidiaries. The RMC will be formed by the Board after completion of the infrastructure of risk management department and whenever it deems necessary.
2.	Article 71 (optional)	Competencies of the Risk Management Committee	The RMC has not been formed due to the above-mentioned reasons in No. (1).
3.	Article 72 (optional)	Meetings of the Risk Management Committee: "The Risk Management Committee shall convene periodically at least once every six months and as may be necessary."	The RMC has not been formed due to the above-mentioned reasons in No. (1).
4.	Article 95 (optional)	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."	There is no standalone committee for Corporate Governance, however, to ensure and monitor the implementation of CG requirements, the CG role was added to the RNC committee responsibilities and duties as of 01/07/2019. Also the CG 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.
5.	Article 32, Item (b) (optional)	The Board Meetings: "The Board shall convene no less than four meetings per year, and no less than one meeting every three months."	The Board held six meetings during the year. However, the Board did not conduct any meeting in the period from 08/05 to 26/09/2019, which exceeded the "three month" period indicated in said article, as no meetings were scheduled during that period due to non-availability of the majority of members because of summer vacation and holidays, thus the financial results for the second quarter 2019 were approved by circulation based on the recommendation of the Audit Committee during its meeting on 19/08//2019.

Directors' Report

Corporate Governance Report and major relevant disclosures continued

Corporate Governance Report and major relevant disclosures continued

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

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 (for the optional items)
6.	Article 85, Item (2) (optional)	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 Board (based on RNC recommendation) approved on 29/01/2020 the Employees Long-Term Incentive Program (LTIP) scope and terms for Savola executives which aims to attract and retain outstanding talent and to motivate them to further strengthen their performance to achieve the Savola Group objectives. Also, Savola announced on the Saudi Stock Exchange its intention to purchase its shares to retain them as Treasury Shares under the LTIP Program.
7.	Article 87 (optional)	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 shareholders' general assembly whenever it deems necessary. Note: To ensure the sustainability of the CSR programs, Savola Group dedicated strong efforts to establish Savola World Foundation (a non-profit organization under the supervision of the ministry of social development) funded by Savola Group which will replace the CSR & Sustainability Department during 2020. The Savola World foundation will be managed though the Board of trustees instead of the CSR Committee.

Savola Group Audit Committee Report

for the year ended 31/12/2019

Introduction

The Audit Committee of Savola Group was formed and its charter was adopted by a resolution issued from the general assembly of shareholders according to the requirements of Articles (101) and (104) of the Companies Law. In line with article (104) of the Companies Law which states that, "The audit committee shall review the company's financial statements and the auditor's reports and notes and give its comments thereon, if any. Further, the audit committee must prepare a report including its opinion regarding appropriateness of the company's internal control system as well as the tasks it has carried out to the extent of its powers. The board of directors shall file sufficient copies of such reports at the company's head office at least twenty-one days before the scheduled meeting of the general assembly with a view to deliver a copy of such report to those shareholders who desire to obtain the same. The report shall be recited at the meeting of the assembly".

We are pleased to share with you Savola Group Audit Committee Report for the year 2019, prepared in line with the requirements of the Companies Law, the Regulations and Rules of the Capital Market Authority and the Committee's charter, and will be glad to answer any questions in this regard after reciting the summary of the report during General Assembly Meeting.

1 Appointment

Savola Group Audit Committee was appointed at the Extraordinary General Assembly Meeting No. (31), held on Wednesday 8/5/2019 corresponding to Ramadan 3, 1440H, in line with the Companies Law Article No. (101), which approved by a majority vote of 356,743,526 (representing 98.67% of attending votes and 66.8% of the total company's issued shares of 533,980,684) the formation of the Audit Committee and the charter describing its functions, responsibilities and guidelines, as well as remuneration of selected members for the new office term, beginning from 1/07/2019 to 30/09/2022 (3 years and 3 months). The appointment of Mr. Fahad Abdullah Al Kassim, Dr. Abdul Raouf Suliman Banaja, and Dr. Ammr Khaled Kurdi as Audit Committee members was approved at Extraordinary General Assembly Meeting after the end of the previous office term on 30/06/2019. In addition, the Group Board appointed Mr. Mohammed Ibrahim Al Issa (as a non-executive Board member) and Mr. Bader Hamad Al Rabiah (as an independent Board member) as Audit Committee Members effective from 1/07/2019 until the end of the new office term of the Audit Committee. However, the appointment of the two new members is not final until presented to the nearest General Assembly Meeting for approval.

2 Meetings

In line with its charter, the Audit Committee will convene periodically based on chairman invitation, at least four times per year, and as may be necessary, and majority attendance of members constitute a quorum whether in person or by proxy.
The Committee held four meetings during 2019 and the quorum for each meeting was reached.

3 Savola Group Operating Model

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

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

Directors' Report

Savola Group Audit Committee Report continued

4 Audit Committee members' qualifications

The schedule below describes current and previous positions, qualifications and experience of the Audit Committee members as follows:

No	Member name	Current positions	Previous positions	Qualifications	Experience
Audit Committee members (for new office term began July 1, 2019):					
1.	Mr. Fahad Abdullah Al Kassim	Current and previous positions, qualifications and experience were mentioned earlier in the Director's Report.			
2.	Mr. Mohammed Ibrahim Al Issa				
3.	Mr. Bader Hamad Al-Rabiah				
4.	Dr. Abdul Rauf Suliman Banaja	Holds number of membership in boards and committees such as Audit Committee member in Herfy and other Joint Stock Companies.	Advisor to the Deputy Governor, the Saudi Arabian Monetary Agency (SAMA) Economic Advisor, Ministry of Finance	PhD in Economics, University of California, Santa Barbara, United States, 1981	Assumed several positions in a number of local and regional banks.
5.	Dr. Ammr Khaled Kurdi	CEO of Busness services at Saudi Indisterial Investment Co. (Dusar)	Chief Financial Officer at Saudi Arabian Amiantit Company. Chief Audit Executive at King Fahad University of Petroleum & Minerals	• Bachelor's degree in Accounting from King Fahad University of Petroleum & Minerals in 2001 • Master's degree in Accounting from the University of Arizona, United States, 2004 • PhD in Accounting, University of North Texas, United States, 2010 • Certified Management Accountant (CMA), and member of Global Board of Directors of the Institute of Management Accountants, United States	Has extensive experience in a number of areas, including Accounting, Auditing, Financial Management, Corporate Governance, and Risk Management. In addition, he is Audit Committee member in several Joint Stock Companies.
Ex- Member of Savola Group Audit Committee until 30/06/2019:					
-	Mr. Abdulaziz Khaled Al Ghufaily	Current and previous positions, qualifications and experience were mentioned earlier in the Directors' Report.			

Savola Group Audit Committee Report continued

5 Audit Committee attendance:

The members of the Audit Committee attendance for the meetings of the Committee held during the year 2019 are listed below:

		Previous office term ended J une 30, 2019		New office term began July 1, 2019		
Sr.	Name	17 Mar	8 May	19 Aug	28 Oct	Total
1	Mr. Fahad Abdullah Al Kassim (Chairman) (Independent, Savola Board member)	✓	✓	✓	✓	4 of 4
2	Mr. Mohammed Ibrahim Al Issa* (Non-executive, Savola Board member)	✓	✓	✓	✓	4 of 4
3	Mr. Bader Hamad Al-Rabiah** (Independent , Savola Board member)	NA		✓	✓	2 of 2
4	Dr. Abdul Raouf Suliman Banaja (Independent, External member)	✓	✓	✓	✓	4 of 4
5	Dr. Ammr Khaled Kurdi (Independent, External member)	✓	✓	✓	✓	4 of 4
-	Mr. Aly Asim Barakat (Committee Secretary)	✓	✓	✓	✓	4 of 4
Ex-member of Savola Group Audit Committee until June 30, 2019:						
-	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	✓	✓	NA		2 of 2

Note: * Mr. Mohammed Ibrahim Al Issa was an independent Board member for the period from 01/01/2019 until 26/10/2019. Afterwards, Mr. Al Issa membership has been reclassified as non-executive Board member due to his appointment as a Board member in Kinan International for Real Estate Development Co that has commercial transactions with one of the Group's subsidiaries.
** Mr. Bader Hamad Al-Rabiah was appointed by the Group Board as a member in the Audit Committee of the Savola Group (as an independent Board member) for the new office term effective 01/07/2019 for three years and three months ending on 30/09/2022.

6 Audit Committee remuneration for 2019 (Saudi Riyals):

Sr.	Name	Title	Fixed Remuneration (Except for the allowance for attending meetings)	Allowance for attending meetings	Total	Other expenses
1	Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)	Chairman	150,000	20,000	170,000	Mentioned in the Board remuneration Table (e-4)
2	Mr. Mohammed Ibrahim Al Issa (Non-executive, Savola Board member)	Member	150,000	20,000	170,000	
3	Mr. Bader Hamad Al-Rabiah (Independent , Savola Board member)	Member (as of 01/07/2019)	75,000	10,000	85,000	
4	Dr. Abdul Raouf Suliman Banaja (Independent, External member)	Member	150,000	20,000	170,000	-
5	Dr. Ammr Khaled Kurdi (Independent, External member)	Member	150,000	20,000	170,000	9,465
Ex-member of Savola Group Audit Committee until June 30, 2019:						
-	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	Member	75,000	10,000	85,000	Mentioned in the Board remuneration Table (e-4)
Total			**750,000**	**100,000**	**850,000**	**9,465**

Directors' Report

Savola Group Audit Committee Report continued

7 Summary of Audit Committee duties, responsibilities and achievements executed in 2019

a Financial reporting

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

b Internal audit

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

c External audit

- Review the external auditors service delivery plan, scope of work, the results of the financial audits, the relevant audit reports and management letter together with management responses or comments to the audit findings.
- Ensure that appropriate assistance was given by the Group's executive management team to the external auditors and that no difficulties were encountered during the course of the audit, including any restrictions on the scope of activities or access to required information.

d Related party transactions

- Review the results of external auditors' limited review of Savola related party transactions for 2019 included in the related party transactions report prepared by the chairman of Board of Directors in relation to the related party transactions executed by the Company during the year and provide any recommendation to the Board based on the results, if any.

e Savola Integrity Hotline

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

Savola Group Audit Committee Report continued

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

- The executive management of the Group and its subsidiaries certifies on an annual basis their responsibility for establishing and maintaining internal control procedures designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. The reasonable assurance provided by the signed internal control certifications is supported by the results of a questionnaire completed by all heads of functions across the Group and its subsidiaries designed in line with the Internal Control–Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. The signed internal control certificates for 2019 were handed over and filed with the Group's legal counsel.

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

- The Group's external auditors conducted their audit in accordance with international auditing standards adopted in Saudi Arabia which require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. This resulted in providing an unqualified opinion on the Group's consolidated financial statements for the year ended at 31/12/2019.

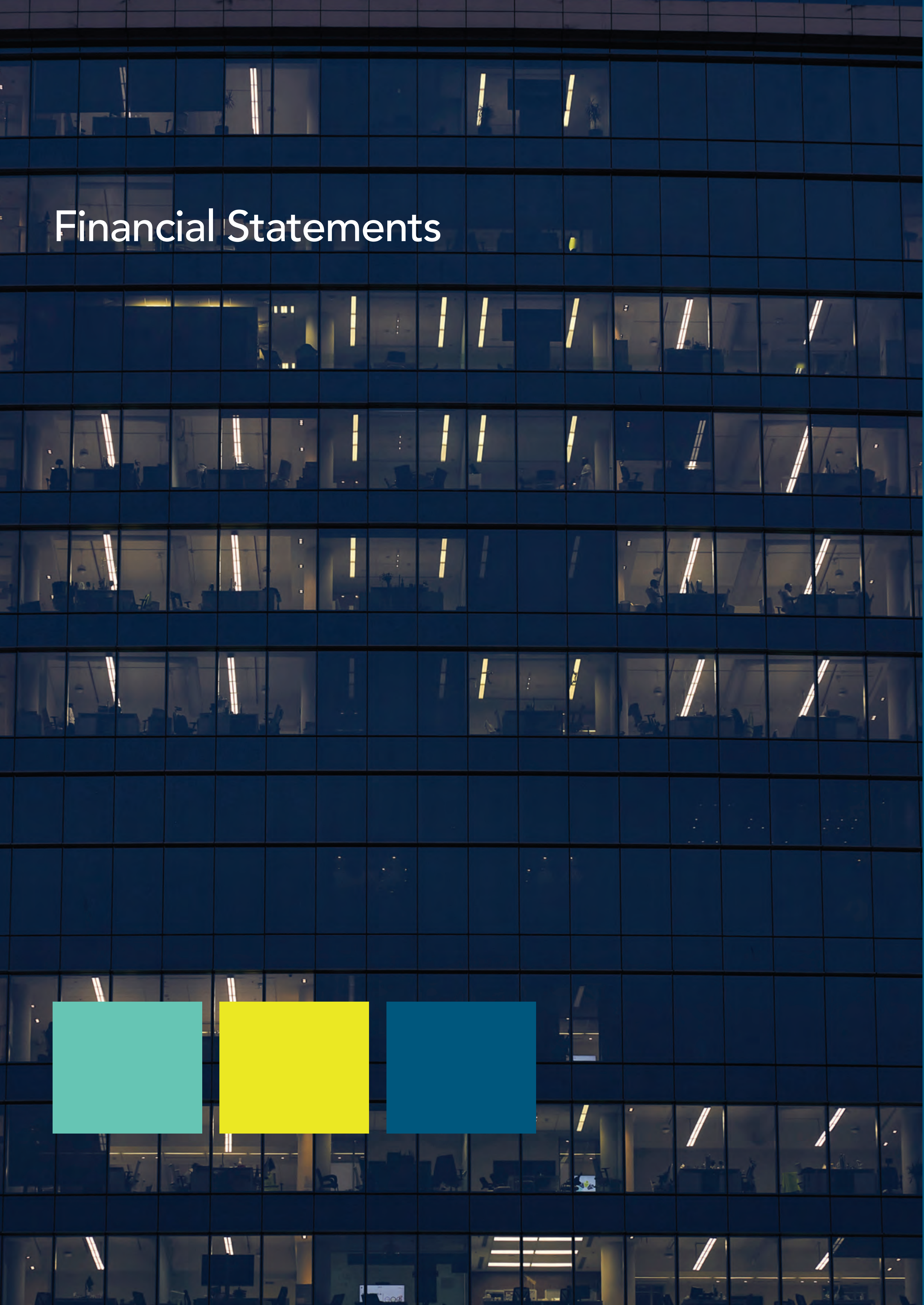
- Based on the results of the above-mentioned procedures, the Group's Audit Committee believes that reasonable assurance was provided regarding the effectiveness of internal control procedures.

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

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

Conclusion

This report was prepared by the Audit Committee during the year 2019 in line with the regulatory requirements and the charter of the Committee and will be submitted to the general assembly when the Board of Directors issue its invitation. The meeting will be held during the first half of 2020 (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.



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Independent Auditor's Report

To the Shareholders of Savola Group Company

Opinion

We have audited the consolidated financial statements of Savola Group Company ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, 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, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

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

Impairment testing of non-financial assets

Refer Note 3(a)(ii) for the accounting policy relating to goodwill, Note 3(f) for accounting policy relating to intangible assets Note 3(e) for the accounting policy relating to property, plant and equipment, Note 3(p) for right-of-use assets, Note 3(i) for the accounting policy relating to impairment, Note 6 for the property, plant and equipment disclosure, Note 8 for the intangible assets and goodwill disclosure and Note 36 for the impairment loss disclosure.

Key audit matter	How the matter was addressed in our audit
As at December 31, 2019, the carrying value of intangible assets and goodwill amounted to SR 832 million (2018: SR 906 million). Further, as at December 31, 2019, the carrying value of property, plant and equipment and right-of-use (RoU) assets amounted to SR 6,512 million (2018: SR 6,755 million) and SR 4,320 million (2018: Nil) respectively. Impairment loss (net) recognised on the non-financial assets during the year amounted to SR 73 million (2018: SR 200 million). Intangible assets with indefinite useful life and Goodwill are subject to a mandatory annual impairment test and the intangible assets with definite useful life, property, plant and equipment and RoU assets are subject to impairment testing where there are internal or external indicators of impairment. The Group reviews the carrying amounts of these non-financial assets to determine whether their carrying values exceed the recoverable amounts, which is the higher of value in use or the fair value less costs to sell. For the purpose of the Group's impairment assessment, management has used the value in use model, to determine the recoverable amount, under which the future cash flows relating to each Cash Generating Unit (CGU) were discounted and compared to their respective carrying amounts. A value in use model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates. There is uncertainty in estimating the recoverable amount of non-financial assets which principally arises from the inputs used in both forecasting and discounting future cash flows. A combination of the significance of the asset balances and the inherent uncertainty in the assumptions supporting the valuations of non-financial assets, means that an assessment of their carrying value is one of the key judgmental areas. We considered valuation of non-financial assets including intangible assets and goodwill as a key audit matter due to the significant judgment and key assumptions involved in the impairment assessment process.	We performed the following audit procedures in relation to non-financial assets impairment: • Assessed the appropriateness of the Group's accounting policies for measurement of non-financial assets 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 controls around impairment assessment; • Engaged our internal valuations specialist to assess the key assumptions used in the value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates; • Compared forecasts to historical experience and applied our understanding of the future prospects of the business from internal and external sources; • Performed a sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the respective CGUs; • Checked the accuracy and completeness of the information produced by management, which was used as the basis of the impairment assessment; • Checked mathematical accuracy of the models used by the management; and • Considered the adequacy of the Group's related disclosures in terms of applicable accounting standards.

Valuation Of Equity-Accounted Investees

Refer Note 3(a)(iii) for the accounting policy relating to equity-accounted investees and Note 10 for the related disclosures:

Key audit matter	How the matter was addressed in our audit
As at December 31, 2019, the carrying value of equity-accounted investees amounted to SR 8,625 million (2018: SR 8,301 million). Equity accounted investments are accounted for using the equity method in accordance with IAS 28 – Investments in Associates and Joint Ventures. This has been identified as a key audit matter due to 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 the 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 controls around recognition and subsequent measurement of Equity accounted investees including the impairment assessment process; • Verified components of equity accounted investments from underlying details and supporting documentation; • Evaluated the process by which the Group's cash flow forecasts for the equity-accounted investees (where there are indicators of impairment) were developed; • Engaged our internal valuations specialist to assess the key assumptions used in the value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates and performed a sensitivity analysis on these key assumptions; • Checked the mathematical accuracy of the impairment models; • Tested the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; and • Considered the adequacy of the Group's equity-accounted investees' disclosures in terms of applicable accounting standards.

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Independent Auditor's Report

To the Shareholders of Savola Group Company

Valuation of Inventories

Refer Note 3(h) for the accounting policy on inventories and Note 12 for the inventories disclosure.

Key audit matter	How the matter was addressed in our audit
As at December 31, 2019, the Group's inventories balance was SR 2,752 million (2018: SR 2,631 million) net of allowance for slow moving inventories of SR 95 million (2018: SR 98 million). Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Group, where necessary, for obsolete and slow moving inventories. Management determines the level of obsolescence of inventories by considering their nature, aging profile, expiry dates and sales expectations using historic trends and other qualitative factors. At each reporting date, the cost of inventories is reduced where inventories are forecasted to be sold at below cost. The Group also deals in commodity hedging contracts for its raw sugar inventory. The management accounts for these contracts using the mark-to-market method and reviews the valuation and hedge effectiveness at each reporting period by obtaining broker quotes. We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment. Further, the commodity hedging involves the use of complex valuation methods and significant assumptions such as applicable exchange and over-the-counter quotations, parity differences, price volatility, counterparty performance and credit risks.	We performed the following audit procedures in relation to valuation of inventories: • Assessed the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant accounting standards; • Assessed the design and implementation, and tested the operating effectiveness of the Group's control around recognition and subsequent measurement of inventories including the monitoring of the allowance for slow moving items; • Evaluated the appropriateness of the Group's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual losses; and current and future expectations with respect to sales • Involving our internal IT specialist to test the integrity of the inventories' aging report used by the management in its determination of the allowance for slow moving inventories; • Attended periodical physical count of inventories on selected locations to identify expired, lost or slow-moving items; • Tested the net realisable value of finished goods inventories by considering actual sales post year-end and the assumptions used by the management to check whether inventories are valued at the lower of cost and net realisable value; • Tested management's control over the establishment of the hedging relationship, monitoring hedge effectiveness and appropriateness of assumptions used in developing mark to market values of derivatives at the reporting date including the exchange-quoted prices and other direct and indirectly observable inputs; • Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard

Revenue recognition

Refer Note 3(l) for the accounting policy relating to revenue recognition and Note 31 for the relevant disclosures.

Key audit matter	How the matter was addressed in our audit
During the year ended December 31, 2019, the Group recognized total revenue of SR 22,243 million (2018: SR 21,815 million). Most of the Group's sales arrangements are considered straightforward, being on a point-in-time basis of recognition and requiring little judgment to be exercised. However, in certain cases the Group recognizes revenue through sales to related parties and certain components provide right of return to customers; which increase the level of judgment in revenue recognition at the year end. 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 operating effectiveness of the Group's controls, including anti-fraud controls, over the recognition of revenue; • Evaluated key contractual 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 topside journal entries posted to the revenue accounts in the general ledger in order to identify unusual or irregular items. • Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether management's application of IFRS 15 requirements was in accordance with the accounting standard; • Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

IFRS 16 ''Leases"

Refer to Note 4 for the impact of the adoption of the new accounting standard (IFRS 16) and Note 3(p) for the accounting policy, Note 7 and Note 21 for the relevant disclosures in the accompanying consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group initially applied IFRS 16 "Leases" with effect from January 1, 2019, and this new standard supersedes the requirements of IAS 17 "Leases" and IFRIC 4. IFRS 16 Leases introduces a new lease accounting model, where lessees are required to recognize right-of-use (ROU) asset and a lease liability arising from a lease contract on its statement of financial position. IFRS 16 Leases was adopted was by the Group effective 1 January 2019, using the modified retrospective approach. The prepaid and accrued rentals are adjusted against the right-of-use assets. The Group has recognized lease liabilities amounting to SAR 5,040 million and right-of-use asset amounting to SAR 4,989 million as on the date of transition. Significant judgment is required in the assumptions and estimates used in order to apply the definition of lease, application of discount rate, and lease term for computation of ROU asset and lease liability. We considered this a key audit matter due to the inherently judgemental nature to determine the lease liabilities and the significant impact arising from transition adjustment.	We performed the following procedures in relation to the implementation of IFRS 16: • We evaluated the appropriateness of the selection of accounting policies based on the requirements of IFRS 16 including factors such as transition approach, and practical expedients applied; • Assessed the design and implementation of the Group's controls over the treatment of leases under IFRS 16; • We evaluated the completeness of the lease population considered for transition adjustments; • We evaluated and challenged the reasonableness of assumptions and estimates used by management in the calculation of transition adjustment; • We obtained the Group's quantification of ROU assets and lease liabilities. For a sample of leases, we agreed the inputs used in the quantification to the lease agreements and performed re-computation of lease liabilities. In addition, for the sample selected, we also re-computed the ROU asset in accordance with the transition adjustments considered by management; • We assessed and evaluated the reasonableness of lease terms used for computation of lease liabilities and right-of-use assets. • We assessed and challenged the appropriateness of the discount rates applied in determining lease liabilities; and • We assessed whether the related disclosures within the consolidated financial statements are appropriate in light of the requirements of IFRS 16 "Leases".

Financial Statements

Independent Auditor's Report
To the Shareholders of Savola Group Company

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 auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's 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, when made available to us, 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.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's 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 27, 1441H
Corresponding to March 22, 2020

Financial Statements

Consolidated Statement Of Financial Position

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	December 31, 2019	December 31, 2018
ASSETS			
Property, plant and equipment	6	**6,512,256**	6,754,793
Right-of-use assets	7	**4,319,670**	--
Intangible assets and goodwill	8	**831,596**	905,556
Investment property	9	**29,881**	33,178
Equity-accounted investees	10	**8,625,047**	8,300,864
Investments at fair value through other comprehensive income	11	**347,590**	324,204
Long term receivables		**7,268**	7,443
Derivative	14	**1,999**	2,496
Deferred tax asset	23	**12,480**	17,793
NON-CURRENT ASSETS		**20,687,787**	16,346,327
Inventories	12	**2,752,020**	2,630,764
Trade receivables	13	**1,190,657**	1,073,572
Prepayments and other receivables	14	**1,060,195**	1,269,327
Investments at fair value through profit or loss	11	**26,516**	30,888
Cash and cash equivalents	15	**940,536**	901,573
Current assets		**5,969,924**	5,906,124
TOTAL ASSETS		**26,657,711**	22,252,451
EQUITY			
Share capital	16	**5,339,807**	5,339,807
Share premium		**342,974**	342,974
Statutory reserve	17	**1,774,085**	1,774,085
General reserve		**4,000**	4,000
Fair value reserve	18	**(179,230)**	(198,084)
Effect of transactions with non-controlling interests without change in control		**(187,979)**	(187,979)
Foreign currency translation reserve		**(1,792,396)**	(1,744,616)
Retained earnings		**2,288,979**	1,797,256
Equity attributable to owners of the Company		**7,590,240**	7,127,443
Non-controlling interests		**948,830**	894,498
TOTAL EQUITY		**8,539,070**	8,021,941
LIABILITIES			
Loans and borrowings	20	**3,905,245**	4,265,996
Lease liabilities	21	**3,955,686**	--
Employee benefits	22	**747,201**	719,542
Long-term payables		**204,146**	207,268
Long term lease rentals		**--**	232,020
Derivative	14	**188,094**	197,131
Provision against asset restoration		**139,609**	90,716
Deferred tax liability	23	**114,745**	91,195
Non-current liabilities		**9,254,726**	5,803,868
Loans and borrowings	20	**3,639,250**	3,689,915
Lease liabilities	21	**676,840**	--
Trade payables	24	**2,304,872**	2,391,028
Current maturity of lease rentals		**--**	63,658
Accrued and other liabilities	25	**2,242,953**	2,282,041
Current liabilities		**8,863,915**	8,426,642
TOTAL LIABILITIES		**18,118,641**	14,230,510
TOTAL EQUITY AND LIABILITIES		**26,657,711**	22,252,451

The notes from 1 to 41 form an integral part of these consolidated financial statements

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended December 31

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2019	2018
Revenues	31	**22,243,363**	21,814,563
Cost of revenues	32	**(17,739,059)**	(17,916,606)
Gross profit		**4,504,304**	3,897,957
Share of results of equity-accounted investees, net of zakat and tax	10	**639,357**	574,742
Selling and distribution expenses	33	**(2,941,686)**	(3,202,189)
Administrative expenses	34	**(820,280)**	(793,640)
Impairment loss	36	**(72,738)**	(199,550)
Results from operating activities		**1,308,957**	277,320
Finance income		**102,415**	70,463
Finance cost		**(789,077)**	(606,512)
Net finance cost	37	**(686,662)**	(536,049)
Reversal of accruals no longer required	26	**138,275**	--
Other expenses	27	**--**	(100,735)
Gain on disposal of investment	11	**--**	3,269
Profit / (loss) before zakat and income tax		**760,570**	(356,195)
Zakat and income tax expense	26	**(103,718)**	(102,074)
Profit / (loss) for the year		**656,852**	(458,269)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of defined benefit liability	22	**16,448**	(14,143)
Investments at fair value through other comprehensive income – net change in fair value	11	**23,386**	(122,550)
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**(61,712)**	(575,942)
Equity accounted investees - share of other comprehensive income	18	**(2,699)**	27,094
Cash flow hedges – effective portion of changes in fair value	18	**(1,833)**	6,021
Other comprehensive loss for the year, net of tax		**(26,410)**	(679,520)
Total comprehensive income / (loss) for the year		**630,442**	(1,137,789)
Profit / (loss) attributable to:			
Owners of the Company		**475,630**	(520,380)
Non-controlling interests		**181,222**	62,111
		656,852	(458,269)
Total comprehensive income / (loss) attributable to:			
Owners of the Company		**462,797**	(1,106,915)
Non-controlling interests		**167,645**	(30,874)
		630,442	(1,137,789)
Earnings / (loss) per share attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	28	**0.89**	(0.97)

The notes from 1 to 41 form an integral part of these consolidated financial statements

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

	Equity attributable to the Owners of the 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	Non-controlling interests	Total equity
Balance at January 1, 2018 - as previously reported	5,339,807	342,974	1,774,085	4,000	(108,649)	(161,598)	(1,260,509)	2,898,756	8,828,866	879,114	9,707,980
Adjustment from adoption of IFRS 9	--	--	--	--	--	--	--	(34,146)	(34,146)	(6,184)	(40,330)
Balance at January 1, 2018 – restated	5,339,807	342,974	1,774,085	4,000	(108,649)	(161,598)	(1,260,509)	2,864,610	8,794,720	872,930	9,667,650
Total comprehensive income / (loss) for the year											
(Loss) / profit for the year	--	--	--	--	--	--	--	(520,380)	(520,380)	62,111	(458,269)
Other comprehensive loss	--	--	--	--	(89,435)	--	(484,107)	(12,993)	(586,535)	(92,985)	(679,520)
Total comprehensive (loss) / income	--	--	--	--	(89,435)	--	(484,107)	(533,373)	(1,106,915)	(30,874)	(1,137,789)
Dividends	--	--	--	--	--	--	--	(533,981)	(533,981)	(113,750)	(647,731)
Other changes / movements											
Transaction with non-controlling interest without change in control	--	--	--	--	--	(15,825)	--	--	(15,825)	15,825	--
Acquisition of subsidiary with NCI (Note 1)	--	--	--	--	--	--	--	--	--	150,367	150,367
Other changes	--	--	--	--	--	(10,556)	--	--	(10,556)	--	(10,556)
Balance at December 31, 2018	5,339,807	342,974	1,774,085	4,000	(198,084)	(187,979)	(1,744,616)	1,797,256	7,127,443	894,498	8,021,941
Balance at January 1, 2019	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(198,084)**	**(187,979)**	**(1,744,616)**	**1,797,256**	**7,127,443**	**894,498**	**8,021,941**
Total comprehensive income / (loss) for the year											
Profit for the year	--	--	--	--	--	--	--	**475,630**	**475,630**	**181,222**	**656,852**
Other comprehensive income / (loss)	--	--	--	--	**18,854**	--	**(47,780)**	**16,093**	**(12,833)**	**(13,577)**	**(26,410)**
	--	--	--	--	**18,854**	--	**(47,780)**	**491,723**	**462,797**	**167,645**	**630,442**
Dividends	--	--	--	--	--	--	--	--	--	**(113,313)**	**(113,313)**
Balance at December 31, 2019	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(179,230)**	**(187,979)**	**(1,792,396)**	**2,288,979**	**7,590,240**	**948,830**	**8,539,070**

The notes from 1 to 41 form an integral part of these consolidated financial statements

Consolidated Statement Of Cash Flows
For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2019	2018
Cash flows from operating activities			
Profit / (loss) for the year		**656,852**	(458,269)
Adjustments for:			
Depreciation	6,7&9	**1,201,208**	762,138
Net finance cost	37	**686,662**	536,049
Share of results of equity accounted investees, net of zakat and tax and dividend income	10	**(639,357)**	(574,742)
Reversal of accruals no longer required		**(138,275)**	--
Gain on disposal of investment	11	**--**	(3,269)
Impairment loss	36	**72,738**	199,550
Provision against financial guarantee	27	**--**	100,735
Loss / (gain) on sale of property, plant and equipment		**1,971**	(7,301)
Provision for employee benefits	22	**125,397**	108,685
Zakat and income tax expense	26	**103,718**	102,074
		2,070,914	765,650
Changes in:			
Inventories		**(131,231)**	240,264
Trade receivables		**(138,263)**	(275,732)
Prepayments and other receivables		**(238,987)**	(121,981)
Trade payables		**(61,198)**	48,485
Accrued and other liabilities		**342,332**	438,356
Cash generated from operating activities		**1,843,567**	1,095,042
Finance cost paid		**(397,320)**	(440,027)
Zakat and income tax paid	26	**(111,959)**	(59,622)
Employee benefits paid	22	**(76,832)**	(76,185)
Net cash from operating activities		**1,257,456**	519,208
Cash flows from investing activities			
Acquisition of property, plant and equipment	6&9	**(374,295)**	(394,425)
Proceeds from sale of property, plant and equipment		**41,504**	36,249
Acquisition of subsidiary, net of cash acquired	1	**--**	(558,102)
Proceeds from sale of investment	11	**--**	28,022
Proceeds from investments		**41,138**	5,716
Net change in FVTPL investments	11	**4,372**	(30,888)
Net change in deferred tax asset		**6,356**	10,503
Dividends received	10	**306,098**	258,914
Net cash from / (used in) investing activities		**25,173**	(644,011)
Cash flows from financing activities			
Net change in loans and borrowings - current		**(1,068,495)**	(65,829)
Net change in loans and borrowings - non-current		**619,584**	740,351
Payment of lease liabilities		**(639,266)**	--
Dividends paid		**(2,406)**	(526,364)
Net change in deferred tax liability		**15,432**	25,215
Dividend paid to non-controlling interests		**(112,670)**	(113,750)
Net cash (used in) / from financing activities		**(1,187,821)**	59,623

The notes from 1 to 41 form an integral part of these consolidated financial statements.

Financial Statements

Consolidated Statement Of Cash Flows

For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2019	2018
Net change in cash and cash equivalents		**94,808**	(65,180)
Effect of movement in exchange rates on cash and cash equivalents		**(55,845)**	(320,818)
Cash and cash equivalents at beginning of the year		**901,573**	1,298,117
Adjustment from adoption of IFRS 9		**--**	(10,546)
Cash and cash equivalents at December 31	15	**940,536**	901,573
Supplemental schedule of non-cash financial information:			
Fair value reserve		**18,854**	(89,435)
Foreign currency translation reserve		**(61,712)**	(575,942)
Actuarial reserve	22	**16,448**	(14,143)
Effect of transactions with non-controlling interest without change in control		**--**	(26,381)

The notes from 1 to 41 form an integral part of these consolidated financial statements

Notes To The Consolidated Financial Statements

For the year ended December 31, 2019
(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"), 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, 2019, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

(I) Direct subsidiaries of the Company

i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2019	Ownership interest (%) December 31, 2018
Savola Foods Company ("SFC")	Saudi Arabia	Holding company	**100**	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	**98.87**	97.55
Good Food Company ("GFC") *	Saudi Arabia	Holding company	**100**	100
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

* During 2018, in accordance with the terms and conditions of the Share Purchase Agreement, Savola agreed to acquire 51% ownership interest of Al Kabeer Group of companies (see Note 1(iv)) for a cash consideration of SR 571 million. The transaction has been effected through the Group's 100% owned subsidiary, Good Food Company, a company incorporated in the Kingdom of Saudi Arabia. The payment of consideration along with the related formalities were completed on October 31, 2018. During the year, SR 34.3 million has been adjusted against the purchase consideration.

ii) Dormant and Holding subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2019	Ownership interest (%) December 31, 2018
Adeem Arabia Company (Adeem)	Saudi Arabia	Holding company	**100**	100
Al Utur Arabian Company for Commercial Investment	Saudi Arabia	Holding company	**100**	100
Al Mojammat Al Mowahadah Real Estate Company (liquidated)	Saudi Arabia	Holding company	**--**	100
Madarek Investment Company	Jordan	Holding company	**100**	100
United Properties Development Company	Saudi Arabia	Dormant company	**100**	100

Financial Statements

Notes To The Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. General Information (continued)

(II) Savola Foods Company

The Parent Company has a 100% (December 31, 2018: 100%) ownership interest in Savola Foods Company ("SFC"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 236/G dated Dhul Qadah 21, 1435H (September 16, 2014). Prior to its conversion to a closed joint stock company, SFC was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030180782 issued in Jeddah on Rajab 5,1429H (July 8, 2008).

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

Subsidiaries controlled through Savola Foods Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2019	Ownership interest (%) December 31, 2018
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oils	**95.19**	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	Holding company	**100**	100
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	**100**	100
El Farasha for Food Industries Company	Egypt	Manufacturing of pasta	**100**	100
Savola Foods Emerging Markets Company	British Virgin Islands (BVI)	Holding company	**95.43**	95.43
Afia International Distribution and Marketing Company	Saudi Arabia	Trading and distribution	**99**	99
Savola Foods for Sugar Company	Cayman Islands	Holding company	**95**	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	**100**	100
International Foods Industries Company ("IFI")	Saudi Arabia	Manufacturing of specialty fats	**100**	100
Seafood International Two FZCO *	UAE	Seafood products trading and distribution	**60**	60
Afia Foods Arabia	Saudi Arabia	Dormant company	**100**	100
Al Maoun International Holding Company ("Al Maoun")	Saudi Arabia	Holding company	**100**	100
Marasina International Real Estate Investment ("Marasina")	Saudi Arabia	Holding company	**100**	100

* SFC has agreed to sell 10% ownership interest in Seafood International Two FZCO to the other shareholder. As at December 31, 2019, the related legal formalities are in process.

Notes To The Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. General Information (continued)

(II) Savola Foods Company

a) Subsidiaries controlled through Afia International Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2019	Ownership interest (%) December 31, 2018
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 (under liquidation)	Jordan	Dormant company	**98.57**	97.4
Inveskz Inc.	BVI	Dormant company	**90**	90
Afia Trading International	BVI	Dormant company	**100**	100
Savola Foods International	BVI	Dormant company	**100**	100
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	Holding company	**100**	100
Aseel Food – Hold Co.	Cayman Islands	Holding company	**100**	100
SBeC				
Behshahr Industrial Company	Iran	Manufacturing of edible oils	**79.9**	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	**100**	100
Savola Behshahr Sugar Company	Iran	Trading and distribution	**100**	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	**90**	90
SFL				
Afia International Company, Egypt	Egypt	Manufacturing of edible oils	**99.95**	99.95
KUGU				
Savola Gida Sanayi Ve Ticaret Anonim Sirketi	Turkey	Manufacturing of edible oils	**100**	100

Financial Statements

Notes To The Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. General Information (continued)

(II) Savola Foods Company

b) Subsidiaries controlled through Savola Industrial Investment Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2019	Ownership interest (%) December 31, 2018
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of sugar	**74.48**	74.48
USC				
Alexandria Sugar Company, Egypt ("ASCE")*	Egypt	Manufacturing of sugar	**62.13**	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	**100**	100
ASCE				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	**100**	100

c) Subsidiaries controlled through Savola Foods Emerging Markets Company:

Subsidiary name	Country of incorporation	Principal business activity	December 31, 2019	December 31, 2018
Savola Morocco Company	Morocco	Manufacturing of edible oils	**100**	100
Savola Edible Oils (Sudan)	Sudan	Manufacturing of edible oils	**100**	100
Afia International Company – Algeria	Algeria	Manufacturing of edible oils	**100**	100

d) Subsidiary controlled through Savola Foods Company International:

Subsidiary name	Country of incorporation	Principal business activity	December 31, 2019	December 31, 2018
Modern Behtaam Royan Kaveh Company	Iran	Food and confectionery	**100**	100

e) Subsidiary controlled through Al Maoun and Marasina

Subsidiary name	Country of incorporation	Principal business activity	December 31, 2019	December 31, 2018
Alofog Trading DMMC	UAE	Trading and distribution	**100**	100

* The effective ownership interest in ASCE is 71.66% (December 31, 2018: 71.66%)

(III) Panda Retail Company
The Parent Company has a 98.87% (December 31, 2018: 97.55%) ownership interest in Panda Retail Company ("Panda"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 235/G dated Rajab 22, 1431H (July 3, 2010). Prior to its conversion to a closed joint stock company, Panda was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010137417 issued in Riyadh on Rabi-ul-Awal 1, 1416H (July 28, 1995).

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

Subsidiaries controlled through Panda:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2019	Ownership interest (%) December 31, 2018
Giant Stores Trading Company	Saudi Arabia	Retail	**100**	100
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	**100**	100
Panda International for Retail Trading	Egypt	Retail	**100**	100
Panda Bakeries Company	Saudi Arabia	Dormant company	**100**	100
Giant				
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	**95**	95

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

Notes To The Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. General Information (continued)

(IV) Good Food Company
The Parent Company has a 100% (December 31, 2018: 100%) ownership interest in Good Food Company ("GFC"), which was incorporated as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030603674 issued in Jeddah on Rabi-ul-Thani 21, 1439H (January 8, 2018).

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

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

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2019	Ownership interest (%) December 31, 2018
Variety Food Factory Company	Saudi Arabia	Manufacturing of frozen food	**51**	51
Al Ahsan Trading Company	Saudi Arabia	Trading and distribution	**51**	51
Al Helal Imports and Exports Company	Bahrain	Trading and distribution	**51**	51
Sahar Enterprises Company	UAE	Trading and distribution	**51**	51
Sahar Food Industry Company	UAE	Manufacturing of frozen food	**51**	51
Al Kabeer Holding Limited	UAE	Holding Company	**51**	51
Best Foodstuff Trading Company	UAE	Trading and distribution	**51**	51
Subsidiaries controlled through Al Kabeer Holding Limited				
Cascade Investments Limited (CIL)	UAE	Investment company	**100**	100
Cascade Marine Foods Company	UAE	Manufacturing frozen food	**100**	100
Al Sabah Foodstuff Enterprises Company	UAE	Trading and distribution	**100**	100
CIL				
Best Foods Company	Oman	Trading and distribution	**100**	100

2. Basis of preparation

a) Statement of compliance
These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (IFRS). This is the first set of the Group's financial statements in which IFRS 16 "leases" has been applied and the resultant changes to the significant accounting policies are described in Note 4.

i) Accounting convention / Basis of Measurement
These consolidated financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for investments classified as fair value through other comprehensive income ("FVOCI"), investments classified as fair value through profit or loss, firm commitments and inventory under fair value hedging relationship, derivative financial instruments and employee benefits which are recognised at the present value of future obligation using the Projected Unit Credit Method. Certain comparative amounts have been reclassified to conform to the current year's presentation.

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Notes To The Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

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

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

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

i) Impairment of financial assets
The implementation of business model approach under IFRS 9 require judgement to ensure that financial assets of the Group are classified in to the appropriate category. Deciding whether the classified categories will require assessment of contractual provisions that do or may change the timing or amount of the contractual cash flows. Objective evidence may exist in circumstances in which a counterparty has been placed in bankruptcy or has failed on the repayments of principal and interest. In other circumstances, the Group uses judgment in order to determine whether a financial asset may be impaired using Expected Credit Loss ("ECL") model. The Group uses judgement in order to determine whether an impairment can be reversed, an assumption in doing so might be an improvement in the debtor's credit rating or receipt of payments due. In addition, Group also make judgments in deciding whether the measurement of expected credit loss reflect reasonable and supportable information that is available without undue cost or effort that include historical, current and forecast information.

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

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

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

Notes To The Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

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

v) Employee benefits – defined benefit obligation
Certain actuarial assumptions have been adopted as disclosed in note 22 to these financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

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

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

i)	Note 3(b) & 38	measurement of fair values
ii)	Note 3(h)	allowance for inventory losses
iii)	Note 3(i)	impairment in financial and non-financial assets
iv)	Note 3(k)	measurement of defined benefit obligations
v)	Note 3(j)	provision against assets restoration

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

a) Business combinations
Business combinations (except for entities under common control) are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition. The excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is classified as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

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

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

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

Acquisitions from entities under common control

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

Financial Statements

Notes To The Consolidated Financial Statements

For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. Significant Accounting Policies (continued)

a) Business combinations (continued)

(i) Subsidiaries

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

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

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

Changes in a Group's ownership interest in a subsidiary that does not result in a change in control, is accounted as equity transaction and the carrying amounts of the non-controlling interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under "Effect of transactions with non- controlling interest without change in control".

(ii) Goodwill

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

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

(iii) Interests in equity-accounted investees

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

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. 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.

Interests in associates and joint ventures are accounted for using the equity method (equity-accounted investees). They are initially recognized at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income ("OCI") of equity-accounted investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the investment carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

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

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.
Dilution gains and losses arising on equity accounted investees are recognized in the profit or loss.

(iv) Non-controlling interests

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

Changes in Group's interest in a subsidiary as a result of transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal / acquisition of non-controlling interests are also recorded in equity.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2019
(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. Significant Accounting Policies (continued)

b) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets – initial measurement

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

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

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

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3. Significant Accounting Policies (continued)

b) Financial instruments (continued)

Financial assets – Subsequent measurement and gains and losses

The following accounting policies apply to the subsequent measurement of financial assets:

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

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment loss, if any. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

(iii) Derecognition

Financial assets

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

Financial liabilities

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

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

(iv) Derivatives

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its inventory price risk, firm commitments and interest rate risk exposures. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range as per risk management policy. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

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

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3. Significant Accounting Policies (continued)

b) Financial instruments (continued)

(iv) Derivatives (continued)

Cash flow hedge

When a derivative is designated as a cash flow 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 OCI and accumulated 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 amounts accumulated in equity are transferred from the equity and included in the initial measurement of the cost. The accumulated amounts are ultimately recognized in cost of revenues for inventory.

When a hedging instrument expires, is terminated, is sold or is exercised, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. When the hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the equity 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 revenues'.

Other 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".

Offsetting

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

Cash and cash equivalents

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

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.

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3. Significant Accounting Policies (continued)
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 translated 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 translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of equity instruments classified as FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

Foreign currency differences arising on foreign operations are recognized in other comprehensive income and accumulated in the "Foreign currency 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 Foreign Currency Translation Reserve ("CTR") 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 differences.

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

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

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

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

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

Notes To The Consolidated Financial Statements
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3. Significant Accounting Policies (continued)
e) Property, plant and equipment (continued)
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 "i".

f) Intangible assets
Intangible assets, other than goodwill, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment loss. The useful life of such intangible assets ranges from 25 years to 28 years.

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.

Intangible assets acquired by the Group that have indefinite useful lives are measured at cost less accumulated impairment loss. The useful life of such assets is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. These are reviewed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

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.

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.

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Notes To The Consolidated Financial Statements
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3. Significant Accounting Policies (continued)
i) Impairment

(i) Financial assets

Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances for trade receivables and other financial assets that are measured at an amount equal to lifetime ECLs that result from all possible default events over the expected life of a financial instrument except for the bank balance in which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(ii) Non-financial assets

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

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

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

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

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

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3. Significant Accounting Policies (continued)
j) 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.

k) 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.

l) Revenues

Revenue is measured based on the consideration specified in a contract with a customer and is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Variable consideration

Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

Significant financing component

The Group evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Group adjusts the committed amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Revenue from sale of goods

Revenue from the sale is recognised in the statement of profit or loss when the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Rental income

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

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3. Significant Accounting Policies (continued)
l) Revenues (continued)

Promotional income

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

Commission income

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

m) 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 consolidated statement of 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.

n) Finance income and finance cost

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

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

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

o) 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.

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3. Significant Accounting Policies (continued)
p) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under International Accounting Standard ("IAS") 17 and International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 4.

Policy applicable from January 1, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after January 1, 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before January 1, 2019

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Payments made under operating leases are recognized in statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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4. Changes In Significant Accounting Policies
The Group initially applied IFRS 16 Leases from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

The Group has applied IFRS 16 using the modified retrospective approach. At the date of initial application, the Group has adopted a policy to recognise the right-of-use asset at an amount equal to the lease liability, adjusted by any related prepaid or accrued lease payments, that resulted in no adjustment to the retained earnings as at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

a) Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(p).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

b) As a lessee
As a lessee, the Group leases many assets including property, production equipment and vehicles. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019 (Note 4(c)(i)). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

c) Impact on financial statements
i) Impact on transition
On transition to IFRS 16, the Group recognized right-of-use assets and lease liabilities. The prepaid and accrued rentals are adjusted against the right-of-use assets.

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4. Changes In Significant Accounting Policies (continued)
c) Impact on financial statements (continued)
i) Impact on transition (continued)

The impact of transition on the consolidated statement of financial position is summarised below:

Impact on:	January 1, 2019
Right-of-use assets	4,988,919
Accrued and other liabilities	208,488
Provision for asset restoration	(67,746)
Prepayments and other receivables	(89,453)
Lease liabilities	(5,040,208)

When measuring lease liabilities for leases that were classified as operating leases under IAS 17, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied in different geographies are:

Country	Weighted average rate
Saudi Arabia	3% – 5.8%
Egypt	18%
Iran	25%
Turkey	20%
Other countries	5.69% – 6%

Impact on	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	6,915,172
Discounting impact using the incremental borrowing rate at January 1, 2019	(2,124,664)
– Recognition exemption for leases with less than 12 months of lease term at transition	(35,892)
– Extension options reasonably certain to be exercised	285,592
Lease liabilities recognised at January 1, 2019	5,040,208

ii) Impact for the year
During the year ended December 31, 2019, the Group recognised SR 537.1 million of depreciation charges and SR 261.9 million of interest costs from these leases, resulting in a carrying value of SR 4,320 million and SR 4,632 million for right of use assets and lease liabilities respectively as at December 31, 2019.

5. Subsequent Event
The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event. At this early stage when situation is rapidly evolving; the Group has already mobilized a task force to assess the possible impact on its business in Saudi Arabia and other countries. The initial study encompasses reviewing the potential risks around continued supply of raw material, manpower, current inventory levels and uninterrupted functioning of production facilities across the Group. It is not practicable to provide a quantitative estimate of the potential impact at this stage. In view of historical seasonality of Group's productions before Ramadan season, the Group does not foresee major impact on its Saudi operations, which represents significant part of the Group's global operations, if the situation is normalized within a reasonable time period.

The management and those charged with governance will continue to monitor the situation across all geographies and accordingly update stakeholders as per the regulatory requirements. Any changes in circumstances may require enhanced disclosures or recognition of adjustments in the condensed interim consolidated financial statements of the Group for the subsequent periods during the financial year 2020.

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6. Property, plant and equipment

Cost	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Balance at January 1, 2018	1,383,313	2,336,656	1,752,180	2,446,792	3,065,375	497,786	687,062	12,169,164
Acquisition through Business combination (Note 8)	14,000	163,353	--	58,448	9,939	33,925	6,807	286,472
Additions	20,576	40,645	1,438	116,155	28,544	10,837	169,562	387,757
Disposals	--	(11,523)	(55,279)	(5,533)	(82,487)	(14,835)	(17,125)	(186,782)
Transfer from CWIP	--	119,004	2,130	153,525	51,184	1,047	(326,890)	--
Hyperinflation adjustment	(81)	(2,380)	--	(12,351)	(931)	(599)	(181)	(16,523)
Effect of movement in exchange rate	(62,353)	(69,160)	(449)	(223,566)	(13,558)	(5,413)	(74,691)	(449,190)
Balance at December 31, 2018	1,355,455	2,576,595	1,700,020	2,533,470	3,058,066	522,748	444,544	12,190,898
Balance at January 1, 2019	**1,355,455**	**2,576,595**	**1,700,020**	**2,533,470**	**3,058,066**	**522,748**	**444,544**	**12,190,898**
Additions	**--**	**7,987**	**1,922**	**31,946**	**26,190**	**20,649**	**284,723**	**373,417**
Disposals	**(1,167)**	**(4,275)**	**(146,426)**	**(14,632)**	**(252,186)**	**(25,867)**	**(5,529)**	**(450,082)**
Transfer from CWIP	**--**	**107,890**	**14,162**	**112,499**	**76,485**	**1,715**	**(312,751)**	**--**
Category reclassification	**(6,250)**	**(5,390)**	**--**	**11,640**	**--**	**--**	**--**	**--**
Hyperinflation adjustment	**(30)**	**(894)**	**--**	**(8,566)**	**(350)**	**(225)**	**(68)**	**(10,133)**
Effect of movement in exchange rate	**1,548**	**5,412**	**2,296**	**43,963**	**3,096**	**2,202**	**(1,639)**	**56,878**
Other adjustments	**--**	**26,621**	**--**	**11,224**	**--**	**5,918**	**--**	**43,763**
Balance at December 31, 2019	**1,349,556**	**2,713,946**	**1,571,974**	**2,721,544**	**2,911,301**	**527,140**	**409,280**	**12,204,741**

Cost	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Accumulated Depreciation / Impairment								
Balance at January 1, 2018	--	(613,469)	(754,260)	(853,378)	(2,029,229)	(353,758)	(3,395)	(4,607,489)
Acquisition through Business combination (Note 8)	--	(87,476)	--	(46,780)	(9,202)	(23,096)	--	(166,554)
Depreciation for the year	--	(92,256)	(125,822)	(158,914)	(334,368)	(46,675)	--	(758,035)
Disposals	--	11,523	55,077	4,751	71,661	14,131	--	157,143
Impairment loss (Note 36)	(69,774)	(29,924)	(99,852)	--	--	--	--	(199,550)
Hyperinflation adjustment	--	1,134	--	1,429	293	181	--	3,037
Effect of movement in exchange rate	--	25,831	176	96,543	8,809	3,984	--	135,343
Balance at December 31, 2018	(69,774)	(784,637)	(924,681)	(956,349)	(2,292,036)	(405,233)	(3,395)	(5,436,105)
Balance at January 1, 2019	**(69,774)**	**(784,637)**	**(924,681)**	**(956,349)**	**(2,292,036)**	**(405,233)**	**(3,395)**	**(5,436,105)**
Depreciation for the year	**--**	**(102,006)**	**(95,443)**	**(169,381)**	**(250,924)**	**(42,163)**	**--**	**(659,917)**
Disposals	**--**	**1,345**	**129,378**	**5,378**	**246,440**	**24,066**	**--**	**406,607**
Impairment (loss) / reversal (Note 36)	**(12,074)**	**(7,046)**	**25,636**	**--**	**--**	**--**	**--**	**6,516**
Category reclassification	**--**	**(5,467)**	**--**	**5,467**	**--**	**--**	**--**	**--**
Hyperinflation adjustment	**--**	**2,042**	**--**	**3,141**	**318**	**188**	**--**	**5,689**
Effect of movement in exchange rate	**--**	**1,995**	**(1,031)**	**(14,072)**	**(1,444)**	**(723)**	**--**	**(15,275)**
Balance at December 31, 2019	**(81,848)**	**(893,774)**	**(866,141)**	**(1,125,816)**	**(2,297,646)**	**(423,865)**	**(3,395)**	**(5,692,485)**
Carrying amounts								
December 31, 2018	1,285,681	1,791,958	775,339	1,577,121	766,030	117,515	441,149	6,754,793
December 31, 2019	**1,267,708**	**1,820,172**	**705,833**	**1,595,728**	**613,655**	**103,275**	**405,885**	**6,512,256**

a) Construction work in progress mainly relates to upgrading and enhancing the production facilities and retail outlets of certain subsidiaries.

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7. Right-Of-Use Assets

The movement of right-of-use assets is as follows:

	Land	Buildings	Plant and equipment	Vehicles	Total
Recognised as at January 1, 2019	866,623	4,089,831	137	32,328	4,988,919
Addition during the year	17,050	185,289	--	21,675	224,014
Leases terminated during the year	(23,650)	(250,984)	--	(1,005)	(275,639)
Depreciation for the year	(62,853)	(459,323)	(34)	(14,906)	(537,116)
Impairment loss (Note 36)	--	(79,254)	--	--	(79,254)
Effect of movement in exchange rate	(297)	(450)	(15)	(492)	(1,254)
Closing balance	**796,873**	**3,485,109**	**88**	**37,600**	**4,319,670**

8. Intangible Assets And Goodwill

The intangible assets and goodwill comprise the following:

	December 31, 2019	December 31,2018
Goodwill (Note 8.1)	**495,235**	905,556
Brands (Note 8.2)	**252,271**	--
Customer list (Note 8.2)	**75,610**	--
Distribution network (Note 8.2)	**8,480**	--
	831,596	905,556

8.1 The carrying values of goodwill, after foreign currency translation differences adjustment and impairment loss adjustment (Note 1 and Note 36), comprises the following:

	December 31, 2019	December 31,2018
Afia International Company	**84,016**	84,016
Afia International Company, Egypt	**27,678**	24,789
Behshahr Industrial Company	**5,092**	6,352
El Farasha for Food Industries Company	**8,303**	7,437
El Maleka for Food Industries Company	**59,268**	53,082
Giant Stores Trading Company	**95,209**	95,209
Good Food Company (Note 8.2)	**--**	414,443
Herfy Foods Services Company	**25,330**	25,330
KUGU Gida Yatum Ve Ticaret A.S	**23,716**	26,778
Notrika Golden Wheat Company	**6,047**	7,544
Savola Industrial Investment Company	**145,664**	145,664
United Sugar Company	**14,912**	14,912
	495,235	905,556

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

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

8.2 During the year, the Group has completed the Purchase Price Allocation (PPA) exercise pertaining to the acquisition of Al Kabeer group of companies (Note 1). Accordingly, initial goodwill of SR 414 million has been fully allocated to the fair values of identifiable assets, liabilities and contingent liabilities. In this regard, property, plant and equipment has been increased by SR 43.7 million, brands with indefinite useful life and distribution network and customer list with definite useful lives have been recognized at SR 336.4 million. The remaining amount of SR 34.3 million has been adjusted against purchase consideration.

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9. Investment Property

	December 31, 2019	December 31,2018
Cost		
Balance at beginning of year	**57,512**	50,844
Additions	**878**	6,668
Balance at end of year	**58,390**	57,512
Accumulated depreciation and impairment		
Balance at beginning of year	**(24,334)**	(20,231)
Depreciation during the year	**(4,175)**	(4,103)
Balance at end of year	**(28,509)**	(24,334)
Carrying amounts	**29,881**	33,178

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

			Ownership interest (%)		December 31	
Name	Principal business sector	Country of incorporation	2019	2018	2019	2018
Almarai Company ("Almarai")	Fresh food products	Saudi Arabia	**34.52**	34.52	**7,733,515**	7,404,199
Kinan International for Real Estate Development Company ("Kinan")	Real Estate	Saudi Arabia	**29.9**	29.9	**400,856**	408,013
United Sugar Company, Egypt ("USCE") (Note 14)	Sugar Manufacturing	Egypt	**33.82**	33.82	**254,421**	235,837
Al-Seera City Company for Real Estate Development	Real Estate	Saudi Arabia	**40**	40	**145,496**	147,597
United Edible Oils Holding Limited	Holding Company	Cayman Islands	**51**	51	**47,557**	54,987
Intaj Capital Limited ("Intaj")	Fund management	Republic of Tunisia	**49**	49	**27,143**	33,961
Knowledge Economic City Developers Company	Real Estate	Saudi Arabia	**2.07**	2.07	**16,059**	16,270
Seafood International One FZCO	Seafood products distribution	UAE	**40**	40	**--**	--
					8,625,047	8,300,864

10.1 The direct ownership interest of the Company in USCE is 10.62% (December 31, 2018: 10.62%).

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

	December 31, 2019	December 31, 2018
Balance at beginning of year	**8,300,864**	7,964,066
Share in net income, net	**639,357**	574,742
Fair value reserve adjustment (Note 18)	**(2,699)**	27,094
Capital distribution from equity accounted investee	**(6,819)**	(5,716)
Dividends	**(306,098)**	(258,914)
Other adjustments	**442**	(408)
Balance at end of year	**8,625,047**	8,300,864

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10. Equity-accounted investees (continued)
The following table summarizes the financial information of significant equity-accounted investees:

	Almarai		Kinan		USCE	
	2019	2018	2019	2018	2019	2018
Percentage ownership interest	**34.52**	34.52	**29.9**	29.9	**33.82**	33.82
Non-current assets	**25,823,338**	25,212,601	**2,444,684**	2,355,305	**233,755**	245,382
Current assets	**7,324,704**	7,105,819	**391,089**	864,795	**482,782**	467,599
Non-current liabilities	**12,164,269**	12,396,363	**524,102**	360,200	**39,168**	26,072
Current liabilities	**5,724,653**	5,406,067	**282,858**	760,597	**205,512**	295,146
Net assets attributable to shareholders (100%)	**14,653,349**	13,926,796	**1,854,963**	1,921,250	**471,857**	391,763
Group's share of net assets	**5,058,336**	4,807,530	**554,634**	574,454	**159,582**	132,494
Carrying amount of interest in associate	**7,733,515**	7,404,199	**400,856**	408,013	**254,421**	235,837

	Almarai		Kinan		USCE	
	2019	2018	2019	2018	2019	2018
Revenue	**14,351,277**	13,722,797	**424,566**	525,888	**1,163,392**	1,192,209
Profit / (loss) from continuing operations attributable to shareholders (100%)	**1,811,753**	2,008,869	**17,929**	(329,430)	**43,504**	(24,428)
Other comprehensive income attributable to shareholders (100%)	**25,021**	81,109	**483**	884	**--**	--
Total comprehensive income / (loss) attributable to shareholders	**1,836,774**	2,089,978	**18,412**	(328,546)	**43,504**	(24,428)
Group's share of profit / (loss) and total comprehensive income	**622,752**	720,592	**5,505**	(98,499)	**18,584**	(10,204)

10.2 Group also has interest in other equity-accounted investees. With an aggregate carrying value of SR 236.3 million (December 31, 2018: SR 252.8 million). The Company's share of losses from these entities amounted to SR 9.7 million (December 31, 2018: SR 10.1 million).

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11. Investments
Investments at December 31 comprise the following:

	December 31, 2019	December 31, 2018
Investments held at fair value through other comprehensive income (note 11.1)	347,590	324,204
Investment at fair value through profit or loss (note 11.4)	26,516	30,888

11.1 Investments held at fair value through other comprehensive income:

	Principal business sector	Country of incorporation	Ownership interest (%) December 31, 2019	Ownership interest (%) December 31, 2018	December 31, 2019	December 31, 2018
Quoted investments						
Knowledge Economic City	Real Estate	Saudi Arabia	6.4	6.4	215,897	197,652
Emaar the Economic City	Real Estate	Saudi Arabia	0.9	0.9	71,085	58,878
Arab Phoenix Holdings Company	Real Estate	Kingdom of Jordan	5	5	--	--
Unquoted investments						
Swicorp Company	Investment Management	Saudi Arabia	15	15	60,608	67,674
Joussour Holding Company (under liquidation)	Holding Company	Saudi Arabia	14.81	14.81	--	--
					347,590	324,204

11.2 Movement in the FVOCI investments is as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of year	324,204	471,507
Reclassified to FVTPL investment (Note 11.3)	--	(24,753)
Fair value reserves adjustment	23,386	(122,550)
Balance at end of year	347,590	324,204

11.3 In January 2018, the Company sold its ownership interest in Dar Al Tamleek, which was reclassified as FVTPL investment as a result of adoption of IFRS 9, for SR 28.0 million and realised a gain amounting to SR 3.3 million.

11.4 This represents investment made by one of the Group's local subsidiary in mutual funds. As at December 31, 2019, an unrealised gain of SR 51.5 thousand (December 31, 2018: SR 36.3 thousand) has been recognised in the consolidated statement of profit or loss for the year.

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12. Inventories

	December 31, 2019	December 31, 2018
Finished products	1,605,671	1,559,561
Raw and packing materials	737,512	548,243
Work in process	79,530	78,225
Spare parts and supplies	199,905	183,697
Goods in transit	224,197	359,196
	2,846,815	2,728,922
Less: Provision for obsolescence / slow moving inventories	(94,795)	(98,158)
	2,752,020	2,630,764

Inventories have been reduced by SR 127.5 million (December 31, 2018: SR 141.7 million) as a result of the write-down to net realizable value.

Raw materials include raw sugar having cost of SR 106.9 million (December 31, 2018: SR 100.2 million) which are held under a fair value hedge relationship. As at December 31, 2019, the fair value of these raw sugar amounts to SR 124.9 million (December 31, 2018: SR 112.9 million).

13.Trade Receivables

	December 31, 2019	December 31, 2018
Trade receivables	1,277,295	1,140,672
Less: Allowance for expected credit losses (Note 38)	(122,504)	(104,782)
	1,154,791	1,035,890
Due from related parties (Note 29)	43,134	45,125
	1,197,925	1,081,015
Less: non- current trade receivables	(7,268)	(7,443)
	1,190,657	1,073,572

Following is the movement of Impairment loss:

	December 31, 2019	December 31, 2018
Balance at beginning of year	104,782	98,002
Acquisition through Business combination (Note 8)	--	659
Impairment loss for the year, net	19,656	28,406
Currency translation	(1,934)	(22,285)
Balance at end of year	122,504	104,782

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14.Prepayments And Other Receivables

	Note	December 31, 2019	December 31,2018
Advances to vendors		**299,766**	266,305
Receivable from government authorities	14.1	**200,441**	191,182
Other prepaid expenses		**195,720**	198,544
Change in fair value of hedged item (firm commitments)		**34,207**	16,219
Employee loans and advances		**57,258**	65,035
Positive fair value of derivatives	14.4	**39,970**	102,317
Unclaimed dividends		**37,643**	37,763
Due from related parties	29	**34,726**	89,451
Non-trade receivable	14.3	**35,951**	75,827
Custom duty refundable	14.2	**24,122**	62,106
Prepaid rent		**23,170**	134,787
Others		**77,221**	29,791
		1,060,195	1,269,327

14.1 Receivable from government authorities mainly includes claims of certain subsidiaries on account of subsidies, value added and other taxes.

14.2 Custom duty refundable mainly represents funds with government authorities paid on import of raw material. Further, the balance is net off provision amounting to SR 80.5 million (December 31, 2018: SR 33.5 million) for non-recoverability of certain refunds.

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

14.4 Derivatives:

	December 31, 2019	December 31,2018
Derivatives – current assets		
Future exchange contracts	**39,970**	101,031
Interest rate swaps	**--**	1,286
	39,970	102,317
Derivatives – non-current assets		
Call option (Note 'c')	**1,999**	2,496
Derivatives – current liabilities		
Future exchange contracts	**66,186**	79,644
Interest rate swaps	**547**	--
	66,733	79,644
Derivatives – non-current liabilities		
Put option (Note 'c')	**188,094**	197,131

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14.Prepayments And Other Receivables (continued)

14.4 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.

(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.

SFC entered into call and put option agreement with European Bank for Reconstruction and Development ("EBRD") during March 2017, 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.

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

14.6 Derivatives held for hedging purposes
The Group has adopted a comprehensive system for the measurement and management of risk (see note 38 - 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.

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14.Prepayments And Other Receivables (continued)

14.6 Derivatives held for hedging purposes (continued)

December 31, 2019	Positive fair value	Negative fair value	Notional amount	Notional amount by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Held as fair value hedge							
Commodity futures	15,606	(52,303)	776,383	636,556	124,971	14,856	--
Held as cash flow hedge							
Interest rate swaps	--	(547)	750,000	750,000	--	--	--
Held as others							
Commodity futures	24,364	(13,883)	1,471,102	740,752	730,350	--	--
Call options	1,999	--	--	--	--	1,999	--
Put Option	--	188,094	--	--	--	188,094	--

December 31, 2018	Positive fair value	Negative fair value	Notional amount	Notional amount by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Held as fair value hedge							
Commodity futures	18,284	(29,467)	1,114,765	964,836	141,253	8,675	--
Held as cash flow hedge							
Interest rate swaps	1,286	--	750,000	--	--	750,000	--
Held as others							
Commodity futures	82,747	(50,177)	1,660,868	553,484	506,923	600,461	--
Call options	2,496	--	--	--	--	2,496	--
Put Option	--	197,131	--	--	--	--	197,131

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, which subsequent to the year end expired on January 22, 2020.

Movements in the other reserve of cash flow hedges:

	December 31, 2019	December 31, 2018
Balance at beginning of year	1,286	(4,735)
(Loss) / gain on changes in fair value recognized directly in equity, net	(1,833)	6,021
Balance at end of year	(547)	1,286

15. Cash And Cash Equivalents

	December 31, 2019	December 31, 2018
Cash in hand	31,998	35,163
Cash at bank- current account	460,077	366,190
Short term deposits (Note 15.1)	448,461	500,220
	940,536	901,573

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

16. Share Capital And Dividend Declaration

At December 31, 2019 and December 31, 2018, the Group's share capital of SR 5.3 billion consists of 533.981 million fully paid shares of SR 10 each.

Subsequent to year end, the Company's Board of Directors have recommended final dividend amounting to SR 160.19 million representing Saudi Riyal 0.30 per share for the approval by the shareholders.

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17. Statutory Reserve

In accordance with the Company's bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. Since the Company has reached the required reserve level, therefore, no additional transfers are required to be made as at year end.

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

18. Fair Value Reserve

Fair value reserve includes share of reserve of equity-accounted investees, FVOCI investments and cash flow hedge. Movement in fair value reserve is as follows:

	Note	December 31, 2019	December 31, 2018
Balance at beginning of year		(198,084)	(108,649)
Share in changes in other reserve of associates	10	(2,699)	27,094
Fair value adjustment from FVOCI investments	11	23,386	(122,550)
Fair value adjustment from derivative financial instruments relating to cash flow hedge	14	(1,833)	6,021
Balance at end of year		(179,230)	(198,084)

19. Non–Controlling Interests

The following table summarizes the information relating to each of the Group's significant subsidiaries that has Non-Controlling Interests ("NCI"), before any intra group eliminations:

December 31, 2019	SFC	Panda	Herfy	Matoun	GFC
Non-current assets	3,073,177	6,068,143	1,682,614	334,742	540,576
Current assets	3,793,798	1,442,169	350,848	745	369,827
Non-current liabilities	(875,081)	(3,782,354)	(627,360)	(94,219)	(608,803)
Current liabilities	(3,700,278)	(2,865,638)	(408,116)	(48,036)	(95,433)
Net assets (100%)	2,291,616	862,320	997,986	193,232	206,167
Carrying amount of NCI	251,777	--	--	--	172,074
Revenue	9,209,213	11,496,705	1,288,310	43,599	620,055
Profit / (loss)	344,762	(342,412)	196,088	10,394	62,368
Other Comprehensive Income ("OCI")	(57,559)	11,998	(336)	--	(2,074)
Total comprehensive income / (loss) (100%)	287,203	(330,414)	195,752	10,394	60,294
Profit / (loss) allocated to NCI	52,382	--	--	--	32,871
OCI allocated to NCI	(13,321)	--	--	--	32,146

December 31, 2018	SFC	Panda	Herfy	Matoun	GFC*
Non-current assets	2,751,619	3,026,021	1,103,257	249,840	547,174
Current assets	4,035,923	1,476,315	339,143	77,313	293,021
Non-current liabilities	(584,783)	(1,047,484)	(210,876)	(13,391)	(636,719)
Current liabilities	(3,984,924)	(3,062,322)	(298,656)	(30,924)	(57,411)
Net assets (100%)	2,217,835	392,530	932,868	282,838	146,065
Carrying amount of NCI	226,351	--	--	--	150,367
Revenue	9,735,472	11,114,241	1,227,270	47,035	180,374
Profit / (loss)	(17,272)	(917,429)	204,169	13,123	(4,227)
Other Comprehensive Income ("OCI")	(574,244)	(9,629)	(439)	--	(922)
Total comprehensive income / (loss) (100%)	(591,516)	(927,058)	203,730	13,123	(5,149)
Profit / (loss) allocated to NCI	(1,102)	--	--	--	167
OCI allocated to NCI	(86,807)	--	--	--	(452)

* The Group acquired control over the operating entities within Good Food Company on October 31, 2018. Accordingly, the financial results related to Good Food Company is only for the period from October 31, 2018 to December 31, 2018 in these consolidated financial statements (Note 8).

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20. Loans and borrowings

The following information reflects the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost:

	December 31, 2019	December 31, 2018
Non-current liabilities		
Secured bank loans	**130,218**	98,808
Unsecured bond issues (Sukuk) (Note 20.2)	**1,000,000**	1,500,000
Unsecured bank loans	**2,775,027**	2,667,188
	3,905,245	4,265,996
Current liabilities		
Current portion of secured bank loans	**60,461**	167,922
Current portion of unsecured bank loans	**679,321**	970,310
Unsecured bond issues (Sukuk) (Note 20.2)	**993,000**	--
Secured bank loans	**69,700**	69,846
Unsecured bank loans	**1,799,495**	2,425,243
Bank overdrafts	**37,273**	56,594
	3,639,250	3,689,915
	7,544,495	7,955,911

Geographical analysis of loans and borrowings is as follows:

Location	Long term loans		Short term Loan		Total loans & borrowing	
	2019	2018	2019	2018	2019	2018
Saudi Arabia	**5,414,928**	5,191,852	**1,010,000**	1,745,000	**6,424,928**	6,936,852
Egypt	**223,099**	211,788	**312,893**	344,056	**535,992**	555,844
Algeria	--	--	**211,570**	130,405	**211,570**	130,405
Turkey	--	--	**171,968**	146,839	**171,968**	146,839
Iran	--	--	**66,803**	48,667	**66,803**	48,667
Morocco	--	--	**56,988**	8,502	**56,988**	8,502
UAE	--	--	**47,800**	96,444	**47,800**	96,444
Sudan	--	588	**28,446**	31,770	**28,446**	32,358
	5,638,027	5,404,228	**1,906,468**	2,551,683	**7,544,495**	7,955,911

20.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its subsidiaries. These borrowings are in Saudi Riyals, Egyptian Pounds, Iranian Riyals, US Dollars, Algerian Dinar, Turkish Lira, United Arab Emirates Dirhams and Sudanese Pounds. Certain of these borrowings are secured by a charge on the property, plant and equipment of certain overseas subsidiaries. The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the long-term borrowings of subsidiaries are secured by corporate guarantees of the Parent Company. As at December 31, 2019, loans and borrowings include sharia-compliant financing facilities amounting to SR 6.54 billion (December 31, 2018: SR 6.98 billion).

20.2 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. The Sukuk is maturing on January 22, 2020 and accordingly has been classified as short-term loans and borrowings. Subsequent to the period end, the Sukuk has been settled on January 22, 2020.

On July 9, 2019, the Group completed the offering of its new Sukuk, under the new program, with a total value of SR 1 billion with a tenor of 7 years and carrying an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.60% payable semi-annually. The Sukuk will mature on July 9, 2026. The issuance included SR 507 million of the previous Sukuk, that have been redeemed and exchanged. Accordingly, the nominal value of the previous Sukuk decreases from SR 1.5 billion to SR 993 million.

20.3 Property, plant and equipment amounting to SR 286 million (December 31, 2018: SR 237.9 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.

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20. Loans and borrowings (continued)

20.4 Inventories amounting to SR 62 million (December 31, 2018: SR 25 million) are pledged with foreign banks as collateral against the bank borrowing facilities of certain overseas subsidiaries.

21. Lease liabilities

	2019
Recognised as at January 1, 2019 (Note 4)	**5,040,208**
Addition during the year	**231,658**
Lease terminated during the year	**(261,995)**
Interest expense for the year (Note 37)	**261,921**
Payments during the year	**(639,266)**
Closing balance	**4,632,526**

21.1 Lease liabilities have been presented in the consolidated statement of financial position as follows:

	December 31, 2019
Lease liabilities – non-current portion	**3,955,686**
Lease liabilities – current portion	**676,840**
	4,632,526

22. 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, 2019	December 31, 2018
Present value of defined benefit obligation	**747,201**	719,542

An independent actuarial exercise has been conducted as at December 31, 2018 and December 31, 2019 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Labour Laws of respective jurisdictions 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, 2019	December 31, 2018
Balance at beginning of year	**719,542**	663,732
Acquisition through Business acquisition	--	41,031
Included in profit or loss		
Current service cost	**91,063**	78,589
Interest cost	**34,334**	30,096
	125,397	108,685
Included in other comprehensive income		
Re-measurement (gain) / loss:		
Actuarial (gain) / loss	**(16,448)**	14,143
Effect of movement in exchange rates	**(4,458)**	(31,992)
Benefits paid	**(76,832)**	(76,185)
Adjustment related to transferred employees	--	128
Balance at end of year	**747,201**	719,542

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22. Employee Benefits (continued)
Movement in net defined benefit liability (continued)

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

	December 31, 2019	December 31, 2018
Discount rate	**3% - 19.4%**	4% - 21%
Future salary growth / Expected rate of salary increase	**3% - 21%**	3% - 23%
Mortality rate	**0.1% - 0. 2%**	0.1% - 0.32%
Employee turnover / withdrawal rates	**3% - 10.28%**	3% - 19.35%
Retirement age	**60 years**	60 years

The weighted average duration of the defined benefit obligation ranges between 5 to 11.78 years.

Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	December 31, 2019		December 31, 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(47,446)**	**54,943**	(48,764)	46,555
Future salary growth (1% movement)	**56,872**	**(50,069)**	48,678	(51,365)
Withdrawal rates (10% movement)	**(8,331)**	**8,783**	(9,190)	8,679
Future mortality (1 year movement)	**675**	**(660)**	281	(283)

The analysis does not take account of the full distribution of cash flows expected under the plan, and only provides an approximation of the sensitivity of the assumptions considered.

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

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Property, plant and equipment	**--**	--	**(85,562)**	(70,840)	**(85,562)**	(70,840)
Provisions	**4,360**	4,091	**(15,450)**	(13,186)	**(11,090)**	(9,095)
Other items	**4,142**	6,887	**(13,733)**	(7,169)	**(9,591)**	(282)
Tax losses carry-forward	**3,978**	6,815	**--**	--	**3,978**	6,815
Net tax asset / (liabilities)	**12,480**	17,793	**(114,745)**	(91,195)	**(102,265)**	(73,402)

The movement in deferred tax liability-net, recognised in profit and loss and Other Comprehensive Income – Foreign Currency Translation differences ("OCI – CTR"), is as follows:

	January 1, 2019	Recognised in profit of loss	Recognised in OCI – CTR	December 31, 2019
Property, plant and equipment	**(70,840)**	**(6,111)**	(8,611)	(85,562)
Provisions	**(9,095)**	**(1,481)**	(514)	(11,090)
Other items	**(282)**	**(10,326)**	1,017	(9,591)
Tax carry-forwards	**6,815**	**(2,884)**	47	3,978
	(73,402)	**(20,802)**	(8,061)	(102,265)

	January 1, 2018	Recognised in profit or loss	Recognised in OCI – CTR	December 31, 2018
Property, plant and equipment	(58,749)	(12,326)	235	(70,840)
Provisions	851	(9,221)	(725)	(9,095)
Other items	(786)	573	(69)	(282)
Tax carry-forwards	20,412	(13,568)	(29)	6,815
	(38,272)	(34,542)	(588)	(73,402)

24. Trade Payable

	Note	December 31, 2019	December 31, 2018
Third parties		**2,113,044**	2,221,758
Related parties	29	**191,828**	169,270
		2,304,872	2,391,028

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25. Accrued And Other Liabilities

	Note	December 31, 2019	December 31, 2018
Accrued expenses		450,985	500,391
Employee related accrual		290,187	236,675
Accrued zakat and tax	26	284,046	228,691
Marketing related accruals		159,659	137,301
Accrued utilities		135,606	146,667
Accrued financial charges		101,740	81,453
Provision against financial guarantee	27.1	100,735	100,735
Payable to contractors		94,674	122,097
Accrued rent	25.1	67,338	146,272
Negative fair value of derivatives	14	66,733	79,644
Payable to government authorities	25.2	65,483	111,451
Unclaimed dividend	25.3	59,538	60,016
Due to related parties	29	59,452	41,157
Advances from customers		39,284	23,552
Payable to Margarine Manufacturing Company	25.4	25,314	21,962
Change in fair value of hedged item (firm commitments)		15,724	15,145
Insurance related liabilities		11,089	15,110
Dividend payable to non-controlling interest		3,631	2,988
Other liabilities		211,735	210,734
		2,242,953	2,282,041

25.1 This includes additional accrued rent resulting from the lease cancellation of retail outlets.

25.2 Payable to government authorities represents estimated payments to be made to government authorities related to custom duties, value added tax, subsidies and price adjustments on edible oil purchases.

25.3 Unclaimed dividends represent dividend declared by the Company in prior years and share fractions, which resulted from split of shares in prior years. Such amounts have not yet been claimed by the respective shareholders. In the opinion of management, the unclaimed dividend represents the amount which can be claimed during the next year. However, the amount which have not been claimed for over three years are unlikely to be paid during the next year and accordingly, classified under long term payables.

25.4 Payable to Margarine Manufacturing Company represents payable in connection with the price differences on subsidized crude oil consumed by Behshahr Industrial Company for production of free market products.

26. Zakat And Income Taxes

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

	December 31, 2019	December 31, 2018
Current foreign income-tax charge	47,684	49,489
Zakat	35,232	18,043
	82,916	67,532
Deferred foreign income-tax charge (Note 23)	20,802	34,542
	103,718	102,074

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

	December 31, 2019	December 31, 2018
Balance at beginning of year	228,691	253,265
Charge for the year	82,916	67,532
Currency translation / other adjustments	84,398	(32,484)
Payments during the year	(111,959)	(59,622)
Balance at end of year	284,046	228,691

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26. Zakat And Income Taxes (continued)

(a) Zakat status

During the year, the Company has finalised its Zakat status for the years 2005 to 2018. The General Authority for Zakat and Tax (GAZT) conducted a field audit on the Company's accounts for the years 2005 to 2012, and claimed additional Zakat difference of SR 85.8 million. Subsequently, the assessment was agreed with the GAZT Settlement Committee and the Company settled the liability with an amount of SR 10.2 million. Moreover, the years from 2013 to 2018 were also finalized based on amended returns and resulting in assessment of SR 5.4 million. The Company only has open years 1999 and 2000, for which there is an ongoing objection of SR 1.9 million against the assessment issued by GAZT. Certain subsidiaries in the foods processing sector have also received final or provisional zakat certificates until the year 2018. Accordingly, payment plans have been pursued as per the agreement with GAZT and liabilities have been adjusted against the final settlement amounts.

The Group additionally has pending appeals against assessments of certain subsidiaries with total Zakat differences of SR 8.2 million (December 31, 2018: approximately SR 10 million).

(b) Income tax status

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

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

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

27. Contingencies And Commitments

	December 31, 2019	December 31, 2018
Letters of credits	71	163
Bank guarantees	180	247
Commitments to buy raw sugar	189	350
Commitments to sell refined sugar	333	323
Capital commitments	70	99
	Quantity in Metric tonnes	
Commitments to buy raw sugar	174,752	306,259
Commitments to sell raw sugar	199,744	323,204

27.1 Savola Group Company has issued a corporate guarantee in favour of Saudi Industrial Development Fund ("SIDF") along with certain other entities (together referred to as the "SIDF Guarantors") for the loan facility availed by Eastern Industrial Company ("EICO", "Joussour Holding Company's subsidiary" or Group's affiliate). In 2018, the Company has received a call notice from SIDF to settle its share of the guarantee due to default in repayment by EICO of SIDF loan, triggered from the adverse financial performance.

Accordingly, the Company has recorded a provision amounting to SR 100.7 million. Subsequent to the reporting date, the Group has made a partial payment amounting to SR 26.4 million against the guarantee.

27.2 Also see note 20 with respect to guarantees given for certain loans and note 26 with respect to Zakat contingencies.

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

	December 31, 2019	December 31, 2018
Within one year	46,137	631,942
Between two and five years	--	2,305,617
More than five years	--	3,977,613
Total	46,137	6,915,172

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28. Earnings Per Share

Basic earnings per share for the year ended December 31, 2019 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, 2018: 533.981 million) during such periods.

Diluted earnings per share for the year ended December 31, 2019 and December 31, 2018, have been computed by dividing the net profit / (loss) and profit / (loss) from continuing operations attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding 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.

29. Related Parties

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

Transactions with key management personnel

Key management personnel compensation

Compensation to the Group's key management personnel includes salaries, non-cash benefits, and post-employment benefits, in relation to which, the Group has recognized an expense of SR 32.5 million for the year ended December 31, 2019 (December 31, 2018: SR 30.4 million).

Board of Directors' remuneration for the year ended December 31, 2019 amounting to SR 2.1 million (December 31, 2018: SR 2.2 million) has been calculated in accordance with the Company's By-laws and is charged to the consolidated statement of profit and loss. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 3.0 million (December 31, 2018: SR 2.7 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 favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on arm's length basis.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within agreed credit period from the date of transaction. None of the balances are secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The aggregate value of related party transactions and outstanding balances including those related to key management personnel, and entities over which they have control or significant influence are as follows:

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29. Related Parties (continued)

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			December 31 2019	December 31 2018	December 31 2019	December 31 2018
Due from related parties – Trade receivables						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	**131,021**	179,542	**14,295**	22,372
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	**70,744**	59,937	**21,305**	15,469
Almarai	Associate	Trade	**49,256**	61,145	**1,495**	3,593
Western Bakeries Company Limited	Affiliate	Trade	**63,377**	29,368	**5,449**	1,596
Others			**475**	107	**590**	2,095
					43,134	45,125
Due from related parties – Prepayments and other receivables						
Khairat AlSharq for General Trade and Manufacturing Foodstuff Company	Affiliate	Non-trade	**19,853**	1,664	**22,322**	2,768
Arabian Centers Company	Shareholder of a subsidiary	Non-trade	**52,200**	43,901	**--**	7,513
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Non-trade	**7,399**	--	**3,159**	--
Intaj	Associate	Non-trade	**6,819**	5,716	**--**	--
Waste Collection & Recycling Company	Affiliate	Non-trade	**5,945**	--	**3,060**	--
Del Monte Saudi Arabia Limited	Affiliate	Non-trade	**3,300**	3,150	**--**	--
Seafood International Holdco.	Joint venture	Non-trade	**--**	--	**6,011**	6,011
Kinan (Note 29.1)	Associate	Non-trade	**--**	--	**--**	73,015
Zohoor Alreef	Affiliate	Non-trade	**482**	229	**174**	144
Knowledge Economic City	Affiliate	Non-trade	**468**	--	**--**	--
					34,726	89,451
Due from related parties – Long-term receivables						
Kinan (Note 29.1)	Associate	Non-trade	**--**	--	**--**	69,075
Due to related parties – Trade payables						
Almarai	Associate	Trade	**753,422**	742,548	**100,516**	83,915
Nestle Group	Affiliate	Trade	**383,240**	368,916	**41,152**	41,115
Mayar Food Company	Affiliate	Trade	**134,736**	136,958	**38,243**	34,124
Del Monte Saudi Arabia Limited	Affiliate	Trade	**70,807**	85,312	**5,943**	4,194
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	**22,806**	8,036	**3,676**	2,584
Al Manhal Water Factory Company Limited	Affiliate	Trade	**5,798**	12,886	**1,157**	1,894
Seafood International One	Associate	Trade	**28,465**	20,804	**--**	--
USCE	Associate	Trade	**14,167**	20,625	**--**	--
Al Jazirah Dates & Food Factory	Associate	Trade	**164**	147	**29**	33
Others			**17,379**	14,941	**1,112**	1,411
					191,828	169,270
Due to related parties – accrued and other liabilities						
USCE	Associate	Non-trade	**49,061**	74,382	**52,935**	20,372
Kinan	Associate	Non-trade	**31,377**	32,437	**--**	10,300
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	**6,783**	6,783	**6,517**	3,125
Dur Hospitality Company	Affiliate	Non-trade	**10,500**	12,167	**--**	3,333
Seafood International One	Associate	Non-trade	**147**	18,175	**--**	4,027
					59,452	41,157

29.1 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 153.9 million was rescheduled and agreed to be settled in 2 installments amounting to SR 79.7 million and SR 74.3 million on December 1, 2018 and June 30, 2019 respectively. During the period ended September 30, 2019, the outstanding balance was received.

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30. Operating Segments
The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (Chief Operating Decision Maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Food processing includes manufacturing, sale and distribution of Edible oils, Sugar, Pasta and food products.
Retail includes hyper markets, super markets and convenience stores operations.
Food services includes food products and fast food restaurants' chain operated by Herfy.
Frozen Food includes manufacturing, wholesale and retail distribution of frozen food products operated by Good Food Company.
Investments includes real estate activities, investments in associates, FVTPL, FVOCI and other investments.

The segments which do not meet any of the quantitative thresholds for determining reportable segments, 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, 2019	Food Processing	Retail	Food Services	Frozen Food	Investments	Others / Eliminations	Total
External revenues	**8,904,804**	**11,492,903**	**1,259,294**	**586,362**	**--**	**--**	**22,243,363**
Inter segment revenue	**304,409**	**3,802**	**29,016**	**33,693**	**43,599**	**(414,519)**	**--**
Segment Revenue	**9,209,213**	**11,496,705**	**1,288,310**	**620,055**	**43,599**	**(414,519)**	**22,243,363**
Cost of revenues	**(7,864,325)**	**(8,952,280)**	**(895,673)**	**(397,702)**	**--**	**370,921**	**(17,739,059)**
Segment net profit / (loss)	**292,380**	**(342,412)**	**194,354**	**62,368**	**397,779**	**(128,839)**	**475,630**
Segment assets	**6,870,235**	**7,510,918**	**2,033,463**	**910,403**	**13,648,202**	**(4,315,510)**	**26,657,711**
Segment liabilities	**4,578,329**	**6,648,725**	**1,035,109**	**704,236**	**5,796,953**	**(644,711)**	**18,118,641**
December 31, 2018							
External revenues	9,411,816	11,114,241	1,198,957	89,549	--	--	21,814,563
Inter segment revenue	323,656	3,354	28,313	4,557	47,035	(406,915)	--
Segment Revenue	9,735,472	11,117,595	1,227,270	94,106	47,035	(406,915)	21,814,563
Cost of revenues	(8,514,731)	(8,803,345)	(882,200)	(72,856)	--	356,526	(17,916,606)
Segment net (loss) / profit	(17,272)	(917,429)	204,170	(4,059)	277,590	(63,380)	(520,380)
Segment assets	6,787,542	4,502,327	1,442,400	909,159	12,562,714	(3,951,691)	22,252,451
Segment liabilities	4,569,707	4,109,721	508,627	763,094	4,901,214	(621,853)	14,230,510

31. Revenue
The Group generates revenue primarily from the sale of goods. Other sources of revenue include promotion and display income, rental income and commission income.

	Reportable Segments						
December 31, 2019	Food Processing	Retail	Food Services	Frozen Food	Investments	Others / Eliminations	Total
Products transferred at a point in time	**9,208,738**	**10,627,439**	**1,288,310**	**620,055**	**--**	**(370,920)**	**21,373,622**
Products and services transferred over time	**475**	**869,266**	**--**	**--**	**43,599**	**(43,599)**	**869,741**
Total revenue	**9,209,213**	**11,496,705**	**1,288,310**	**620,055**	**43,599**	**(414,519)**	**22,243,363**
December 31, 2018							
Products transferred at a point in time	9,735,472	10,306,388	1,227,270	94,106	--	(359,880)	21,003,356
Products and services transferred over time	--	811,207	--	--	47,035	(47,035)	811,207
Total revenue	9,735,472	11,117,595	1,227,270	94,106	47,035	(406,915)	21,814,563

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32. Cost Of Revenues

	2019	2018
Inventories consumed / sold	**15,881,794**	16,400,186
Salaries and employee related expenses	**665,344**	593,404
Overheads	**549,540**	462,290
Depreciation on property, plant and equipment	**286,452**	278,234
Depreciation on right-of-use assets	**119,254**	--
Freight & handling	**236,675**	182,492
	17,739,059	17,916,606

33. Selling And Distribution Expenses

	2019	2018
Salaries and employee related expenses	**1,397,496**	1,281,060
Depreciation on right-of-use assets	**410,226**	--
Advertisement	**305,769**	286,017
Depreciation on property, plant and equipment	**291,104**	396,139
Utilities	**245,867**	270,669
Rent	**97,223**	746,145
Maintenance	**65,438**	55,777
Commission	**40,316**	34,102
Insurance	**33,977**	41,730
Communication	**10,130**	11,246
Others	**44,140**	79,304
	2,941,686	3,202,189

34. Administrative expenses

	2019	2018
Salaries and employee related expenses	**501,949**	486,422
Depreciation on property, plant and equipment	**86,536**	87,765
Professional fees	**53,657**	46,685
IT related cost	**35,790**	31,418
Insurance	**17,767**	19,540
Utilities, telephone and communication cost	**16,841**	15,174
Traveling	**15,987**	11,009
Public relations and advertising	**9,377**	8,338
Repairs and maintenance	**8,822**	7,330
Depreciation on right-of-use assets	**7,636**	--
Rent	**4,757**	8,080
Training	**4,646**	6,150
Others	**56,515**	65,729
	820,280	793,640

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35. Hyperinflationary accounting
The Group has operations in Sudan through its subsidiary Savola Edible Oils (Sudan), which is declared as hyperinflationary economy by International Accounting Standard Board (IASB).

The main effects on the Group's consolidated financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) for the year ended December 31, 2019 are as follows:

	2019	2018
Revenue decreased by	**23,934**	59,539
Income from operations decreased by	**12,697**	18,492
Total non-current assets decreased by	**1,443**	13,486
Currency translation differences impacted by	**8,162**	15,138

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

Conversion factor for the year ended December 31, 2019	**1.5908**
Conversion factor for the year ended December 31, 2018	1.6553

36. Impairment Loss
The Group reviews 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.

a) Impairment loss on recoverable amount of freehold land parcels:
The Group recognized an impairment of SR 12.1 million (2018: SR 69.7 million) on freehold land. This represents the write-down of the carrying amount of these lands to their recoverable amounts due to unfavorable changes in economic environment and market dynamics.

The recoverable amount is based on "comparable" method and was determined at the level of individual assets as identified by management. In determining market value, properties with similar characteristics in the same market area that have recently been sold were selected. Once those properties were found, they were compared to the property in question and an adjustment in value was made for comparative deficiencies and advantages.

b) Impairment loss on recoverable amount of non-current assets excluding freehold land:
During the year, the Group has recognised a net impairment loss of SR 60.6 million (2018: SR 129.8 million) against items of property, plant and equipment and right-of-use assets, due to changes in economic environment affecting footfall and basket size (Note 6 and Note 7).

Cash flow projections were prepared using budgeted earnings before interest, zakat, depreciation and amortization (EBITDA) taking into account past experience, and following factors:

(i) Estimated revenue and EBITDA Growth for future five years based on expected sales volume and price growth for these years.
(ii) Estimated improvement in gross margins and EBITDA as a result of improvement plans currently being carried out by the Group.

These cash flows were discounted using a post-tax discount rate which was estimated using industry average weighted-average cost of capital and cost of debt, with a target debt to equity ratio of 53.8% at a post Zakat cost of debt of 2.5%.

The key assumptions used for determination of recoverable amounts are as follows:

	2019	2018
Budgeted gross margin	**22.5% to 29.7%**	25.2% to 27.8%
Weighted average revenue growth rate	**-2% to 12%**	-2% to 12%
Operating expenses	**7.3% to 28.0%**	19.4% to 24.4%
Budgeted EBITDA margins	**-1.5% to 20.2%**	1.3% to 8.5%
Discount rate	**10.2%**	12%

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36. Impairment Loss (continued)
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

37. Net Finance Cost

	2019	2018
Commission income on bank deposits	**54,125**	70,463
Gain on re-measurement of other commodity futures	**39,253**	--
Positive fair value of options	**9,037**	--
Finance income	**102,415**	70,463
Financial charges on borrowings	**429,065**	398,840
Interest expense on lease liabilities	**261,921**	--
Bank commission	**54,053**	46,619
Foreign exchange loss, net	**42,708**	99,308
Negative fair value of options	**497**	44,896
Loss on re-measurement of other commodity futures, net	**--**	13,922
Unwinding of discount on site restoration	**833**	2,927
Finance cost	**789,077**	606,512
Net finance cost recognized in profit or loss	**686,662**	536,049

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

Risk management framework
Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are market risk, credit risk and liquidity risk.

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

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

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.

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38. Financial Risk Management

Market risk (continued)

Interest rate risk (continued)

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 ("IRSs") 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 IRSs expired on January 22, 2020.

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, 2019	December 31, 2018
Fixed rate instruments		
Financial assets	**413,609**	499,546
Financial liabilities	**1,236,165**	239,341
Variable rate instruments		
Financial assets	**34,852**	674
Financial liabilities	**6,351,181**	7,716,570

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 8 million (December 31, 2018: 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 66.5 million (December 31, 2018: SR 50.5 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, United Arab Emirates Dirhams, 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 "Foreign Currency Translation Reserve" 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 significant gross financial position exposure (in thousands) classified into separate foreign currencies:

	December 31, 2019					
	US Dollars	Iranian Riyals	Egyptian Pounds	Sudanese Pounds	Turkish Lira	UAE Dirhams
Trade receivables	22,578	2,008,037,075	368,714	110,367	223,675	34,083
Other receivables	11,838	18,025,389	325,155	135,925	6,120	2,492
Cash and cash equivalents	9,478	3,108,459,981	247,071	532,778	1,053	72
	43,894	5,134,522,445	940,940	779,070	230,848	36,647
Trade payables	(83,538)	(2,381,970,302)	(380,454)	(46,275)	(66,669)	(18,898)
Other payables	(1,586)	(249,617,632)	(656,513)	(251,669)	(5,512)	(5,120)
Loans and borrowings	(13,184)	(2,013,150,154)	(2,062,955)	(675,025)	(281,260)	(41,239)
	(98,308)	(4,644,738,088)	(3,099,922)	(972,969)	(353,441)	(65,257)
Net exposure	(54,414)	489,784,357	(2,158,982)	(193,899)	(122,593)	(28,610)

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38. Financial Risk Management (continued)

Market risk (continued)

Currency risk (continued)

	December 31, 2018					
	US Dollars	Iranian Riyals	Egyptian Pounds	Sudanese Pounds	Turkish Lira	UAE Dirhams
Trade receivables	19,188	1,114,905,409	449,847	38,802	163,419	52,804
Other receivables	13,145	1,945,259,196	299,891	41,271	--	2,156
Cash and cash equivalents	27,560	2,656,160,765	247,753	338,058	231	8,910
	59,893	5,716,325,370	997,491	418,131	163,650	63,870
Trade payables	(16,310)	(505,193,866)	(350,792)	(182,551)	(62,934)	(22,651)
Other payables	(423)	(2,440,000,367)	(681,093)	(78,696)	(5,795)	(17,132)
Loans and borrowings	(18,603)	(1,175,592,310)	(2,310,317)	(569,512)	(141,632)	(94,303)
	(35,336)	(4,120,786,543)	(3,342,202)	(830,759)	(210,361)	(134,086)
Net exposure	24,557	1,595,538,827	(2,344,711)	(412,628)	(46,711)	(70,216)

Significant exchange rates applied during the year were as follows:

	Average rate		Spot rate	
	For the year ended December 31,		As at December 31,	
	2019	2018	2019	2018
Foreign currency per Saudi Riyal				
US Dollars	**0.27**	0.27	**0.27**	0.27
Iranian Riyals	**27,145**	16,609	**30,136**	24,155
Egyptian Pounds	**4.54**	4.76	**4.29**	4.79
Sudanese Pounds	**20.67**	14.85	**23.73**	17.60
Turkish Lira	**1.45**	1.47	**1.51**	1.40
United Arab Emirates Dirhams	**1.02**	1.02	**1.02**	1.02

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

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before zakat and income tax for the year by SR 6.5 million (December 31, 2018: SR 3.9 million).

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 since the Group holds investment in certain listed equities which are classified on the statement of financial position as FVOCI investments. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Such investments are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. In addition, United Sugar Company uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

Further, as disclosed in Note 14, the put and call option are periodically valued based on Black Scholes' model using certain assumptions including the sugar prices; the fluctuations of which affects the valuations.

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in note 11 to these consolidated financial statements. As at December 31, 2019, the Company's overall exposure to price risk is limited to the fair value of those positions.

Sensitivity analysis

The net assets of the Group will increase / (decrease) by SR 2.9 million (December 31, 2018: SR 2.6 million) if the prices of quoted equity vary due to increase / decrease in fair values by 1% with all other factors held constant.

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38. 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, payment history, whether they are an individual or a legal entity, whether they are a wholesale/retail or manufacturers, their geographic location, existence of any financial/economic difficulties including the default risk associated with the industry and country in which they operate and accordingly records impairment loss against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored. In order to cater the credit risk from debtors, the Group has also entered into insurance arrangements in certain geographies.

The Group's maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2019	December 31, 2018
Financial assets		
Long term receivables	7,268	7,443
Trade receivables	1,190,657	1,073,572
Other receivables	326,263	462,007
Derivatives	41,632	103,527
Investment at fair value through profit or loss	26,516	30,888
Bank balances	908,538	866,410
	2,500,874	2,543,847

Trade receivables are carried net of impairment loss.

As at the reporting date, receivable overdue for more than six months amounted to SR 145.6 million (December 31, 2018: SR 81.6 million). The total allowance for Expected Credit Losses ("ECL") at December 31, 2019 amounted to SR 122.5 million (December 31, 2018: SR 104.8 million). There were no past due or impaired receivables from related parties other than SR 3.8 million receivable from an investee company, Joussour Holding Company, as disclosed in Note 29. "Related Parties". Company has recorded full impairment against the said receivable balance.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

The following table provides information about the exposure to credit risk for trade and long term receivables as at December 31, 2019:

	Gross carrying amount 2019	2018
Current (not past due)	915,526	817,869
1–30 days past due	146,563	98,013
31–60 days past due	46,899	121,937
61–90 days past due	45,792	29,456
More than 90 days past due	165,649	118,522
Total	1,320,429	1,185,797

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Other receivables
Impairment on other receivables has been measured on a life time expected loss basis and reflects the short maturities of the exposures having low credit risk.

Cash and cash equivalent
Impairment on cash and cash equivalents has been measured on a life time expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties

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38. Financial Risk Management (continued)
Concentration Risk
The sector wise analysis of receivables, comprising trade and long term receivables is given below:

	December 31, 2019	December 31, 2018
Wholesale / Retail	871,568	768,568
Manufacturing	253,767	188,023
Exports	73,622	102,809
Others	121,472	126,397
	1,320,429	1,185,797
Less: Impairment loss	(122,504)	(104,782)
	1,197,925	1,081,015

The maximum exposure to credit risk for trade and long term receivables by geographic region is as follows:

	December 31, 2019	December 31, 2018
Saudi Arabia	802,999	715,629
Turkey	150,233	135,274
Egypt	129,526	145,053
Iran	78,476	61,274
UAE	34,857	39,419
Other Regions	124,338	89,148
	1,320,429	1,185,797
Less: Impairment loss	(122,504)	(104,782)
	1,197,925	1,081,015

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, 2019, the Group has unused bank financing facilities amounting to SR 5.26 billion (December 31, 2018: SR 4.62 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, 2019	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	7,544,495	3,442,283	890,424	1,648,431	780,344	1,931,556
Lease liabilities	4,632,526	321,673	304,398	1,163,518	1,075,268	3,067,968
Trade payables	204,146	204,146	--	--	--	--
Accrued and other liabilities	1,858,329	1,858,329	--	--	--	--
Unclaimed dividends	263,684	263,684	--	--	--	--
	14,503,180	6,090,115	1,194,822	2,811,949	1,855,612	4,999,524
Derivative financial liabilities						
Interest rate swaps used for hedging	547	547	--	--	--	--
Derivative contracts used for hedging	52,303	49,481	1,235	960	289	--
Put Option	188,094	--	--	--	207,848	--
Other derivative contracts not for hedging	13,883	3,756	3,841	6,287	--	--
	254,827	53,784	5,076	7,247	208,137	--

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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38. Financial Risk Management (continued)
Liquidity risk (continued)

December 31, 2018	Carrying Amount	Contractual cash flows: Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
Non-derivative financial liabilities						
Loans and borrowings	7,955,911	2,905,625	972,644	4,184,824	166,929	--
Trade payables	2,391,028	2,391,028	--	--	--	--
Accrued and other liabilities	1,851,603	1,851,603	--	--	--	--
Unclaimed dividends	266,090	266,090	--	--	--	--
	12,464,632	7,414,346	972,644	4,184,824	166,929	--
Derivative financial liabilities						
Interest rate swaps used for hedging – (asset)	(1,286)	(1,780)	(2,821)	(3,924)	--	--
Derivative contracts used for hedging	29,467	29,376	91	--	--	--
Put Option	197,131	--	--	--	--	228,973
Other derivative contracts not for hedging	50,177	31,554	14,782	3,841	--	--
	275,489	59,150	12,052	(83)	--	228,973

Fair value of assets and liabilities
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As the Group's financial instruments are compiled under the historical cost convention, except for FVOCI investments, FVTPL 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.

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

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38. Financial Risk Management (continued)
Fair value of assets and liabilities (continued)

December 31, 2019	Carrying amount: Mandatorily at FVTPL -others	Designated at fair value	Fair value hedging instruments	FVOCI	Fair Value: Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Investment at fair value through profit or loss	26,516	--	--	--	26,516	--	--	26,516
Future exchange contracts used for hedging	--	--	15,606	--	--	15,606	--	15,606
Other future exchange contracts	--	24,364	--	--	--	24,364	--	24,364
Call option	--	1,999	--	--	--	--	1,999	1,999
Equity securities (Note 11)	--	--	--	347,590	286,982	--	60,608	347,590
	26,516	26,363	15,606	347,590	313,498	39,970	62,607	416,075
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	--	--	547	--	--	547	--	547
Future exchange contracts used for hedging	--	--	52,303	--	--	52,303	--	52,303
Other future exchange contracts	--	13,883	--	--	--	13,883	--	13,883
Put option	--	188,094	--	--	--	--	188,094	188,094
	--	201,977	52,850	--	--	66,733	188,094	254,827

December 31, 2018	Carrying amount: Mandatorily at FVTPL -others	Designated at fair value	Fair value hedging instruments	FVOCI	Fair Value: Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Investment at fair value through profit or loss	30,888	--	--	--	30,888	--	--	30,888
Future exchange contracts used for hedging	--	--	18,284	--	--	18,284	--	18,284
Other future exchange contracts	--	82,747	--	--	--	82,747	--	82,747
Call option	--	2,496	--	--	--	--	2,496	2,496
Interest rate swaps used for hedging	--	--	1,286	--	--	1,286	--	1,286
Equity securities (Note 11)	--	--	--	324,204	256,530	--	67,674	324,204
	30,888	85,243	19,570	324,204	287,418	102,317	70,170	459,905
Financial liabilities measured at fair value								
Future exchange contracts used for hedging	--	--	29,467	--	--	29,467	--	29,467
Other future exchange contracts	--	50,177	--	--	--	50,177	--	50,177
Put option	--	197,131	--	--	--	--	197,131	197,131
	--	247,308	29,467	--	--	79,644	197,131	276,775

Valuation technique and significant unobservable inputs
The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair value, as well as significant unobservable input used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Equity securities	Market comparison technique. PE multiple, Price to Book value.	Price Earnings Multiples, Price to Book value and Price to Tangible Book Value.	Not applicable
Future contracts	Broker quotes	Not applicable	Not applicable
Call and Put Option	Black Scholes Model	Strike price Volatility of Sugar index Spot price (fair value)	Increase in fair value will decrease the Put Option and increase the Call option values. Increase in volatility index will increase the value of Put and Call options.
Interest rate swaps	DCF	Not applicable	Not applicable

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39. 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 calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalent. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserves. The gearing ratio as at December 31, 2019 and December 31, 2018 is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	**18,118,641**	14,230,510
Less: Cash and cash equivalents	**(940,536)**	(901,573)
Adjusted net debt	**17,178,105**	13,328,937
Total equity	**8,539,070**	8,021,941
Less: Hedging reserve	**547**	(1,286)
Adjusted equity	**8,539,617**	8,020,655
Adjusted net debt to adjusted equity ratio	**2.01**	1.66

40. New Standards Or Amendments For 2019 And Forthcoming Requirements

The adoption of the following amendments to the existing standards had no significant financial impact on the consolidated financial statements of the Group on the current year or prior years and is expected to have no significant effect in future periods:

a) Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 Business Combinations — A company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 Joint Arrangements — A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes — A company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23 Borrowing Costs — A company treats as part of general borrowings, any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

b) Other Amendments

The following amended standards and interpretations do not have a significant impact on the Group's consolidated financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

Pronouncements issued and not yet effective

A number of new pronouncements are effective for annual periods beginning on or after January 1, 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendment to IFRS 3)
- Definition of Material (Amendment to IAS 1 and IAS 8)
- Insurance Contracts (IFRS 17)
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

41. Date Of Authorisation For Issue

These financial statements were authorised for issue by the Company's Board of Directors on Rajab 22, 1441H, corresponding to March 17, 2020.

The Savola Group

Savola Tower (14th Floor)
The Headquarters Business Park
Prince Faisal Bin Fahd Road
2444 Taha Khusaifan, Unit 15
Ashati District
Jeddah 23511-7333
Kingdom of Saudi Arabia
Tel: +96612 268 7733
Fax: +96612 268 7828

www.savola.com